



National Stock Exchange of India

Circular

Department: Compliance	
Download Ref No: NSE/COMP/57360	Date: June 30, 2023
Circular Ref. No: 48/2023	

To All Members,

Sub: Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries

This is further to the Exchange Circulars NSE/COMP/40174 dated February 07, 2019 and NSE/COMP/55067 dated December 30, 2022 regarding the reporting of Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries, within 15 calendar days of the expiry of the quarter.

The submission of AI-ML details is mandatory for all active Members of the Exchange (i.e. those who have executed even a single trade during the quarter i.e. from April 01, 2023 to June 30, 2023) irrespective of whether they are using AI-ML systems or not. The members who are not using AI-ML systems are also required to report NIL submission.

Kindly note, submission of AI-ML reporting should be done through the ENIT module. The URL for accessing ENIT portal is <u>https://enit.nseindia.com/MemberPortal/</u>

Members are hereby informed and advised to submit the report for the quarter end June 30, 2023 through **NEW ENIT > COMPLIANCE > 'ML and AI' > ML and AI Details**. The ENIT link for submission shall remain active **from July 01, 2023 till July 15, 2023**. The user manual for submission of AI-ML data or NIL reporting is as attached in Annexure I.

Failure to report AI-ML details within the prescribed timeline, would be treated as non-compliance and attract a penalty of Rs. 10,000/- each quarter in accordance with circular ref. no. NSE/INSP/53530 dated September 02, 2022.





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All members are advised to ensure submission on or before July 15, 2023.

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

For and on behalf of National Stock Exchange of India Limited

Swati Sopare Chief Manager



ANNEXURE I

USERMANUALFORELECTRONICREPORTINGFORARTIFICIALINTELLIGENCE(AI)ANDMACHINELEARNING(ML)APPLICATIONSANDSYSTEMSOFFERED AND USED BY MEMBERS(Electronic NSE interface for Trading
Members)

1.1 Quarterly Compliance for ML and AI

Trading members need to do the Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by them for every quarter. Using this module, user can submit the details.

1.1.1 ML and AI

[A] Open 'ML and AI' screen:

- 1. Login with correct member credentials.
- 2. Click on 'Compliance'.
- 3. Go to 'ML and AI'.
- 4. Select 'ML and AI details' & click on it.

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No Records Found. No Records Found.	At	Annual Returns	ML and Al Report				
		No Records Found.		No Records Found.			



Below screen will open & user has to fill all editable fields. This form will contain dropdowns, texts and fields to be filled.

'Name of Trading Member, SEBI Reg. No., PAN No. and Registered Entity Category' are the auto populated fields which are disabled.

'Quarter' represents the applicable quarter period for which the Member needs to submit the details. The quarter period changes as per the applicable quarter.

Below 'Quarter', the Member details also get changed as per the login credentials.

Entity IEBI Registration Number Entity IEBI Registration Number System Details System Details 1* Agelication / System name*		Registared Entity Category Entity Pain no.	Trading itember
Entity Home System Details - System Details 1° Agelication / System name*		Endly Pair on	
System Details System Details 1° Application / System name*			
- System Dotalls 1° Application / hystem name*			
Application / System name*			
		Date from when the Application / System was used*	
Type of area where Al or HL is used" Se	et Type	Does the system involve order initiation, routing and execution?*	8 Yes Onlo
boes the system fail under discretionary investment or Portfolio R to management activities?*	Оне	Does the system disseminate investment or trading advice or strategies?*	∎ үнк © №
is the application/system used in area of Cyber Security to detect attacks * $\ensuremath{(\otimes \chi_{0})}$	C no	99-at claims have been made regarding at and HL Application / System , if any? *	
What is the name of the Tool / Technology that is categorized as AI and III, system / Application and admissions are declared vide this response?		How was the all or #6, project implantanted *	Select Type
Are the key controls and control points in your Al or HL application or systems in accordance to circular of SEEI that mandate cyber security control requirements)*		In the Al 7 ML system included in the system woldt, If applicable M	18 Tans O'Ma O'MA
Sescribe the application / system and how it uses AI / AE, as portrayed in the product offering *		What taleguards are in place to prevent abnormal behavior of the Al or BL application / System *	
+ System Details 2*			
		Add Row	
Does system audit report comply to circular no. SEEVHOMESD/DDS2/CIR/Y/2019/10 dated January 4, 2019 of SEE*	One Ona	Is there any adverse comment in the System audit report $^{\rm o}$	O Yes O No O NA

In this form, Name of Trading Member, SEBI Reg. No., PAN No. and Registered Entity Category are the auto populated fields which are disabled.

User needs to fill/select other details as required in the form under 'System Details 1'.

In case user wants to report more than one such AI-ML system, user needs to click on 'Add Row' button and a new 'System Details 2' will be available to fill the details. Similarly, user can create as many 'System Details' as he wants – by clicking on 'Add Row' button.



User is required to suitably select the option for last two questions which are common to all the systems

or systems in accessing or circular or acts that managed cycle security control requirements?"					
Describe the application / system and how it uses Al / $\rm ML$ as portrayed in the product offering *			What safeguards are in place to prevent abnormal behavior of the AI or HL application / System *		
- System Details 2*					
Application / System name"			Date from when the Application / System was used"		
Type of area where AI or ML is used*	Select Type	×	Does the system involve order initiation, routing and execution?*	≢Yes ⊖No	
Does the system fall under discretionary investment or Portfolio management activities?"	If Yes O No		Does the waters disseminate investment or trading advice or strategies?"	🖲 Yes : 🔿 No	
Is the application/system used in area of Cyber Security to detect attacks " $\space{-1mu}$	🔿 Yes 🗢 No		What claims have been made regarding AI and IR. Application / System , if any? '		
What is the name of the Tool / Technology that is categorized as Al and IIII, system / Application and submissions are declared vide this response"			How was the Al or ML project implemented *	Select Type	
Are the key controls and control points in your AI or NL application or systems in accordance to circular of SEDI that mandate cyber security control requirements?*			is the Al / JIE system included in the system audit, if applicable?"	®Yes ○No ○NA	
Describe the application / system and how it uses Al / ML as portrayed in the product offering $^{\rm +}$			What safeguards are in place to prevent absormal behavior of the Al er III, application / System $^{\rm T}$		
		Add F	ov.		
Does system audit report comply to circoler no. SEEHOUMRSD/DDS2/CIR/P/2019/10 dated January 4, 2019 of SEEF	© Yes © No © NA		is there any adverse comment in the System audit report $^{\circ}$	⊖Yes ⊙No ⊙NA	
		NL Submission	submit Reset		

Same are as below:

Does system audit report comply to circular no. SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 4, 2019 of SEBI* Yes/No/NA

Is there any adverse comment in the System audit report* Yes/No/NA



If AI-ML systems are not used by members and user wants to report accordingly, user needs to click on NIL submission

System Details				
- System Details*				
Application / System name*		Date from when the Application / System was used*		-
Type of area where Al or ML is used*	Select Type	Does the system involve order initiation, routing and execution ¹⁺	® Yes ○ No	
Does the system fall under discretionary investment or Portfolio management activities?"	® Yes ⊖ No	Does the system disterninate investment or tracking advice or strategies?*	® Yes ⊖ No	
is the application/system used in area of Cyber Security to detect attacks *	S Yes 🗇 Ba	What claims have been made regarding AI and HE AppScation / System , if any? "		
What is the name of the Tool / Technology that is categorized as Al and III, system / Application and submissions are declared vide this response"		How was the Al or ML project implemented *	Select Type	
Are the key controls and control points in your Al or III, application or systems in accordance to circular of SEIII that mandate cyber security control requirements?*		Is the AI / HE system included in the system audit, if applicable14	* Yes 0 No 0 NA	
Describe the application / system and how it uses Al / ML as portrayed in the product offering *		What safeguards are in place to prevent absormal behavior of the AJ or HL application / System $^{\rm T}$		
		Add Row		
Does syntem audit report comply to circular no. SEBURD/MIRSD/DOS2/CIR/P/2019/10 dated January 4, 2019 of SEBT	O'Yes O'No O'NA	In these any adverse comment in the System sudit report $^{\rm A}$	⊖Yes ⊖No ⊖NA	
		HL Submission Submit Reset		
				_

[B] Submitting the details:

- 1. Once user has finished filling the details and clicked on Submit OR
- 2. User has clicked on NIL submission

The successful alert is seen when user submits the details successfully. It will also generate a Reference No. as follow:



