

National Stock Exchange of India

Circular

| Department: Investigation | |
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| Download Ref No: NSE/INVG/55347 | Date: January 25, 2023 |
| Circular Ref. No: 16/2023 | |

To All NSE Members

Sub: Client due diligence

This is in continuation to the requirements of circulars SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018, SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019, NSE/INVG/7102 dated January 25, 2006, NSE/INVG/7307 dated March 24, 2006, NSE/INVG/11798 dated December 22, 2008, NSE/INVG/11928 dated January 22, 2009, NSE/INVG/12996 dated September 02, 2009, NSE/INVG/13784 dated December 30, 2009, NSE/INVG/14117 dated February 17, 2010, NSE/INVG/14994 dated June 16, 2010, NSE/INVG/16703 dated January 05, 2011 and NSE/INVG/26173 dated March 13, 2014.

Further, 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 NSE/SURV/48818 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 non-fulfilment of surveillance obligations of trading members.

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Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact the following officials:

Ms. Shriya Shah (Extension: 25379), Ms. Anita K (Extension: 24255), Mr. Dnyansagar Gadgil (Extension: 23341), Direct No: 022-26598417/18 Fax: 022-26598195

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

**Mr. Dnyansagar Gadgil
Chief Manager
Investigation**