

## NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : INVESTIGATION	
Download Ref. No.: NSE/INVG/37765	Date: May 15, 2018
Circular Ref. No.:- 0080/2018	

To All NSE Members

**Sub: Withholding of sale proceeds of securities in which unsolicited messages being circulated**

This is in continuation with the Exchange circular download ref. no. NSE/INVG/36333 dated November 17, 2017 cautioning the trading members on unsolicited messages being circulated by unregistered / unauthorized entities and advising trading members to carry out necessary due diligence before releasing the pay-out to their clients.

Further, trading members are aware that list of securities in which unsolicited messages being circulated (“SMS Stocks”) are published from time to time on trading terminals as well as on the home page of the Exchange website, inter alia, cautioning the market participants against SMS tips and to do thorough analysis about the company before investing.

In this regard, during the recent meeting of SEBI with Stock Exchanges and select trading members, it was decided as under:

1. Trading Members having significant selling concentration of clients in the SMS Stocks shall withhold the sale proceeds of the clients and transfer the same to the designated Bank Account earmarked for this purpose.
2. Trading members shall ensure that the clients as identified in point no 1, do not transact further in the SMS stocks.
3. Proceeds of SMS stocks shall be transferred to designated bank account, irrespective of whether the client continues to trade with the said Trading Member or not.
4. In the event where the client has closed his trading account, the Trading member shall make all efforts to bring the funds back from clients else Trading member shall transfer his own funds to the extent of deficit to the designated bank account.
5. Designated Account:

- a) Trading member shall open designated bank account with any scheduled commercial bank for the aforementioned purpose.
  - b) Trading member shall submit a confirmation to the Exchanges after transferring the requisite funds to the designated account.
  - c) Trading member shall submit duly certified letter from designated bank confirming the Exchange wise balance on a monthly basis.
  - d) Trading member shall not be allowed to withdraw funds out of the designated account until further directions.
  - e) Trading members shall intimate all communications with respect to the above on [invg@nse.co.in](mailto:invg@nse.co.in)
6. Transfer of proceeds of SMS stocks to designated bank account shall be completed by May 28, 2018.
  7. The aforementioned action shall also be made applicable to all SMS Stocks which may be published by the Stock Exchanges on its website from time to time.

Trading members are advised to take note of the above and ensure compliance with aforementioned requirements.

Any non-compliance in the matter shall be viewed seriously and may attract further action which may inter alia include additional action such as referring trading members for special inspection, levy of additional margins, other disciplinary actions as deemed fit.

In case of any further queries, members are requested to contact the following officials:  
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**For National Stock Exchange of India Limited**

**Binoy Yohannan**  
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