



<b>Department: Surveillance and Investigation</b>	<b>Segment: All</b>
<b>Circular No: MSE/SURV/15287/2024</b>	<b>Date : April 30, 2024</b>

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**Subject: Master Circular - Surveillance and Investigation**

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To All Members,

This is with reference SEBI Circular no. SEBI/HO/MRD/POD 3/CIR/P/2023/58 dated April 20, 2023 and in terms of the provisions of the Rules, Bye-Laws and Regulations of the Exchange to facilitate members to comply with the regulatory requirements prescribed through various circulars issued by the Surveillance and Investigation department from time to time, Exchange is hereby issuing the consolidated circular which is a compilation of relevant circulars issued by the Exchange which are operational as on date of this circular.

Efforts have been made to incorporate applicable provisions of existing circulars issued by SEBI.

It is hereby clarified that in case of any inconsistency between this Master Circular and the original applicable circular, the content of the original circular shall prevail.

For any clarifications, contact Customer Service on 022-61129000 or send an email at [customerservice@msei.in](mailto:customerservice@msei.in).

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

**Vipul Vaishnav**

**Asst. Vice President - Surveillance and Investigation**

**Index**

**Contents**

Index .....	2
LIST OF CIRCULARS/NOTIFICATIONS/COMMUNICATIONS.....	3
MASTER CIRCULAR .....	6
<b>PART II</b> .....	<b>6</b>
1.1 Introduction of Periodic Call Auction for Illiquid Scrips (PCAS).....	7
1.2 Graded Surveillance Measure (GSM) .....	7
1.3 Enhance Surveillance Measure (ESM) .....	8
1.4 Long Term Additional Surveillance Measure (LT-ASM) .....	11
1.5 Short Term Additional Surveillance Measure (ST-ASM) .....	14
1.6 Insolvency and Bankruptcy Code (IBC).....	17
1.7 Applicability of measure in respect of companies with high promoter as well non - Promoter "Encumbrance" as per Reg. 28(3) of SEBI (SAST) Regulation 2011 .....	21
1.8 Surveillance measure in respect of companies with high promoter pledge .....	22
1.9 Surveillance measure for scrips with low Non-Promoter holding.....	23
1.10 Surveillance measure for securities under IBC/ICA .....	24
1.11 Surveillance Action w.r.t dealing with unsolicited videos and messages circulated in social media platforms.....	25
1.12 Surveillance measures for Deep Out-of-The-Money (OTM) contracts .....	26
1.13 Member Surveillance System .....	27
1.14 Surveillance Obligation – Quarterly reporting by trading members .....	27
1.15 High Order to Trade Ratio (OTR).....	29
1.16 Order Based Surveillance Measure (OBSM) .....	30
1.17 Monitoring of Foreign Investment limits in listed Indian companies .....	33
1.18 Bulk Deal Reporting .....	34
1.19 Revised position limits in Equity Index Derivatives (Futures and Options).....	35
1.20 Additional Surveillance Margin on Trading Member for Order Spoofing .....	38
1.21 Consolidated Penalty Structure for Surveillance.....	39
1.21.1 High Order to Trade Ratio (OTR) .....	39
1.21.2 Surveillance obligation for the Trading Members .....	40
1.22 Trade to Trade Settlement .....	41

1.23 PAN based Self Match Prevention Functionality (SMPF).....	42
<b>2 INVESTIGATION.....</b>	<b>42</b>
2.1 Client Code Modification .....	42
2.2 Abnormal / Non-Genuine Transactions.....	44
2.3 Client Due Diligence (CDD) .....	45
2.4 Unique Client Code (UCC).....	45
2.4.1 UCC Functionalities:.....	46
2.4.2 Adherence to KYC requirements.....	48
2.4.3 Multiple UCCs allotted to client.....	48
2.4.4 AADHAR seeding with PAN .....	49
2.4.5 Compliant UCCs only will be allowed to place orders w.e.f. April 01, 2022.....	49
2.4.6 Mobile Number Revocation list (MNRL) published on Telecom Regulatory Authority of India (TRAI) website.....	50
2.4.7 Nomination for Eligible Trading and Demat Accounts .....	50
2.4.8 Non Submission Charges:.....	51
2.5 Dealing with Unsolicited messages.....	53
2.6 Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011 .....	54
2.7 Centralized Mechanism for reporting the demise of an investor through KRAs .....	54

## LIST OF CIRCULARS/NOTIFICATIONS/COMMUNICATIONS

### PART I – SURVEILLANCE

SR. NO.	SUBJECT	INDEX REF.	CIRCULAR NO	ISSUEDDATE
1	<u>Introduction of Periodic Call Auction for Illiquid Scrips.</u>	1.1	<u>MCX-SX/ECM/TRD/1029/2013</u>	February 20, 2013
2	<u>Graded Surveillance Measure</u>	1.2	<u>MSE/SURV/8388/2019</u>	November 29, 2019
3	<u>Enhance Surveillance Measure</u>	1.3	<u>MSE/SURV/13576/2023</u> <u>MSE/SURV/13823/2023</u>	June 02, 2023 July 18, 2023
4	<u>Long Term Additional Surveillance Measure</u>	1.4	<u>MSE/SURV/11750/2022</u>	April 22, 2022

5	<u>Short-term Additional Surveillance Measure (Short-term ASM)</u>	1.5	<u>MSE/SURV/9816/2020</u> <u>MSE/SURV/11774/2022</u>	December 05, 2020 April 28, 2022
6	<u>Insolvency and Bankruptcy Code</u>	1.6	<u>MSE/SURV/13038/2023</u>	February 10, 2023
7	<u>Applicability of measure in respect of companies with high promoter as well non - Promoter "Encumbrance" as per Reg. 28(3) of SEBI (SAST) Regulation 2011</u>	1.7	<u>MSE/SURV/11433/2022</u>	February 01, 2022
8	<u>Surveillance measure in respect of companies with high promoter pledge</u>	1.8	<u>MSE/SURV/8266/2019</u> <u>MSE/SURV/8934/2020</u>	October 25, 2019 April 17, 2020
9	<u>Surveillance measure for scrips with low Non-Promoter holding</u>	1.9	<u>MSE/SURV/13037/2023</u>	February 10, 2023
10	<u>Inter Creditor's Agreement (ICA)</u>	1.10	<u>MSE/SURV/11848/2022</u>	May 20, 2022
11	<u>Surveillance Action w.r.t dealing with unsolicited videos and messages circulated</u>	1.11	<u>MSE/SURV/6234/2018</u> <u>MSE/SURV/13181/2023</u>	April 16, 2018 March 13, 2023
12	<u>Surveillance measures for Deep Out-of-The-Money (OTM) contracts</u>	1.12	<u>MSE/SURV/8224/2019</u>	October 14, 2019
13	<u>Member Surveillance System</u>	1.13	<u>MSE/SURV/10627/2021</u>	July 01, 2021
14	<u>Surveillance Obligation – Quarterly reporting by trading members</u>	1.14	<u>MSE/SURV/10627/2021</u> <u>MSE/SURV/10922/2021</u>	July 01, 2021 September 24, 2021
15	<u>High Order to Trade Ratio (OTR)</u>	1.15	<u>MSE/SURV/9240/2020</u>	July 14, 2020
16	<u>Order Based Surveillance Measure (OBSM)-Persistent Noise Creators</u>	1.16	<u>MSE/SURV/12071/2022</u>	July 18, 2022
17	<u>Monitoring of Foreign Investment limits in listed Indian companies</u>	1.17	<u>MSE/LIST/6396/2018</u>	June 05, 2018
18	<u>Bulk Deal</u>	1.18	<u>MCX-SX/ECM/TRD/999/2013</u>	February 07, 2013
19	<u>Revised position limits in Equity Index Derivatives (Futures and Options)</u>	1.19	<u>MSE/SURV/8842/2020</u> <u>MSE/SURV/9768/2020</u>	March 23, 2020 November 25, 2020
20	<u>Additional Surveillance Margin on Trading Member for Order Spoofing</u>	1.20	<u>MSE/SURV/7690/2019</u>	May 24, 2019

21	<u>Consolidated Penalty Structure for Surveillance</u>	1.21	<u>MSE/SURV/9240/2020</u>	July 14, 2020
	a) <u>High Order to Trade Ratio - OTR</u> b) <u>Surveillance obligation for the Trading Members</u>		<u>MSE/SURV/11289/2021</u>	December 27, 2021

## PART II – INVESTIGATION

SR. NO.	SUBJECT	INDEX REF	CIRCULAR NO	DATE
1	<u>Client Code Modification</u>	2.1	<u>MCX-SX/ID/629/2011</u>	<u>August 26, 2011.</u>
2	<u>Abnormal / Non-Genuine Transactions</u>	2.2	<u>MSE/SURV/7309/2019</u>	<u>February 8, 2019</u>
3	<u>Client due diligence</u>	2.3	<u>MSE/INSP/13681/2023</u>	<u>June 21, 2023</u>
4	<u>Unique Client Code (UCC)</u>	2.4	<u>Exchange circulars w.r.t UCC</u>	-
5	<u>Dealing with unsolicited messages</u>	2.5	<u>MSE/ID/11521/2022</u>	<u>February 25, 2022</u>
6	<u>Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011</u>	2.6	<u>MSE/ID/13990/2023</u>	<u>Aug 18, 2023</u>
7	<u>Centralized Mechanism for reporting the demise of an investor through KRAs</u>	2.7	<u>MSE/ID/14712/2024</u>	<u>Jan 08, 2024</u>

## MASTER CIRCULAR

The master circular is set as follows for ease of reference:

### **PART I**

Surveillance : Circulars issued by Surveillance Department

### **PART II**

Investigation: Circulars issued by Investigation Department

“Notwithstanding such rescission,

- A. Anything done or any action taken or purported to have been done or contemplated under the rescinded guidelines before the commencement of this Master Circular shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of the Master Circular or rescinded guidelines whichever is applicable.
- B. The previous operation of the rescinded guidelines or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded guidelines, any penalty, incurred in respect of any violation committed against the rescinded guidelines, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded guidelines have never been rescinded.”

## **1 SURVEILLANCE**

### **1.1 Introduction of Periodic Call Auction for Illiquid Scrips (PCAS)**

**(MCX-SX/ECM/TRD/1654/2013 dated December 20, 2013 and MCX-SX/ECM/TRD/1029/2013 dated February 20, 2013)**

SEBI vide its circular no. CIR/MRD/DP/6/2013 dated February 14, 2013 and circular no. CIR/MRD/DP/38/2013 dated December 19, 2013 had Rationalized criteria for identifying Illiquid Scrip's which shall trade in Periodic Call Auction and had provided the following criteria for identifying illiquid securities:

- Average daily turnover of less than Rs.2 lakhs calculated for previous two quarters.
- The scrip is classified as illiquid at all Exchanges where it is traded

Stock Exchanges identifies illiquid securities at the beginning of every quarter and move such securities to periodic call auction mechanism.

### **1.2 Graded Surveillance Measure (GSM)**

**(MSE/SURV/8388/2019 dated November 29, 2019)**

Securities Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have been introducing various enhanced pre-emptive surveillance measures such as reduction in price band, periodic call auction and transfer of securities to Trade-to-Trade category from time to time.

The main objective of these measures is to;

- Alert and advice investors to be extra cautious while dealing in these securities
- Advice market participants to carry out necessary due diligence while dealing in these securities.

In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, decided that along with the aforesaid measures there shall be additional Graded Surveillance Measures on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc.

The list of such securities identified under GSM shall be informed to the market participants from time to time and shall be available on the exchange's website.

**GSM Framework:**

<b>GSM Stages</b>	<b>Surveillance Actions</b>
<b>I</b>	Applicable margin rate shall be 100% and price band of 5% or lower as applicable
<b>II</b>	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 50% of trade value to be deposited by the Buyers
<b>III</b>	Trade for Trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday / 1st trading day of the week) and ASD (100% of trade value) to be deposited by the Buyers
<b>IV</b>	Trade for Trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday / 1st trading day of the week) and ASD (100% of trade value) to be deposited by the Buyers with no upward movement.

**Salient Features of GSM Framework**

GSM Framework is uniformly applicable across the Exchanges for market as a whole. The GSM Framework inter-alia includes:

- Identification of companies based on pre-decided joint criteria on a quarterly basis based on parameters given in Exchange notice issued from time to time.
- Monitoring of the identified securities for moving to various stages as per pre-defined parameters jointly decided by Exchanges and SEBI.

The GSM framework is applicable in addition to various surveillance actions undertaken by exchanges from time to time.

**1.3 Enhance Surveillance Measure (ESM)**

**(MSE/SURV/13576/2023 dated June 02, 2023) & (MSE/SURV/13823/2023 dated July 18, 2023)**

SEBI and Exchanges in a joint meeting have decided to introduce ESM framework for Micro-Small Companies (market cap less than 500 crores) with effect from June 05, 2023



The following criteria shall be made applicable for selection of stocks in the Enhanced Surveillance Measure for Micro-Small Companies.

**A. Shortlisting criteria (Stage 1):** Either below condition 1 or 2 is met:

1) High–Low Price Variation (based on corporate action adjusted prices) in 3 months OR 6 months OR 12 months > 1 Standard deviation (of High-Low variation of all Micro Small Cap Companies as defined above).

AND

Minimum threshold of High-Low variation would be as under:

3 months > 75%

6 months > 100%

12 months > 150%.

2) Close–to–Close Price Variation (based on corporate action adjusted prices) in 3 months OR 6 months OR 12 months > 1 Standard deviation (of Close–to–Close Price variation of all Micro Small Cap Companies as defined above).

AND

Minimum threshold of Close-to-close variation would be as under:

3 months > 50%

6 months > 75%

12months > 100%.

The following securities shall be excluded from the process of shortlisting of securities under ESM:

- Public Sector Enterprises and Public Sector Banks
- Securities on which derivative products are available.

**B. The stage wise movement: Following shall be the stage wise surveillance action after inclusion in ESM:**

Stage	Conditions for Entry	Action
I	Identification of securities based on entry Criteria as given in Part A above.	Applicable margin shall be 100% from T+2 day.  AND Trade for Trade settlement with price band of 5%  OR 2% (In case scrip is already in 2% band)
II	Stocks which are already in Stage I satisfying the following conditions a) In 5 consecutive trading days: Close-to-Close Variation (based on corporate action adjusted prices) $\geq$ (+15%)  OR b) On a monthly basis: Close- to-Close Variation (based on corporate action adjusted prices) $\geq$ (+30%)	Trade for Trade settlement with price band of 2%.  AND Trading permitted once a week with Periodic Call Auction.

**Notes:**

1. Stage-wise review of securities shall be on a weekly basis.
2. Security shall be part of the framework for a minimum period of 90 calendar days. However, in case a security is under stage 2 of the Framework, it shall be retained under stage 2 for a minimum period of 1 month. After completion of 1 month, in weekly stage review if such security's close to close price variation is less than 8% in a month, it can move to stage 1 of the Framework.
3. Securities completing 90 calendar days (subject to meeting of aforesaid condition in point 2) in the framework shall be eligible for stage-wise exit subject to such securities not meeting the entry criteria as laid down in point A.

#### **1.4 Long Term Additional Surveillance Measure (LT-ASM) (MSE/SURV/11750/2022 dated April 22, 2022)**

SEBI and Exchanges in a joint meeting held on April 22, 2022 have decided to introduce Long Term ASM framework.

As per the joint Surveillance meeting of Exchanges and SEBI held on April 22, 2022, the following revised criteria shall be applicable for inclusion of stocks under the Long Term ASM framework:

1. High–Low Price Variation (based on corporate action adjusted prices) in 3 months  $\geq$  (150% + Beta ( $\beta$ ) of the stock \* SX 40 variation)

**AND**

Concentration of Top 25 clients account  $\geq$  25% of combined trading volume at all exchanges in the stock in last 30 days.

**AND**

Market Cap > Rs. 100 Crore as on review date

2. Close–to–Close Price Variation (based on corporate action adjusted prices) in the last 60 trading days  $\geq$  (100% + Beta ( $\beta$ ) of the stock \* SX 40 variation)

**AND**

Concentration of Top 25 client's  $\geq$  25% of combined trading volume at all exchanges in last 30 days.

**AND**

Market Cap > Rs. 100 Crore as on review date

3. Close–to–Close Price Variation (based on corporate action adjusted prices) in 365 days

$\geq$  (100% + Beta ( $\beta$ ) of the stock \* SX 40 variation)

**AND**

High–Low Price Variation (based on corporate action adjusted prices) in 365 days  $\geq$  (200% + (Beta ( $\beta$ ) of the stock \* SX 40 variation).

**AND**

Market Cap > Rs.500 Crore as on review date.

**AND**

Concentration of Top 25 client's  $\geq$  25% of combined trading volume at all exchanges in last 30 days.

4. Average daily Volume in a month is  $\geq 10,000$  shares & monthly volume variation in a stock is  $> 500\%$  of Average daily volumes in preceding 3 months at all exchanges

**AND**

Concentration of Top 25 client's  $\geq 25\%$  of combined trading volume at all exchanges in last 30 days.

**AND**

Average Delivery % is less than 50% in last 3 months.

**AND**

Market Capitalisation  $> \text{Rs.}500$  Crore as on review date

**AND**

Close-to-close price variation (based on corporate action adjusted prices) in last one Month is  $\geq (50\% + \text{Beta } (\beta) \text{ of the stock } * \text{ SX } 40 \text{ variation})$

Exemption: Bulk/ Block (maximum of buy/sell value), i.e., Average Volume of Bulk or Block Quantity/ Average Volume of the Security greater than 50%

5. Close to Close price variation  $\geq 25\% + (\text{Beta} * \text{SX } 40 \text{ Variation})$  in a month

**AND**

PE negative OR  $\geq 2$  times of PE of SX 40

**AND**

Market Cap  $< \text{Rs. } 500$  Crores as on review date.

6. Close-to-Close price variation of the SME stock  $\geq \pm 25\% + (\text{Beta } (\beta) \text{ of the SME stock } * \text{ NIFTY SME Index Variation at respective Exchange})$  in 15 days

**OR**

Close-to-Close price variation of the SME stock  $\geq \pm 50\% + (\text{Beta } (\beta) \text{ of the SME stock } * \text{ NIFTY SME Index Variation at respective Exchange})$  in 30 days

**OR**

Close-to-Close price variation of the SME stock  $\geq \pm 90\% + (\text{Beta } (\beta) \text{ of the SME stock } * \text{ NIFTY SME Index Variation at respective Exchange})$  in 3 months

**AND**

PE of the SME stock is negative OR PE of the SME stock  $\geq 2$  times the PE of NIFTY SME EMERGE Index.

**Note:**

For stage wise surveillance action of SME stock after inclusion in Long Term ASM criteria 6:

I. Price variation  $\geq (+ 25\% + \text{Beta } (\beta) \text{ of the SME stock } * \text{ NIFTY SME EMERGE Index Variation})$  shall be considered.

II. Concentration of Top 25 clients excluding market makers shall be considered.

7. Scrips with price band of  $\pm 10\%$ ,  $\pm 5\%$ ,  $\pm 2\%$

**AND**

Close-to-Close Price Variation (based on corporate action adjusted prices) in 365days  $\geq (200\% + \text{Beta } (\beta) \text{ of the stock } * \text{ SX 40 variation})$

**AND**

High-Low Price Variation (based on corporate action adjusted prices) in 365 days  $\geq (300\% + \text{Beta } (\beta) \text{ of the stock} * \text{ SX 40 variation})$

**AND**

Market Capitalisation > Rs. 1000 Crores as on review date

**AND**

Concentration of Top 25 client's  $\geq 25\%$  of combined trading volume of all the Exchanges in the stock in last 30 days.

Action on the stocks shortlisted as per Criteria 7:

i. The shortlisted scrips shall be placed directly in Stage IV of Long Term ASM w.e.f. beginning of T+3 days (T day being the day on which scrip was shortlisted).

ii. The shortlisted scrips shall be retained in Stage IV for a minimum period of 90 calendar days.

iii. Post completion of 90 calendar days, such scrips shall be subjected to stage-wise review (that is at present undertaken on weekly basis by the Stock Exchanges).

Securities completing 90 calendar days in Long-term ASM Framework would be eligible for exit from the framework subject to stage-wise exit.

In addition to the above, the stocks satisfying the below criteria after inclusion / stage-wise movement under the Long Term ASM shall be placed in Stage IV of Long Term ASM and shall be retained in Stage IV till such time the stock satisfies the criteria:

Non-promoter holding in the stock < 25%

**AND**

Price Variation as under:

High-Low Price Variation (based on corporate action adjusted price) in 1 month  $\geq$  (50% + Beta ( $\beta$ ) of the stock \* Nifty variation)

**OR**

High-Low Price Variation (based on corporate action adjusted price) in 3 months  $\geq$  (100% + Beta ( $\beta$ ) of the stock \* Nifty variation)

**OR**

High-Low Price Variation (based on corporate action adjusted price) in 6 months  $\geq$  (200% + Beta ( $\beta$ ) of the stock \* Nifty variation)

### 1.5 Short Term Additional Surveillance Measure (ST-ASM)

- a) MSE/SURV/9816/2020 dated December 05, 2020 and
- b) MSE/SURV/11774/2022 dated April 28, 2022)

a) SEBI and Exchanges in a joint meeting extant the short term ASM framework.

As per the joint Surveillance meeting of Exchanges and SEBI held on December 04, 2020, the surveillance actions applicable on scrips under the Short Term & Long Term ASM framework stands revised as under:

#### Short Term ASM

Stage	Surveillance action (Existing)	Surveillance action (Revised)
I	Applicable margin rate for the shortlisted scrip - Higher of (40% OR existing margin), subject to maximum rate of 100%	Applicable margin rate for the shortlisted scrip - Higher of (50% OR existing margin), subject to maximum rate of 100% #
	Top 10 clients based on gross traded value, subject to their gross traded value being greater than Rs.10 lakhs, shall be levied 100% margin on their gross traded value at End-of-Day (EoD).	Discontinued w.e.f. December 07, 2020

II	Applicable margin rate for the shortlisted scrip - Higher of (80% OR existing margin), subject to maximum rate of 100%	Applicable margin rate for the shortlisted scrip - Higher of (100% OR existing margin), subject to maximum rate of 100% #
	Top 10 clients based on gross traded value, subject to their gross traded value being greater than Rs.10 lakhs, shall be levied 100% margin on their gross traded value at End-of-Day (EoD).	Discontinued w.e.f. December 07, 2020

### Long Term ASM

Stage	Surveillance action (Existing)	Surveillance action (Revised)
I	Applicable margin shall be 80% from T+3 day	Applicable margin shall be 100% from T+3 day #
II	Reduction of price band to next lower level and applicable margin shall be 100% from T+3 day	Reduction of price band to next lower level and applicable margin shall be 100% from T+3 day
III	Further reduction of price band to next lower level and applicable margin shall be 100% from T+3 day	Further reduction of price band to next lower level and applicable margin shall be 100% from T+3 day
IV	Settlement shall be on Gross basis with 100% margin for all clients and 5% price band.	Settlement shall be on Gross basis with 100% margin for all clients and 5% price band.

*# The revision in the applicable rate of margin on scrips currently shortlisted shall be w.e.f. December 09, 2020 on all open positions as on December 08, 2020 and new positions created from December 09, 2020.*

Market participants may note that ASM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

Further, it may also be noted that the shortlisting of securities under ASM is purely on account of market surveillance and it should not be construed as an adverse action against the concerned company / entity.

b) As per the Joint Surveillance meeting of Exchanges and SEBI, the extant Short Term ASM Framework (as per Annexure) shall be extended to

- i) Derivative stocks (Stocks on which derivative products are available for trading in Equity Derivative segment of the Exchanges) and
- ii) All corresponding Futures and Options contracts w.r.t. the shortlisted Derivative stocks referred in point A above

**Action on the stocks shortlisted as per above criteria:**

The following margins would be applied

i. For Shortlisted Derivative stocks:

**Stage 1-** 50% or existing total margins whichever is higher, subject to maximum rate of margins capped at 100%

**Stage 2-** 100% or existing total margins whichever is higher, subject to maximum rate of margins capped at 100%

ii. For corresponding Futures and Options contracts (pertaining to stocks shortlisted in point A):

**Stage 1-** 50% or existing total margins, whichever is higher

**Stage 2-** 100% or existing total margins, whichever is higher

Market participants may note that the above framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

Further, it may also be noted that the shortlisting of securities under aforesaid framework is purely on account of market surveillance and it should not be construed as an adverse action against the concerned company / entity.



## 1.6 Insolvency and Bankruptcy Code (IBC)

(MSE/SURV/13038/2023 dated: February 10, 2023)

As per Joint Surveillance meeting of the Exchanges and SEBI held on February 10, 2023 for revised IBC framework.

### Surveillance framework for companies under IBC (Non-Derivative Securities)

	Shortlisting criteria	Surveillance Action			
	Receipt of corporate announcement / disclosure from the company	<p>(Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</p> <p># <b>Note 1:</b> Post attainment of non-promoter holding <math>\geq 25\%</math>* the securities shall be moved out of corresponding Surveillance Action after completion of subsequent 3 calendar months from attaining of non - promoter holding <math>\geq 25\%</math>.</p> <p>Examples as under:</p>			
		<b>Particulars</b>	<b>Review Date</b>	<b>MPS Compliance Date</b>	<b>Scrip Move out Date</b>
		Case 1	28 <sup>th</sup> Feb 2023	1st Jan 2023	3rd April 2023
		Case 2	28th Feb 2023	16th April 2022 (Completed 3 Months)	2nd March 2023
		<p>(*as per the quarterly shareholding pattern reporting or ad-hoc updation of shareholding pattern by the company whichever is earlier).</p>			

<b>IBC Stage I</b>	<p>Close-to-Close Price Variation greater than 25% in 5 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 50% in 15 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 100% in 30 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 200% in 3 Months</p> <p>Review of the securities for inclusion under IBC Stage I shall be on Daily basis.</p>	<p>(Gross settlement) + (± 5 % price band) + (100% margin) w.e.f. T+2 basis</p> <p>ASD (100% Trade Value) to be deposited by Buyer, retained for period as applicable to GSM scrips.</p> <p>Once a week trading</p> <p>Scripts to be reviewed for exit from stage I or movement to Stage II on last trading day of the month post elapsing of minimum 1 month in IBC Stage I.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>
<b>IBC Stage II</b>	<p>Close-to-Close Price variation greater than 25% in 5 Trading days OR</p> <p>Close-to-Close Price variation greater than 50% in 15 Trading days OR</p> <p>Close-to-Close Price Variation greater than 100% in 30 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 200% in 3 Months.</p>	<ul style="list-style-type: none"> <li>• (Gross settlement) + (± 5 % price band) + (100% margin)</li> <li>• ASD (100% Trade Value) to be deposited by Buyer, retained for a period as applicable to GSM scrips.</li> <li>• Once a week trading.</li> <li>• No upward movement permitted.</li> </ul>

	<p>Review of the securities for inclusion under IBC Stage II shall be on Monthly basis.</p>	<p>Scripts to be reviewed for movement to Stage I on last trading day of the month post elapsing of minimum 1 month in IBC Stage II.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>
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2. Surveillance framework for companies under IBC (Securities on which Derivative Products are available)

	Shortlisting Criteria	Revised Framework
	<p>Receipt of corporate announcement / disclosure from the company</p>	<p>Action of <b>100% margin</b> shall be levied w.e.f T +2 basis and no fresh contracts shall be issued.</p> <p>After the expiry of existing contracts, all existing surveillance actions as under of the IBC framework shall be applicable on such securities. (Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</p> <p>Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>

<b>IBC Stage I</b>	<p>Close-to-Close Price Variation greater than 25% in 5 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 50% in 15 Trading days</p> <p>OR</p> <p>Close-to-Close Price Variation greater than 100% in 30 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 200% in 3 Months</p> <p>Review of the securities for inclusion under IBC Stage I shall be on Daily basis.</p>	<p>Action of <b>100% margin</b> shall be levied w.e.f T +2 basis and no fresh contracts shall be issued.</p> <p>After the expiry of existing contracts, all existing surveillance actions as under of the IBC framework shall be applicable on such securities.</p> <p>(Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</p> <ul style="list-style-type: none"> <li>• ASD (100% Trade Value) to be deposited by Buyer, retained for period as applicable to GSM scrips.</li> <li>• Once a week trading</li> </ul> <p>Scrips to be reviewed for exit from stage I or movement to Stage II on last trading day of the month post elapsing of minimum 1 month in IBC Stage I.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>
<b>IBC Stage II</b>	<p>Close-to-Close Price Variation greater than 25% in 5 Trading days</p>	<p>Action of <b>100% margin</b> shall be levied w.e.f T +2 basis and no fresh contracts shall be issued.</p>

OR	<p>Close-to-Close Price Variation greater than 50% in 15 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 100% in 30 Trading days</p> <p style="text-align: center;">OR</p> <p>Close-to-Close Price Variation greater than 200% in 3 Months.</p> <p>Review of the securities for inclusion under IBC Stage II shall be on Monthly basis.</p>	<p>After the expiry of existing contracts, all existing surveillance actions as under of the IBC framework shall be applicable on such securities.</p> <ul style="list-style-type: none"> <li>• (Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</li> <li>• ASD (100% Trade Value) to be deposited by Buyer, retained for a period as applicable to GSM scrips.</li> <li>• Once a week trading.</li> <li>• No upward movement permitted.</li> </ul> <p>Scrips to be reviewed for movement to Stage I on last trading day of the month post elapsing of minimum 1 month in IBC Stage II.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>

**1.7 Applicability of measure in respect of companies with high promoter as well non - Promoter "Encumbrance" as per Reg. 28(3) of SEBI (SAST) Regulation 2011 (MSE/SURV/11433/2022 Dated February 01, 2022)**

Measure in respect of companies with high Promoter as well as non- Promoter 'Encumbrance' as per Reg. 28(3) of SEBI (SAST) Regulation 2011 – Exchange circular - MSE/SURV/11433/2022 dated February 01, 2022

In continuation to various measures already implemented, SEBI and Exchanges in a joint meeting have decided to levy minimum margin of 75% on the stocks (including stocks in derivatives segment) that satisfy certain conditions based on pledge holding of both promoter as well as non-promoter and price variation criteria

### 1.8 Surveillance measure in respect of companies with high promoter pledge

**a) MSE/SURV/8266/2019 Dated October 25, 2019 and**

**b) MSE/SURV/8934/2020 Dated April 17, 2020.**

a) In continuation to various Surveillance measures already implemented, SEBI and Exchanges in a joint meeting have decided to levy minimum margin of 35% on the stocks (including stocks in derivatives segment) that satisfy the following criteria:

i. Market Capitalisation is greater than Rs.1000 crores.

**AND**

ii. Pledged holding of the promoter accounts for more than 25% of the total number of the issued shares of the company,

**AND**

iii. Concentration of Top 25 clients in trading during the last 30 days is 30% or more,

**AND**

iv. High – Low Price variation in the scrip in the last 3 months is greater than 40%.

The above surveillance measure is without prejudice to the right of SEBI and Exchanges to take any other surveillance measures, in any manner, on a case to case basis or holistically depending upon the situation and circumstances as may be warranted.

b) Surveillance measure in respect of companies with high promoter pledge -Update MSE/SURV/8266/2019 dated October 25, 2019 regarding "Surveillance measure in respect of companies with high promoter pledge" was reviewed.

In this regard, it was decided that to cover the potential risk to securities, 'encumbrance' as per Reg. 28(3) of SEBI (SAST) Regulation 2011 as amended from time to time, shall be used for shortlisting the securities.

The current definition of encumbrance as per the above regulation is as under:

- a. Any restriction on the free and marketable title to shares, by whatever name called, whether executed directly or indirectly.
- b. Pledge, lien, negative lien, non-disposal undertaking; or
- c. Any covenant, transaction, condition or arrangement in the nature of encumbrance, by whatever name called, whether executed directly or indirectly." Securities previously shortlisted under the said surveillance measure in respect of companies with high promoter pledge shall continue to remain under the said measure, if they meet the above criteria as per the shareholding pattern submitted to the Exchange under regulation 31 of LODR.

Henceforth, for the purpose of short listing of securities under the said measure, the Stock Exchanges shall take into account all encumbrances viz., the sum total of all types of encumbrances (by whatever name called), as on date of shortlisting of securities.

Further, the highest value of the encumbrance, from amongst the data as available with the Stock Exchanges and the Depositories, shall be taken

### **1.9 Surveillance measure for scrips with low Non-Promoter holding (MSE/SURV/13037/2023 dated February 10, 2023)**

In furtherance to the Exchange circular no. MSEI/SURV/11750/2022 dated April 22, 2022 and as per the joint Surveillance meeting of the Exchanges and SEBI, the criteria for Non-Promoter holding framework is mentioned as under:

Members are hereby requested to note that the securities shortlisted based on the below criteria of non-promoter holding < 25% will be subject to surveillance action. The applicable surveillance actions shall be as under:

- Maximum/highest price band applicable to be  $\pm 10\%$

Market participants may note that the above framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchange from time to time.

**1.10 Surveillance measure for securities under IBC/ICA  
(MSE/SURV/11848/2022 dated May 20, 2022)**

As per Joint Surveillance meeting of the Exchanges and SEBI the following criteria shall be applicable for shortlisting of stocks under IBC framework:

	<b>Revised framework</b>	
<b>ICA Stage I</b>	<p><u>Shortlisting Criteria</u></p> <p>1. Close-to-Close Price Variation greater than 25% in 5 Trading days OR Close-to-Close Price Variation greater than 50% in 15 Trading days OR 2. Close-to-Close Price Variation greater than 100% in 30 Trading days OR 3. Close-to-Close Price Variation greater than 200% in 3 Months</p> <p>Review of the securities for inclusion under ICA Stage I shall be on Daily basis.</p>	<p><u>Surveillance Action</u></p> <p>(100% Margin) + (±5% Price Band) w.e.f. T+2 days.</p> <p>Scripts to be reviewed for exit from stage I or movement to Stage II on last trading day of the month post elapsing of minimum 1 month in ICA Stage I.</p>



<p><b>ICA Stage II</b></p>	<p>Scripts to be reviewed for inclusion under ICA Stage II on last trading day of the month post elapsing of minimum 1 month in ICA Stage I</p> <p><u>Shortlisting Criteria</u></p> <ol style="list-style-type: none"> <li>1. Close-to-Close Price Variation greater than 25% in 5 Trading days OR</li> <li>2. Close-to-Close Price Variation greater than 50% in 15 Trading days OR</li> <li>3. Close-to-Close Price Variation greater than 100% in 30 Trading days OR</li> <li>4. Close-to-Close Price Variation greater than 200% in 3 Months</li> </ol>	<p><u>Surveillance Actions</u></p> <p>(100% Margin) + (Gross settlement) + (±5% Price Band) w.e.f. T+2 days</p> <p>Scripts to be reviewed for movement to Stage I on last trading day of the month post elapsing of minimum 1 month in ICA Stage II</p>
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**1.11 Surveillance Action w.r.t dealing with unsolicited videos and messages circulated in social media platforms.**

**(MSE/SURV/13181/2023 dated: March 13, 2023) &**

**(MSE/SURV/6234/2018 dated: 16 April 2018)**

Members are hereby requested to note that the securities as per attached Annexure have been shortlisted based on circulation of videos and unusual price/ volume movement. The applicable surveillance actions shall be as under:

- Reduction of Price Band wherever applicable.
- Scrip will be shifted to Trade-to-Trade settlement.
- Applicable rate of margin shall be 100% w.e.f. March 16, 2023 on all open positions as on March 15, 2023 and new positions created from March 16, 2023 onwards.
- The Securities as given in Annexure II, are eligible to move out from the said framework effective from March 14, 2023.

Market participants may note that Surveillance Action w.r.t dealing with unsolicited videos and messages circulated in social media framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

Further, it may also be noted that the shortlisting of securities under Surveillance Action w.r.t dealing with unsolicited videos and messages circulated in social media framework is purely on account of market surveillance, and it should not be construed as an adverse action against the concerned company / entity.

### **1.12 Surveillance measures for Deep Out-of-The-Money (OTM) contracts (MSE/SURV/8224/2019 dated October 14, 2019)**

In the joint surveillance meeting between SEBI, Exchanges and Clearing Corporations, following measures on Out of the Money (OTM) options contracts has been decided.

Additional margin of 20% on the notional option value shall be levied and collected from the clearing member, in case an entity trades in Equity Derivatives Stock Options contracts and creates fresh Short Open Interest in deep Out of Money strikes (OTM). Deep OTM are those strikes which are 30% away from the underlying price at the time of trade.

**Illustration 1:** If the underlying price is say Rs. 100 and an entity trades and creates fresh short positions in Call European (CE) strikes greater than 130 or in Put European (PE) strikes lesser than 70, then an additional margin of 20% on the notional option value shall be levied and collected from the clearing member at the End of day.

This additional margin shall be levied on the top 10 clients, if they account for more than 30% of the overall fresh short positions created on that trading day (to be computed separately in respect of call and put options).

**Illustration 2:** Taking the illustration 1 ahead, Fresh short OI created by all entities in CE strikes greater than 130 shall be clubbed together and in case the top 10 clients account for more than 30% of the fresh short OI than an additional margin of 20% shall be levied and collected from the executing trading members of the top 10 clients. The same method shall be carried out for PE strikes lesser than 70.

The amount shall be collected from the collaterals of the clearing member on an End of day basis.

The above margin levied on the participants / clients shall continue till the contracts are squared off or till expiry of the contract.

### 1.13 Member Surveillance System

**(MSE/SURV/10627/2021 dated July 01, 2021)**

In order to facilitate effective surveillance mechanisms at the Member level, the Exchange has derived transactional alerts that are downloaded to trading members. This facilitates trading members to effectively monitor trading activity of their clients.

Exchange has also issued circular to the Trading members providing update on surveillance obligation for trading members, inter alia, covering following –

- Broad parameters to frame surveillance policy for processing of alerts
- Indicative themes for generating alerts at their end
- Due diligence to be carried out on an ongoing basis
- Timely processing of alerts for taking appropriate action

Quarterly reporting of status of alerts generated at their end effective from quarter ended on Sept 2021

- Graded monetary penalty for non-compliance with reporting requirements

### 1.14 Surveillance Obligation – Quarterly reporting by trading members

**(MSE/SURV/10627/2021 Dated July 01, 2021 & MSE/SURV/10922/2021 Dated September 24, 2021)**

This is in partial modification of Exchange circular no: MCX-SX/ID/1053/2013 dated March 8, 2013 and Circular No: MSE/SURV/7294/2019 dated February 05, 2019, wherein the trading members were advised about surveillance obligations of trading members to facilitate effective surveillance at the members end, inter-alia, covering processing of transactional alerts provided by the Exchange (list attached as Annexure I) as well as own alerts generated by the trading members at their end based on their surveillance policy and suitable actions thereof.

In this regard, trading members are hereby informed that, the Exchange has reassessed the on-going framework of surveillance obligations of trading members and has identified enhancements to make the said framework more effective.

#### **Obligation of Quarterly reporting of status of the alerts generated by the Trading member:**

Trading members are required to provide duly approved status of the alerts

**A. Status of Alerts generated by the Trading member:**

Name of Alert	No. of alerts under process at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts verified & closed in the quarter	No. of alerts referred to Exchange (*)	No. of alerts pending / under process at the end of quarter

**B. (\*) Details of alerts referred to the Exchange:**

Sr. No.	Date of Alert	Type of Alert	Brief observation and details of action taken	Date referred to Exchange

**C. Details of any major surveillance action taken (other than alerts referred to Exchange), if any, during the quarter:**

Sr. No.	Brief action taken during the quarter

- Trading members, who do not have anything to report, need to submit 'NIL Report' within 15 days from end of quarter.
- The above details shall be uploaded by the trading members on the above mentioned web-based application within 15 days from end of the quarter.
- The aforementioned quarterly system of reporting shall be effective from the quarter ending September 2021.

**• Penalty in case of late / non submission of Quarterly Reporting of status:**

In case of late / non submission of quarterly reporting of the alerts generated by the trading member as mentioned above, trading members shall be liable for penalty as given below:

<b>Submission of status report beyond stipulated period</b>	<b>Penalty to be imposed</b>
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1st instance	Rs.10,000 per day till submission of quarterly report
2nd instance onwards	Rs.20,000 per day till submission of quarterly report

Trading members may note that aforesaid penalty shall be levied on a monthly basis based on slabs as mentioned above and same shall be debited in the monthly bill.

- **Disciplinary Action for non-fulfilment of Surveillance obligation by Trading Members:**
  - Trading members may note that during investigation / inspection, if it is observed that the member has not fulfilled their surveillance obligations, then appropriate disciplinary action shall be initiated against the concerned trading member.
  - Any non-compliance with respect to surveillance obligations which may inter alia include delay in processing of transactional alerts downloaded by the Exchange and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of Rules, Bye-laws and Regulations of the Exchange. It may further be noted that aforesaid measure does not preclude SEBI / Exchange to take any further action(s), if the facts and circumstances so demand.

All the members are once again advised to ensure compliance with the above requirement and submit the Surveillance Obligation report positively within 15 days of the respective quarter end.

**1.15 High Order to Trade Ratio (OTR)**  
**(MSE/SURV/9240/2020 dated July 14, 2020)**

Trading Members have to place real-time monitoring systems to identify algorithms that may not behave as expected and take measures to impede any possible instances of order flooding. To ensure proper trading in the market and fair use of the trading platform, the Exchange has introduced economic deterrence in the form of suspension of property trading rights of Trading Members in all segments across all Exchanges.

The OTR charges will be computed at member level on a daily basis and will be collected on a monthly basis, after reckoning all algo orders and algo trades of the member:

Trading members are requested to note the details of order to trade ratio (OTR) framework as follows:

- Members are requested to note the OTR framework is applicable for orders placed in Equity Capital Market (ECM) Segment, Equity Derivatives Segment (EDS) and Currency Derivatives Segment (CDS).
- For the purpose of calculation of Daily Order-to-Trade ratio all algo orders, i.e., order entry, order modifications and order cancellations will be considered.
- If the orders entered and/or modified are within 0.75% of the last traded price (LTP) of the respective security/ contract ( $(\text{Absolute (Limit price - LTP)/LTP}) \leq 0.75\%$ ), such algo orders will not be included in the calculation of the aforesaid Order-to-Trade ratio.
- In Equity Segment, securities which are part of ETF will be excluded for computation of OTR.
- Orders placed in Odd Lot Market, Auction Market, Block Trading Session, Pre-open session, Post Close Session, Periodic Call Action session and Call auction in ECM.
- Pre-open session for Initial Public Offering (IPO) and other category of Scrip's shall also be excluded for the computation of OTR.
- In ECM, cooling of session of 15 mins (3 instances for OTR violation of 2000:1 in 30 days on rolling basis) and 1 hour pro-trading (for more than 10 instances out of previous 30 trading days on rolling basis where penalty has been levied), following sessions are covered:
  - i. For 15 Minutes Cooling Off**
    - a) Pre-open session - 9.00 am to 9.15 am
    - b) Special Pre-open Session - 9.00 am to 9.30 am
    - c) Continuous session - 9.15 am to 9.30 am
  - ii. For 1 hour proprietary trading**
    - a) Pre-open session - 9.00 am to 9.15 am
    - b) Special Pre-open Session - 9.00 am to 9.45 am
    - c) Continuous session - 9.15 am to 10.15 am

#### **1.16 Order Based Surveillance Measure (OBSM) (MSE/SURV/12071/2022 dated July 18, 2022)**

In continuation to the various surveillance measures in force, SEBI and Exchanges in a joint meeting have decided that, in order to further strengthen the order level surveillance mechanism, there shall be an additional order based surveillance measure

to deter persistent noise creators i.e. excessive order modifications/ cancellations with an intent to avoid execution.

The said measure shall be applicable on the daily trading activity at the Client / Proprietary account level in a security / contract.

**Criteria:**

**Noise 1:**

Persistent order modifications by the Client / Proprietary account leading to maintained / deferred /lowering of order execution priority which has accounted for a considerable percentage of the overall modifications in the respective contract / security

**AND**

High Order to Trade Ratio (OTR) in value terms (i.e. Value of all Orders Entered / Modified / Cancelled in a Security / Contract by a Client / Proprietary account vis-à-vis Value of all Trades in the Security / Contract by a Client / Proprietary account

**AND**

High Number / Instances of Order modifications

**Noise 2:**

Persistent order modifications by the Client / Proprietary account leading to maintained / deferred /Lowering of order execution priority which has accounted for a considerable percentage of his own modifications in the respective contract / security.

**AND**

High Order to Trade Ratio (OTR) in value terms (i.e. Value of all Orders Entered / Modified / Cancelled in a Security / Contract by a Client / Proprietary account vis-à-vis Value of all Trades in the Security /Contract by a Client / Proprietary account.

**AND**

High Number / Instances of Order modifications

The instances identified based on either of the aforesaid conditions (Noise 1 or Noise 2) shall be considered as “1 instance count”. Kindly note that whenever both Noise 1

and Noise 2 criteria gets satisfied for a Client / Proprietary account in a security/contract, the same would be considered as single instance count and not multiple instances.

**Action:**

The surveillance action based on count of instances over a period of rolling 20 trading days is as under:

1. Trading disablement of such a Client / Proprietary account for a time period of first 15 minutes of trading (in the normal continuous market) at PAN level across the Exchanges in the Equity and Equity Derivatives segments simultaneously provided number of instances identified as above exceed 99 on a rolling 20 trading days basis. The disablement shall be carried out on the next trading day.

2. Any additional instance of repetitive violation on consecutive trading days by a Client / Proprietary account (say N times) on a rolling 20 trading days basis will lead to trading disablement for a period of 'N' instances X 15 mins, subject to a Maximum Disablement of 2 Hours (i.e.  $N \leq 8$ ). The count of instances shall be considered on a rolling 20 trading day's basis. The PAN shall continue to remain disabled on an incremental basis for the specified duration until the aggregate count of instances does not come to 99 based on rolling 20 trading days. Kindly refer Annexure 1 below for detailed example.

In addition to the parameters and surveillance actions, the following may be noted:

- The parameters of the surveillance action are dynamic in nature and shall be reviewed periodically
- The trading behaviour of entities creating undesirable noise in the market shall be monitored
- Notwithstanding the above, if any entity is found to be repeatedly modifying / cancelling order(s) which results in non-execution of trades and / or creates undesirable noise in the system, such an entity will be liable for action even if the parameters of the surveillance action are not fully met



The revised criteria shall come into force w.e.f 26th August, 2022. Further, instances as per the existing as well as revised criteria shall be taken into account for the computation of cumulative instances for a period of rolling 20 trading days, wherever applicable.

Example: For 26th August 2022, the instance count for past 20 rolling days will be aggregate of instance count for period 28th July 2022 to 25th August 2022 (computed as per old thresholds) and instance count of 26th August 2022 (computed as per revised thresholds).

The disablement of shortlisted clients shall be implemented across Exchanges in equity and equity derivatives segment and the duration of disablement shall be uniform.

#### **1.17 Monitoring of Foreign Investment limits in listed Indian companies (MSE/LIST/6396/2018 dated June 05, 2018)**

In accordance to SEBI circular no. IMD/FPIC/CIR/P/2018/61 dated April 5, 2018, the data furnished by depositories (NSDL/CDSL) for companies listed on Metropolitan Stock Exchange of India Limited is disseminated below:

The exchange website keeps an updated list of scrips where the aggregate FPI/NRE/sector cap limit has been exceeded. Members are required to check the breach list prior to making a purchase on behalf of their FPI/NRI clients. Furthermore, the Circular (MSE/LIST/6396/2018 dated June 05, 2018) specifically mentions it. "The Red Flag List and Breach List files shall be available on the Exchange website at the following location" <https://www.msei.in/Corporates/Corporate-Securities-Information/Foreign-Investment-limits-in-Listed-Companies>

### 1.18 Bulk Deal Reporting

**(MCX-SX/ECM/TRD/999/2013 dated February 07, 2013)**

SEBI vide its circular no. SEBI/MRD/SE/Cir-7/2004 dated January 14, 2004 its master circular CIR/MRD/DP/ 11 /2012 dated April 13, 2012 provides guidelines to prevent rumours / speculation about large deals causing volatility in the price, members of the Exchange are required to bring greater disclosure of such deals, as mentioned below.

- The disclosure shall be made with respect to all transactions in security where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the stock exchanges.
- The brokers shall disclose to the stock exchange the name of the security, name of the client, quantity of shares bought/sold and the traded price.
- The disclosure shall be made by the brokers immediately upon execution of the trade.
- The Stock exchanges shall disseminate the aforesaid information on the same day after market hours to the general public.

In view of above SEBI guidelines for Bulk deals reporting, member of the Exchange shall disclose to the stock exchange name of the security, name of the client, quantity of shares bought/sold and the traded price immediately upon execution of the trade.

Sr. No.	Date of Trade	Symbol	Security Name	Client Name	Buy (B) / Sell (S)	Quantity Traded (Buy/sell to be shown separately)	Trade Price / Weighted average trade price

The Exchange provides an indicative report of bulk deals to the members on a daily basis after market hours. The indicative bulk deals report will also contain records for derived bulk deal.

The format of the Report:

Sr No.	Date of Trade	Symbol	Security Name	Client Name	Buy (B) / Sell (S)	Quantity Traded (Buy/sell to be shown separately)	Trade Price / Weighted average trade price
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Points for consideration while calculating bulk deals are as given below.

**For BULK Deal**

- Trades executed in the normal market for the day with Date, Symbol, Series, member code and Client Code combination will be considered.
- Where the total quantity for above combination exceeds (equal to or greater than) 0.5% of total listed capital either on buy or on sell side then the record will be identified as BULK deal.
- If BULK deal is identified on the buy side, sell side quantity for above combination in Normal market will also be considered.
- If BULK deal is identified on sell side, buy side quantity for above combination in Normal market will also be considered.

**1.19 Revised position limits in Equity Index Derivatives (Futures and Options)**

**(MSE/SURV/8842/2020 dated March 23, 2020 & MSE/SURV/9768/2020 dated November 25, 2020 )**

In the recent past, world over, the stock markets have been quite volatile due to the Covid-19 pandemic and the resultant fear of economic slowdown. So, on March 20, 2020, SEBI in discussion with the Stock Exchanges, Clearing Corporations, and Depositories (implemented) appropriate measures that may be taken in the existing circumstances. Pursuant to the said discussions and keeping in view the objective of ensuring orderly trading and settlement, effective risk management, price discovery and maintenance of market integrity, position limits in Equity Index Derivatives (Futures and Options) was introduced.

**Revised position limits in equity index derivatives (futures and options)**

- (i) Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:

- a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Funds' / FPIs' / Trading Members' (Proprietary) / Clients' holding of stocks.
- b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Funds' / FPIs' holding of cash, government securities, T-Bills and similar instruments.
- (ii) Further to 3(i) above, additional position limits mentioned hereunder shall be available to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients:
  - a. Equity Index Futures Contracts: Rs. 500 Crores.
  - b. Equity Index Options Contracts: Rs. 500 Crores.
- (iii) If any of the aforesaid entities exceed the respective limits prescribed at (i) and (ii) above, an additional deposit shall be payable by the entity equivalent to double the amount of margin chargeable on excess position beyond the limits prescribed at (i) and (ii) above and the same shall be retained by stock exchanges / clearing corporations for a period of 1 months.

Various scenarios with reference to Point no. 3 of Annexure- A of the above-mentioned SEBI Press Release no. 18/2020 dated March 20, 2020, on "Index Derivatives- Revised position limits in equity index derivatives (futures and options)" are as follows.

<b>Value in Crs (negative is short and positive is long) based on Previous day close price/ settlement price</b>				
Scenarios	Futures Positions Value (Netted all expiries)	Options Positions Value (Netted across Call Puts, based on sentimental positions across expiries)	Excess Positions Value (After giving benefit of Rs. 500 Crores)	Requirement
<b>1</b>	-400	-400	0	No Action. Both within Rs. 500 Crs limit

<b>2</b>	-400	-600	-100	Action. Short side Underlying required for Rs. 100 Crs
<b>3</b>	-600	-400	-100	Action. Short side Underlying required for Rs. 100 Crs
<b>4</b>	-600	-600	-200	Action. Short side Underlying required for Rs. 200 Crs
<b>5</b>	-600	300	-100	Action. Short side Underlying required for Rs. 100 Crs
<b>6</b>	-600	-1000	-600	Action. Short side Underlying required for Rs. 600 Crs
			100	Action. Short side required underlying for Rs.100 crs
<b>7</b>	-600	600	-100	Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs
			100	Action. Short side required underlying for Rs.100 Crs
<b>8</b>	600	-600	-100	Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs
<b>9</b>	600	100	100	Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs
<b>10</b>	600	300	100	Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs
<b>11</b>	600	600	200	Action. Long side Cash, GSec, TBills Rs. 200 Crs only for FPIs and MFs
			1500	Action. Short side required underlying for Rs.1500 Crs
<b>12</b>	2000	-2000	-1500	Action. Long side required Cash,GSec,TBills for Rs 1500 Crs for FPIs and MFs
			-1500	Action. Short side required underlying for Rs.1500 crs

<b>13</b>	<b>-2000</b>	<b>1000</b>	<b>500</b>	Action. Long side required Cash,GSec,TBills for Rs 500 Crs for FPIs and MFs
<b>14</b>	<b>-750</b>	<b>250</b>	<b>-250</b>	Action. Short side Underlying required for Rs. 250 Crs

Further, Trading members need to independently monitor the positions of all their clients and maintain it below 500 Cr to ensure compliance of Exchange/Clearing Corporation circulars issued from time to time.

### **1.20 Additional Surveillance Margin on Trading Member for Order Spoofing**

(MSE/SURV/7690/2019 dated May 24, 2019)

In the joint surveillance meeting held between SEBI and Exchanges, certain instances of Order Spoofing were discussed and following has been decided:

- If any Trading member places and cancels order on his own account or on behalf of his client, which is considerable portion of the pending order book and at the same time executes trade(s) on the opposite side of the order book, then Exchanges shall initiate suitable action which may include levy of additional surveillance margin of 5%. This additional surveillance margin when levied shall remain for a period of one month and shall be applicable on both Equity and Equity Derivatives Segment, across all Exchanges.
- The trading members identified by the Exchanges shall be informed individually about the additional surveillance margins.
- This measure is without prejudice to the rights of SEBI and Exchanges to take any other surveillance measures, in any manner, on a case to case basis or holistically depending upon the situation and circumstances as may be warranted.

## 1.21 Consolidated Penalty Structure for Surveillance

The Exchange has reviewed and revised the penalties levied by Surveillance Department as under:

### 1.21.1 High Order to Trade Ratio (OTR)

**(MSE/SURV/9240/2020 dated July 14, 2020)**

As per the aforesaid SEBI circular, the revised charges for High OTR for Equity, Equity Derivatives & Currency Derivatives Segment shall be applicable are as follows:

OTR	Penalty
<50	NIL
>=50 to <250 (Incremental Basis)	2 Paise
>= 250 <500 (Incremental Basis)	10 Paise
>= 500 to <1000 (Incremental Basis)	15 Paise
>=1000 to <2000 (Incremental Basis)	20 Paise
>=2000 (Incremental Basis)*	25 Paise

In addition to the above, in case, if the ratio is 2000 or more on three occasions in the previous thirty trading days (on rolling basis), the concerned member shall not be permitted to place any orders for the first 15 minutes on the next trading day as a cooling off action. In Equity derivatives and Currency derivative segment, the current mechanism of permitting to enter orders in risk reduction mode shall continue. However, in Equity segment, member shall be able to place orders only after 15 minutes of the normal market open.

Further, in order to discourage repetitive instances of high daily order-to-trade ratio, there will be an additional penalty in form of suspension of proprietary trading right of the trading member for the first trading hour on the next trading day in case a trading member is penalized for maintaining high daily order to trade ratio, provided penalty was imposed on the trading member on more than ten occasions in the previous thirty trading days on rolling basis. The disablement/suspension shall be applicable across all Exchanges.

### 1.21.2 Surveillance obligation for the Trading Members

**(MSE/SURV/11289/2021 dated December 27, 2021)**

The trading members were advised about surveillance obligations of trading members to facilitate effective surveillance at the members end, inter-alia, covering processing of transactional alerts provided by the Exchange as well as own alerts generated by the trading members at their end based on their surveillance policy and suitable actions thereof.

In this regard, the Exchange has provided a facility to upload / submit the requisite data through a web-based application at the link <https://inspection-os.msei.in/MemberLogin.aspx>. The login credentials will remain the same as currently being used for accessing the system for other electronic submissions to the Exchange. Trading members, who have traded at least one trade on any segment during the respective quarter, are required to submit the Surveillance Obligation report electronically on a quarterly basis to the Exchange within 15 days from end of the quarter. No physical copies are required to be submitted to the Exchange.

Penalty in case of late / non submission of Quarterly Reporting of status:

In case of late / non submission of quarterly reporting of the alerts generated by the trading member as mentioned above, trading members shall be liable for penalty as given below:

<b>Submission of status report beyond stipulated period</b>	<b>Penalty to be imposed</b>
1st instance	Rs.10,000 per day till submission of quarterly report
2nd instance onwards	Rs.20,000 per day till submission of quarterly report



Trading members may note that aforesaid penalty shall be levied on a monthly basis based on slabs as mentioned above and same shall be debited in the monthly bill.

### **Disciplinary Action for non-fulfilment of Surveillance obligation by Trading**

#### **Members:**

- Trading members may note that during investigation / inspection, if it is observed that the member has not fulfilled their surveillance obligations, then appropriate disciplinary action shall be initiated against the concerned trading member.
- Any non-compliance with respect to surveillance obligations which may inter alia include delay in processing of transactional alerts downloaded by the Exchange and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of Rules, Bye-laws and Regulations of the Exchange.
- It may further be noted that aforesaid measure does not preclude SEBI / Exchange to take any further action(s), if the facts and circumstances so demand.

All the members are once again advised to ensure compliance with the above requirement and submit the Surveillance Obligation report positively within 15 days of the respective quarter end.

### **1.22 Trade to Trade Settlement**

The scrips in Trade for Trade segment are made available for trading under BE series. The settlement of scrips available in this segment is done on a trade for trade basis and no netting off is allowed. The criteria for shifting scrips to/from Trade for Trade segment are decided jointly by the Stock Exchanges in consultation with SEBI and reviewed periodically.

The process of identifying the securities moving to Trade for Trade segment is done on a fortnightly basis while securities moving to/from Trade to Trade is done on a quarterly basis. This review is applicable to all securities irrespective of Price Bands.

<https://www.msei.in/Investors/Surveillance-Measures>

<https://www.msei.in/SX-Content/common/Calendar-for-Trade/Calendar-for-Trade/2023/June/Periodic-review-of-movement-of-securities-to--from-Trade-for-Trade.pdf>

### 1.23 PAN based Self Match Prevention Functionality (SMPF)

**(MSE/SURV/5587/2017 dated September 26, 2017 & MSEI/SURV/5063/2017 dated April 11, 2017 & MSE/SURV/5586/2017 dated September 26, 2017)**

SMPF prevents order matching between a buy order & a sell order of a client code having same Permanent Account Number (PAN) placed by same or different members in the same order book where system will cancel the active/passive orders based on selection of preference by the user of TWS.

System performs the self-trade prevention check based on Permanent Account Number (PAN) of clients uploaded in UCC.

In view of this, trading members are hereby advised to verify PAN details of the clients registered in the Exchange's UCC system.

## 2 INVESTIGATION

### 2.1 Client Code Modification

**(MCX-SX/ID/629/2011 dated August 26, 2011)**

Trades can be modified with respect to client code only till the end of trade modification time of the day. Members can access a Trade modification report containing details of the trades modified as follows:

A Facility to send multiple trade modification requests for normal trades resulting from the same order number is provided. User will not be able to send individual trade modification using this functionality. User can directly give the order number based on which all the trades of that order will be available for bulk modification. The user can also filter the orders based on Contract descriptor & Client code. Modification of trade from Account type PRO to account type CLI and account type CLI to account type PRO is not permitted.

The penalty structure for the modifications of client codes of non-institutional trades as mentioned in the SEBI circular no: CIR/DNPD/06/2011 dated July 05, 2011 is as follows –

<i>'a' as % of 'b'</i>	<i>Penalty as % of 'a'</i>
≤ 5	1
> 5	2

Where, a = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a month.

b = Value (turnover) of non-institutional trades of the trading member in the segment during the month.

For details, please refer Exchange circular no. MCX-SX/ID/629/2011 dated August 26, 2011.

The trade modification facility has been made available only on the Member Admin Terminal. Members, who wish to extend the said facility additionally to their users, are required to send the request in the format as detailed in Item 6 (d).

Pursuant to the SEBI meeting with the exchanges, it has been decided to issue the following clarifications:

The following modifications of client codes of non-institutional trades would constitute genuine errors as per point 2 (a) of the aforesaid SEBI circular dated July 05, 2011:

- a) Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other.
  - b) Modification within relatives ('Relative' for this purpose would mean as defined under Companies Act, 1956)
- Any shifting/ transfer of trades to error account of the broker would not be treated as modification of client codes under the aforesaid SEBI circular dated July 05, 2011, provided that the position arising out of trades in error account is subsequently liquidated/ closed out in the market and not shifted to some other client code.
  - Members are required to disclose the codes of accounts which are classified as 'error accounts' to the Exchange either at the time of UCC upload or otherwise
  - Members are required to have a well-documented error policy approved by their board / management.

### **Procedure of waiver of penalty**

Subject to the reasons mentioned above, Trading Members may kindly note that the request for waiver of penalty along with reasons and relevant supporting documents should be submitted to the Exchange within a period of 3 calendar months from the date of levy of penalty failing which request for waiver shall not be accepted.

Trading members are required to take note of the same and take adequate precautions while placing the orders.

## **2.2 Abnormal / Non-Genuine Transactions (MSE/SURV/7309/2019 Dated February 8, 2019)**

Exchange has issued notice to trading members advising them to refrain from entering abnormal / non – genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts across segments. Further, trading members were informed that any such activity observed may also **attract levy of penalty of 100%** of the traded value / profit made / loss incurred as a result of such trades.

The decision whether a trade or trades is / are abnormal / non – genuine would be of the Exchange which would be final and binding.

The Exchange may also consider taking appropriate disciplinary actions against the member concerned for multiple instances of such abnormal / non-genuine trades as per the Rules, Bye-Laws and Business Rules of the Exchange.

In case the Trading Members suspect that there is an abnormal trading pattern, the amount equivalent to the trades in the security shall be blocked and released only after seeking rationale of the client on the said trades and carrying further scrutiny of KYC documents / source of funds.

The trading member shall intimate his decision to withhold the amount of the client along with his rationale to the Stock Exchange within 01 day of withholding. The intimation shall be sent to [surveillance@msei.in](mailto:surveillance@msei.in).

Trading Members may please note that these alerts and guidance note is indicative and not exhaustive and hence should exercise necessary caution and due diligence at all times. Exchange has also been intimating trading members about transactions which needs to be analyzed and to seek rationale / documentary evidences including seeking information such as bank statements / demat transaction statements from the clients in terms of the Exchange Circular No: MCX-SX/ID/1053/2013 dated March 8, 2013

Exchange shall take appropriate disciplinary actions, if instances of abnormal / nongenuine transactions are observed after following the due process and by providing the necessary opportunity to the trading member to offer their clarification in the matter.

### 2.3 Client Due Diligence (CDD)

This is in continuation to the requirements of circulars SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019,

- a) MCX-SX/INSP/1824/2014 dated March 21, 2014
- b) MSE/INSP/8294/2019 dated November 01, 2019
- c) MSE/INSP/13681/2023 dated June 21, 2023

Attention of the Trading Members is drawn to the following extract from Rule 9(12)(i) of the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

“Rule 9 (12) (i) every reporting entity shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.

Trading Members are required to comply with the above-mentioned circulars. Trading Members are also Reporting Entities for the above provisions, and it has come to the notice of the Exchange that, pay-in/ pay-out obligations/ margin/ exposure for some clients are not consistent with the income level/ net worth uploaded by the Trading Member for such clients.

Further, Trading Members have surveillance obligations under circular MSE/SURV/10627/2021 Dated July 01, 2021, which includes generation of alerts and taking appropriate actions with respect to above stated provisions. The above circular includes provisions of disciplinary actions for nonfulfillment of surveillance obligations of trading members.

### 2.4 Unique Client Code (UCC)

**(MCX-SX/T&S/4/2008 dated October 4, 2008)**

SEBI vide circulars SMDRP/Policy/Cir-39/2001 dated July 18, 2001 and MRD/DoP/Cir05/2007 dated April 27, 2007 has directed that it shall be mandatory for all the members to use Unique Client Codes (UCC) for all the clients and that the Permanent Account Number (PAN) will be the sole identification number for all the participants in the securities market.

In light of the aforesaid, it is mandatory for all the members to use Unique Client Code for all their clients. The members shall collect and maintain in their back office the Permanent Account Number (PAN) allotted by Income Tax Department for all their clients

and members are also required to verify the documents submitted by clients with respect to the unique client code and retain copies of the documents. Members are advised to maintain necessary documents / information / agreements at their respective offices and inform the details of clients, including their PAN, to the Exchange through the UCC application software (My Exchange Interface).

As and when new clients are registered, members have to upload the details of such clients so as to comply with the requirement of the Exchange. Further, in respect of any change in the client details already submitted through the My Exchange Interface, revised information has to be uploaded by the members immediately.

Members are advised to ensure that no trades are put on behalf of their clients, before allotting the Unique Client Codes (UCC) and uploading the client details to the Exchange.

As per Exchange circular no. MCX-SX/CSQ/782/2012 dated May 23, 2012 regarding “Launch of MY> EXCHANGE Electronic Interface for its Members”. For enhancing service for the Members, Exchange has introduced UCC upload facility in MY> EXCHANGE for Currency Derivatives segment. MY> EXCHANGE facilitates online upload and download of UCC details. In this regard, the revised file format has been communicated from time to time.

#### **2.4.1 UCC Functionalities:**

**UCC → Upload Details: (Comma delimited File format):** Members have to upload UCC details of their respective clients as per new file format communicated vide circulars from time to time

**UCC → Response file from Exchange:** Members will receive a response file in this menu for the uploaded UCC files.

**UCC → Non Updated End Client Code Details:** Members will receive list of clients who have traded without uploading UCC details.

**UCC → Add UCC Details:** Members can add UCC details manually using the provided user interface.

**UCC → Edit/View UCC Details:** Members can edit /view the details of the clients already uploaded.

The details can also be exported in Excel format.

Mapping of Unique Client Code (UCC) with demat account of the clients

SEBI has issued circular no. SEBI/HO/MIRSD/DOP/CIR/P/2019/136 dated November 15, 2019, on the captioned subject “Mapping of Unique Client Code (UCC) with Demat

account of the Clients” which was in continuation of earlier circular no. SEBI/HO/MIRSD/DOP/CIR/P/2018/153 dated December 17, 2018 on Early Warning Mechanism was put in place to detect the diversion of client’s securities by the stock broker at an early stage so as to take appropriate preventive measures. Early Warning circular, inter-alia, specified that Stock Exchanges / Clearing Corporations / Depositories, shall devise a mechanism to detect diversion of clients’ securities and to share information among themselves in respect of:

- A. Diversion of pay-out of securities to non-client/other client accounts.
- B. Mis-matches between gross (client-wise) securities pay-in and pay-out files of a stock brokers generated by the Clearing Corporation which shall be compared with actual transfer of securities to/from the client’s depository accounts by the Depository. The cases of any mismatch found out by the Depository shall be informed to the concerned Stock Exchange / Clearing Corporation.

In order to facilitate ease in reconciliation, it was considered necessary to map clients’ Unique Client Code (UCC) with their demat accounts. A mechanism for mapping of UCC with demat accounts of the clients was discussed with Stock Exchanges and Depositories. Pursuant to the discussion with Stock Exchanges and Depositories, it has been decided that for mapping of UCC with the demat account of the clients, following mechanism shall be implemented:

- A. UCC allotted by the trading member (TM) to the client shall be mapped with the demat account of the client
- B. A client may trade through multiple TMs in which case each such UCC shall be mapped with one or more demat account(s).

### **UCC file format Updated**

The Exchange is in receipt of a communication from UTI Infrastructure Technology And Services Ltd regarding changes in the PAN verification methodology. To facilitate these changes, certain modifications have been made in the Unique Client Code (UCC) file structure.

These changes shall be effective from March 28, 2024.

Sr. No	Field Name	Particulars
1	Client Name	Client name should mandatorily be entered as stated on the PAN Card. Any deviations between the entered client name and the name as per the PAN card (As per Income Tax Record) will result in the failure of PAN Verification process, resulting in the UCC not being permitted to trade.
2	Date of Birth/ Incorporation	Mandatory for all client categories (including non-individual). It should be ensured that the date of birth/incorporation should exactly match with that mentioned on the PAN Card. Any mismatch will result in failure of PAN Verification Process, resulting in the UCC not being permitted to trade.

#### 2.4.2 Adherence to KYC requirements

This is further to the SEBI circular CIR/MIRSD/16/2011 dated August 22, 2011 regarding norms prescribed for Simplification and Rationalization of Trading Account Opening Process and Exchange circular MCXSX/ID/1026/2013 dated February 19, 2013 and MSE/ID/10721/2021 dated July 29, 2021 regarding updating correct information (including client address) in the UCC system of the Exchange. As per the account opening requirement, the name & address mentioned on the KYC form, should match with the documentary proof submitted by the client.

In view of the above, Trading Members were required to ensure that the details submitted to the UCC database/system of the Exchange is matching with the documentary proof provided by the client. Trading members are required to do adequate verification of documents while on boarding clients and updation of details in UCC system of the Exchange.

#### 2.4.3 Multiple UCCs allotted to client

As per Exchange circular no. MCX-SX/SRV/121/2009 dated May 18, 2009, it was informed that members are required to upload the details of new clients so as to comply with the requirement of the Exchange. Further, in respect of any change in the Client details already submitted.

Allotting multiple client codes to a retail single client is not allowed, the use of which shall be treated violation of the unique client code requirement.

The institutional client categories / NRI / PMS are exempted from the above requirement.



#### **2.4.4 AADHAR seeding with PAN**

Exchange vide its circular no. MSE/ID/10386/2021 dated May 04, 2021 informed market participants that in case PAN is not seeded with AADHAAR before the date specified by the Government; it will not be considered as a valid PAN.

It may be noted that the clients whose PAN is linked with AADHAR as per UCC database will be permitted to trade on the Exchange platform.

Exchange vide its circular no. MSE/ID/14914/2024 dated Feb 16, 2024 informed market participants that the Income Tax Department vide public announcements had advised NRIs to update their NRI status with their respective Jurisdictional Assessing Officer (JAO) along with supporting documents for updating their residential status in the Income Tax database.

In adherence to these requirements, PANs categorized as NRI in the UCC database of the Exchange must be either linked with Aadhaar or be marked as "Not Applicable" as per the Income Tax record. For UCCs of NRI investors, having any status other than the above two, such UCCs will neither be permitted to trade nor square off their open positions from February 24, 2024, for both new and existing clients.

#### **2.4.5 Compliant UCCs only will be allowed to place orders w.e.f. April 01, 2022**

In reference to Exchange circular no. MSE/ID/11381/2022 dated January 17, 2022 and MSE/ID/11505/2022 dated February 25, 2022, wherein it was informed that only compliant UCCs shall be allowed to place orders w.e.f. April 01, 2022.

In continuation to the above referred circular, it may be noted that client accounts meeting the below guidelines shall be considered as compliant and permitted to trade in the respective segment viz Equity, Equity Derivatives and Currency Derivatives.

In continuation to the aforesaid circulars, trading members may note that the check for compliant UCC shall be applicable for 'Client' and 'PRO' (Proprietary) orders at the time of order entry and trade modification. Members are required to ensure that the UCCs for both Client and PRO trades are compliant with the below guidelines under all the segments (ECM, EDS, CDS):

1. Compliant with 6 KYC attributes that are mandatory are as mentioned below:
  - a) Name

b) Complete Address (including PIN code No. in case of address of India). c)

PAN

d) Valid Mobile number

e) Valid e-mail id

f) Income details/range.

2. Custodian details updated for Clients availing custodian services.
3. PAN verification status of the client is 'Approved'.
4. PAN-AADHAR seeding is successful or AADHAR seeding Not applicable.

#### **2.4.6 Mobile Number Revocation list (MNRL) published on Telecom Regulatory Authority of India (TRAI) website**

SEBI vide letter no. SEBI/HO/MIRSD/DOP/OW/P/2020/11531/1 dated July 09, 2020, has informed the Exchange that that Telecom Regulatory Authority of India (TRAI) has made available a list of permanently disconnected mobile numbers i.e. Mobile Number Revocation List (MNRL) on their website in a secured manner for transparency and efficiency and to enable the interested parties to clean up their database, thereby not sending any further communication to person other than their clients on such mobile numbers.

In this regard, as per SEBI guidelines, if the mobile number appearing in the list pertains to an existing client of the Exchange then the same shall be flagged for discontinuing further communication, till the client updates with their new mobile number.

Members of the Exchange are advised to check the list of the permanently disconnected mobile numbers made available by TRAI on the above URL on a monthly basis. In case any mobile number appearing in the list is pertaining to your existing clients, you are requested to update the new mobile number in your back office records as well as in UCC database of the Exchange for the respective client immediately so that all the relevant messages meant to be disseminated to the respective clients are delivered without any issue.

#### **2.4.7 Nomination for Eligible Trading and Demat Accounts**

As per Exchange circular nos. MSE/ISC/13256/2023 dated March 29, 2023, with regard to the "Nomination for Eligible Trading and Demat Accounts".

Exchange has provided a facility to upload / submit the choice of nomination obtained from clients through a web-based application at the link <https://inspectionos.msei.in/MemberLogin.aspx>. The login credentials will remain the same as currently being used for accessing the system for other electronic submissions to the Exchange.

Trading Members are requested to ensure that the choice of Nomination have been procured from all their clients and the same has been updated in the UCC database of the Exchange on or before September 30, 2023, failing which such clients shall not be allowed to trade on the Exchange.

#### 2.4.8 Non Submission Charges:

The members are advised to upload the client code along with the PAN details in the UCC system of the Exchange prior to the execution of the trades. As per Exchange circular no. MCX-SX/ID/870/2012 dated October 29, 2012, charges of `10,000/- per day per client code will be levied for execution of trade without registration of client code along with PAN till the date of registration of such code.

The above charges of `10,000/- per day per client code shall be collected on monthly basis.

The relevant Exchange circulars w.r.t UCC are as under:

Sr. No.	SUBJECT	CIRCULAR NO	ISSUED DATE
1	Unique Client Code	MCX-SX/SRV/121/2009	May 18, 2009
2	Updation of Client details in UCC Database	MCX-SX/ID/443/2010	Sept., 23, 2010
3	Mandatory Updation of Corporate Identity Number (CIN) for Body corporate in the UCC database	MCX-SX/ID/787/2012	May 31, 2012
4	Introduction of UCC and CTCL Upload facility in MY> EXCHANGE	MCX-SX/ID/936/2013	January 09, 2013
5	Implementation of UCC File Format for Currency Derivatives segment (Version 11.3.0.0)	MSEI/IT/4525/2016	Sept., 20, 2016

6	Implementation of UCC File Format for Equity Capital segment (Version 11.3.0.0)	MSE/IT/4987/2017	March 14, 2017
7	Implementation of UCC File Format for Equity Derivatives segment (Version 11.3.0.0)	MSE/IT/4988/2017	March 14, 2017
8	Mapping of Unique Client Code (UCC) with demat account of the clients	MSE/ID/8347/2019	Nov., 19, 2019
9	Mandatory fields in Unique Client Code (UCC) information provided to Exchange	MSE/ID/10286/2021	April 05, 2021
10	Mandatory fields in Unique Client Code (UCC) information provided to Exchange	MSE/ID/10386/2021	May 04, 2021
11	Updation of new UCC with all mandatory fields in UCC system of Exchange	MSE/ID/10482/2021	May 31, 2021
12	Multiple UCCs allotted to client	MSE/ID/10541/2021	June 14, 2021
13	Aadhaar seeding with PAN	MSE/ID/10843/2021	Sept., 02, 2021
14	Compliant UCCs only will be allowed to place orders w.e.f. April 01, 2022	MSE/ID/11623/2022	March 25, 2022
15	Aadhaar seeding with PAN	MSE/ID/13713/2023	June 26, 2023
16	Nomination for Eligible Trading and Demat Accounts	MSE/ID/13362/2023	April 20, 2023
17	Nomination for Eligible Trading and Demat Accounts	MSE/ISC/13485/2023	May 17, 2023
18	Mobile Number Revocation list (MNRL) published on Telecom Regulatory Authority of India (TRAI) website	MSE/ID/10441/2021	May 20, 2021
19	Adherence to KYC requirements	MSE/ID/12155/2022	August 08, 2022

20	Simplification of KYC process and rationalisation of Risk Management Framework at KYC (Know Your Client) Registration Agencies (KRAs)	MSE/ID/13966/2023	August 14, 2023
21	Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011	MSE/ID/13990/2023	August 18, 2023
22	Centralized Mechanism for reporting the demise of an investor through KRAs	MSE/ID/14712/2024	January 08, 2024
23	Aadhaar seeding with PAN - Non Resident Indian (NRI) Clients	MSE/ID/14914/2024	February 16, 2024
24	UCC file format Updated	MSE/ID/14959/2024	February 27, 2024

## 2.5 Dealing with Unsolicited messages

**(MSE/ID/11521/2022 dated February 25, 2022)**

Exchange has issued an advisory on the home page of BSE website under head - Attention Investors, inter alia, cautioning the market participants against unsolicited SMS tips/ recommendation and to do thorough analysis about the company before investing.

Exchange has also informed Investors/ Market participants may report unsolicited SMS / references on stock tips/recommendation on [investigation@msei.in](mailto:investigation@msei.in). Exchange shall be considering references of unsolicited messages so received, along with other details as informed on the Exchange website under head 'Attention Investors'; at web link <https://www.msei.in/Investors/TipOffAnonymous.aspx> .

Based on the veracity/genuineness of the references received by the Exchange and pre-defined objective criterion, Exchange publishes on its website, on trading terminals and Regulatory Indicator file, the names of companies forming part of 'For Information List' and 'Current Watch list', which are actionable in terms of Exchange Notices issued from time to time. Further, for the reference purpose, the Exchange from time to time publishes the details of Stocks forming part of 'Historical Watch list' i.e. archive list of stocks that were earlier a part of 'Current Watch list'. The names of

these companies are published on BSE website under the head – Attention Investors for information of the market participants.

## **2.6 Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011**

In reference to Exchange circular no. MSE/ID/13990/2023 dated August 18, 2023 and MSE/ID/13966/2023 dated August 14, 2023, on “Guidelines in pursuance of amendment to SEBI KYC Registration Agency (KRA) Regulations, 2011” and “Simplification of KYC process and rationalisation of Risk Management Framework at KYC (Know Your Client) Registration Agencies (KRAs).”

As per SEBI circular reference number SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated April 06, 2022, SEBI/HO/MIRSD/FATF/P/CIR/2023/0144 dated August 11, 2023 issued by SEBI, it is mandatory for all stockbrokers to ensure that client records are validated by the relevant Know Your Customer (KYC) Registration Agency (KRA) before uploading them to the exchange database. This step is crucial to maintaining the integrity and security of the market and ensuring that all trading activities are conducted in a transparent and compliant manner.

## **2.7 Centralized Mechanism for reporting the demise of an investor through KRAs**

SEBI vide circular SEBI/HO/OIAE/OIAE\_IA- 1/P/CIR/2023/0000000163 dated October 03, 2023.

With a view to have standard procedures for operationalizing the above referred circular across all securities market stakeholders, a Standard Operating Procedure (SOP) has been prepared in consultation with Stock Exchanges, Depositories, KRA and Industry Associations.

Based on the SOP provided in Exchange circular (Circular No: MSE/ID/14712/2024), the KRAs shall on a daily basis provide the list of such PANs to the Exchange daily. The Exchange shall de-activate the UCCs of such PANs.