

National Stock Exchange Of India Limited**Department : Inspection**

Download Ref No: NSE/INSP/46506

Date : December 01, 2020

Circular Ref. No: 73/2020

To All Trading Members,

Sub: Treatment of Inactive Trading account

This has reference to Exchange circular NSE/INSP/43488 dated February 10, 2020 with respect to Treatment of Inactive trading account. Based on representations received from Members' and in consultation with other Stock Exchanges the following clarification is being issued:

- i. The requirement for flagging the client as inactive in the UCC database of the Exchanges and the exemption for reporting (weekly submission of securities holding and monthly upload of client funds and securities balances) shall continue to be applicable if no trades are carried out by the client in the last 12 (Twelve) months across all Exchanges.
- ii. Members shall be required to undertake the fresh documentation, due diligence and IPV where a client is coming for reactivation after a period of 1 year of being flagged as inactive. However, in case a client has undertaken transaction through the Member, with respect to IPO/Mutual Fund subscription and DP operations (if the Member is a DP) during this period, the same can be considered and the requirement for fresh documentation, due diligence, and IPV may not be required.

Further, in the below mentioned conditions, as stipulated in SEBI circular dated April 24, 2020 bearing reference number SEBI/HO/MIRSD/DOP/CIR/P/2020/73, the requirement for undertaking an IPV shall not be required:-

- Where the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
- When the KYC form has been submitted online, documents have been provided through Digi locker or any other source which could be verified online.

Notwithstanding anything contained above, in case a client seeks re-activation before a period of 1 year of being flagged as inactive, Member shall, while reactivating the client, ensure that the basic details of such client like Address, Mobile number, Email ID, Bank/DP account are updated in its records as well in the UCC records of the Exchange. In case of any changes, necessary documents shall be collected.

Members shall also ensure that appropriate due diligence of the client is conducted on an ongoing basis in compliance with the provisions of the PLMA guidelines issued from time to time and in accordance with their respective KYC policies.

All Members are advised to take note of the above and comply.

For and on behalf of

National Stock Exchange of India Limited

**Subhankar Chowdhury
Senior Manager-Inspection**

In case of any clarifications, Members may contact our below offices:

Regional Office	E MAIL ID
Ahmedabad (ARO)	inspectionahm@nse.co.in
Chennai (CRO)	inspection_cro@nse.co.in
Delhi (DRO)	delhi_inspection@nse.co.in
Kolkata (KRO)	inspection_kolkata@nse.co.in
Mumbai(WRO)	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in



NOTICES

Notice No.	20201201-27	Notice Date	01 Dec 2020
Category	Compliance	Segment	General
Subject	Treatment of Inactive Trading account		

Content

This has reference to Exchange notice no 20200210-47 dated February 10, 2020 with respect to Treatment of Inactive trading account. Based on representations received from Members' and in consultation with other Stock Exchanges the following clarification is being issued:

- i. The requirement for flagging the client as inactive in the UCC database of the Exchanges and the exemption for reporting (weekly submission of securities holding and monthly upload of client funds and securities balances) shall continue to be applicable if no trades are carried out by the client in the last 12 (Twelve) months across all Exchanges.
- ii. Members shall be required to undertake the fresh documentation, due diligence and IPV where a client is coming for reactivation after a period of 1 year of being flagged as inactive. However, in case a client has undertaken transaction through the Member, with respect to IPO/Mutual Fund subscription and DP operations (if the Member is a DP) during this period, the same can be considered and the requirement for fresh documentation, due diligence, and IPV may not be required.

Further, in the below mentioned conditions, as stipulated in SEBI circular dated April 24, 2020 bearing reference number SEBI/HO/MIRSD/DOP/CIR/P/2020/73, the requirement for undertaking an IPV shall not be required:-

- Where the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
- When the KYC form has been submitted online, documents have been provided through Digi locker or any other source which could be verified online.

Notwithstanding anything contained above, in case a client seeks re-activation before a period of 1 year of being flagged as inactive, Member shall, while reactivating the client, ensure that the basic details of such client like Address, Mobile number, Email ID, Bank/DP account are updated in its records as well in the UCC records of the Exchange. In case of any changes, necessary documents shall be collected.

Members shall also ensure that appropriate due diligence of the client is conducted on an ongoing basis in compliance with the provisions of the PMLA guidelines issued from time to time and in accordance with their respective KYC policies.

All Members are advised to take note of the above and comply.

In case of any clarifications, Members may contact our below offices:

Name of officials	Contact No	Email ID
Prakash Ananthanarayanan	022-22728895	bse.inspection@bseindia.com
Tushar Shetty	022-22728217	
Prashant Sindhwad	022-22728460	

For and On behalf of BSE Ltd.

Hiteshkumar Desai
Additional General Manager
Broker Supervision

Kiran Sawant
Asst. General Manager
Broker Supervision



Circular no.: MCX/INSP/908/2020

December 02, 2020

Guidelines for Inactive Client Accounts

This has reference to Exchange circular no. MCX/INSP/087/2020 dated February 11, 2020 with respect to Guidelines for Inactive Client Accounts. Based on representations received from Members' and in consultation with other Stock Exchanges the following clarification is being issued:

- i. The requirement for flagging the client as inactive in the UCC database of the Exchanges and the exemption for reporting (weekly and monthly upload of client funds securities and commodities balances) shall continue to be applicable if no trades are carried out by the client in the last 12 (Twelve) months across all Exchanges.
- ii. Members shall be required to undertake the fresh documentation, due diligence and IPV where a client is coming for reactivation after a period of 1 year of being flagged as inactive. However, in case a client has undertaken transaction through the Member, with respect to IPO/Mutual Fund subscription and DP operations (if the Member is a DP) during this period, the same can be considered and the requirement for fresh documentation, due diligence, and IPV may not be required.

Further, in the below mentioned conditions, as stipulated in SEBI circular dated April 24, 2020 bearing reference number SEBI/HO/MIRSD/DOP/CIR/P/2020/73, the requirement for undertaking an IPV shall not be required however the requirement of fresh documentation and due diligence shall be applicable as mentioned in point (ii) above:-

- Where the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
- When the KYC form has been submitted online, documents have been provided through Digi locker or any other source which could be verified online.

Notwithstanding anything contained above, in case a client seeks re-activation before a period of 1 year of being flagged as inactive, Member shall, while reactivating the client, ensure that the basic details of such client like Address, Mobile number, Email ID, Bank/DP account are updated in its records as well in the UCC records of the Exchange. In case of any changes, necessary documents shall be collected.

Members shall also ensure that appropriate due diligence of the client is conducted on an ongoing basis in compliance with the provisions of the PLMA guidelines issued from time to time and in accordance with their respective KYC policies.

Members are requested to take note of the above and comply with applicable regulatory requirements.

C N Upadhyay
Vice President
(Inspection & Audit)

Kindly contact Inspection & Audit Team on 022-66494150 or send an email at Inspection@mcxindia.com for further clarification.

-----Corporate office -----

Multi Commodity Exchange of India Limited
Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai – 400 093
Tel.: 022 – 6649 4000 Fax: 022 – 6649 4151 CIN: L51909MH2002PLC135594
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National Stock Exchange Of India Limited**Department :**

Download Ref No: NSE/INSP/43488

Date : February 10 , 2020

Circular Ref. No: 06/2020

To All Members,

Sub: Treatment of Inactive Trading account

This has reference to the NSE circulars no. NSE/INSP/13606 dated Dec 03, 2009 and NSE/INSP/14048 dated Feb 03, 2010 regarding Dealings between trading members & their clients wherein members were required to frame policy of treatment of inactive accounts and implement the same.

In order to provide guidelines regarding treatment of inactive account and ensure uniformity across all the members, the following guidelines, framed in joint consultation with other Exchanges, are being issued:

1. **Definition of Inactive Trading accounts:** In case of trading account, the term inactive account refers to such account wherein no trades have been carried out since last 12 (Twelve) months across all Exchanges
2. **Transaction in Inactive Trading accounts:** The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by the Trading Member in UCC database of all the respective Exchanges. The Members are also required to ensure that any further trading by such client should be allowed only after undertaking sufficient due diligence (including IPV) and obtaining the updated information related to KYC from the concerned Client. Appropriate disciplinary actions may be initiated in case of any trades are executed in any account flagged as 'Inactive'.
3. All trading members are advised to upload correct status of the client code in the UCC database of the Exchanges prior to the execution of the trades.
4. **Return of Clients assets:** Members are required to ensure that all client accounts are settled on monthly or quarterly basis (as per the client preferences) in the manner prescribed from time to time.

In case a member is unable to settle the client accounts due to non-availability of client's bank account and demat account details and non-traceability of client, Members are advised to make all efforts to trace the clients to settle their funds and securities lying with them and maintain an audit trail for such efforts made for tracing such clients and settling funds and securities of such clients.

Further in cases where Members are unable to trace such clients in spite of all efforts taken, members are directed to take the following steps:

- i. Open one separate Client Bank/Client collateral Demat account and immediately set aside the funds and securities of these clients in such account.
 - ii. Maintain audit trail of UCC wise client funds transferred to/from such bank account and UCC wise / BO ID wise securities transferred to/from such demat account (as the case may be).
 - iii. Submit UCC wise/BO ID wise and fund/securities information of such account to the Exchange on quarterly basis. The mechanism and the format of the same will be shared in due course.
 - iv. In case of receipt of any claims from such clients, members are advised to settle the accounts immediately and ensure that the payment/delivery is made to the respective clients only.
5. **Reporting of client Funds & Securities:** Henceforth, Members will not be required to upload the details of such inactive clients having NIL balances in their weekly submission of securities holding to the Exchange as prescribed in NSE Circular NSE/INSP/40743 dated April 12, 2019 and NSE/INSP/41711 dated July 25, 2019 and monthly upload of client funds and securities balances to Exchange under Enhanced Supervision prescribed in NSE Circular NSE/INSP/33276 dated September 27, 2016, NSE/ISC/2017/35268 dated July 3, 2017 and NSE/ISC/36817 dated January 24, 2018. However, details of clients having funds or securities balances shall be reported even if their UCC has been flagged as 'Inactive'.

Members are requested to take note of the contents of the circular and ensure compliance of the same with immediate basis.

For and on behalf of

National Stock Exchange of India Limited

Srijith Menon
Chief Manager-Inspection

In case of any clarifications, Members may contact our below offices:

Regional Office	CONTACT NO.	E MAIL ID
Ahmedabad (ARO)	079-49008632	inspectionahm@nse.co.in
Chennai (CRO)	044- 66309915/17	inspection_cro@nse.co.in
Delhi (DRO)	011-23459127 / 38 / 46	delhi_inspection@nse.co.in
Kolkata (KRO)	033-40400411 / 06	inspection_kolkata@nse.co.in
Mumbai(WRO)	022-25045259/217/264 or 022-61928200 Extn: 28264/28259	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	

NOTICES

Notice No.	20200210-47	Notice Date	10 Feb 2020
Category	Compliance	Segment	General
Subject	Treatment of Inactive Trading Account		

Content

This is with reference to the BSE notice no. 20091204-7 dated Dec 04, 2009 and 20100203-30 dated Feb 03, 2010 regarding Dealings between trading members and their clients wherein Stock Brokers were required to frame policy of treatment of inactive accounts and implement the same.

In order to provide guidelines regarding treatment of inactive account and ensure uniformity across the all the Stock Brokers, the following guidelines, framed in joint consultation with other Exchanges, are being issued:

- 1. Definition of Inactive Trading accounts:** In case of trading account, the term Inactive account refers to such account wherein no trades have been carried out since last 12 (Twelve) months across all Exchanges
- 2. Transaction in Inactive Trading accounts:** The Inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by the Trading Member in UCC database of all the respective Exchanges. The Stock Brokers are also required to ensure that any further trading by such client should be allowed only after undertaking sufficient due diligence and obtaining the updated information related to KYC from the concerned Client. Appropriate disciplinary actions may be initiated in case of any trades are executed in any account flagged as 'Inactive'.
- 3.** All trading members are advised to upload correct status of the client code in the UCC database of the Exchanges prior to the execution of the trades.
- 4. Return of Clients assets:** Stock Brokers are required to ensure that all client accounts are settled on monthly or quarterly basis (as per the client preferences) in the manner prescribed from time to time.

In case a stock broker is unable to settle the client accounts due to non-availability of client's bank account and demat account details and non-traceability of client, Stock Brokers are advised to make all efforts to trace the clients to settle their funds and securities lying with them and maintain an audit trail for such efforts made for tracing such clients and settling funds and securities of such clients.

Further in cases where the stock brokers are unable to trace such clients in spite of all efforts taken, Stock Brokers are directed to take the following steps:

- Open one separate Client Bank/Client Collateral Demat account and immediately set aside the funds and securities of these clients in such account.
 - Maintain audit trail of UCC wise client funds transferred to/from such bank account and UCC wise / BO ID wise securities transferred to/from such demat account (as the case may be).
 - Submit UCC wise/BO ID wise and fund/securities information of such account to the Exchange on quarterly basis. The mechanism and the format of the same will be shared in due course.
 - In case of receipt of any claims from such clients, stock brokers are advised to settle the accounts immediately and ensure that the payment/delivery is made to the respective clients only.
- 5. Reporting of Client Funds & Securities:** Henceforth, Stock Brokers are not required to upload the details of such Inactive clients having NIL balances in their weekly submission of securities holding to the Exchange as prescribed in BSE Circular 20190412-43 dated April 12, 2019 and 20190802-34 dated August 2, 2019 and monthly upload of client funds and securities balances to Exchange under Enhanced Supervision prescribed in BSE Circular 20160927-41 dated September 27, 2016, 20170706-11 dated July 6, 2017 and 20180130-43 dated January 30, 2018. However, details of clients having funds or securities balances shall be reported even if their UCC has been flagged as 'Inactive'.

Stock Brokers are requested to take note of the contents of the circular and ensure compliance of the same with immediate basis.

In case of any queries/ clarification, Stock brokers may contact the under mentioned officials:

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Name of Officials	Contact No
Mr. Vikash Kumar	2272 8997
Mr. Tushar Shetty	2272 8217
Mr. Krunal Rahangadale	2272 5632
Ms. Preeti Chugh	2272 8853
Ms. Josephine Baretto	2272 8598

For and on behalf of BSE Ltd.

Gopalkrishnan Iyer
Chief Gen. Manager
(Membership Compliance, Investor Services and Broker Supervision)



Circular no.: MCX/INSP/087/2020

February 11, 2020

Guidelines for Inactive Client Accounts

In order to provide guidelines regarding treatment of inactive client accounts, the following guidelines, framed in consultation with other Exchanges, are issued:

1. **Definition of Inactive Trading accounts:** In case of trading account, the term Inactive account refers to such account wherein no trades have been carried out since last 12 (Twelve) months across all Exchanges.
2. **Transaction in Inactive Trading accounts:** The Inactive accounts identified based on the above criteria shall be marked / flagged as “Inactive” by the Trading Member in UCC database of all the respective Exchanges. Further, members may please note that no trading will be permitted for the Client codes marked as “Inactive” in UCC database of the Exchange and any order placed for such Client will be automatically rejected by the Trading system.

If member wants to allow trade to such inactive client UCC then:

- i. Members also required to ensure that any further trading by such client should be allowed only after undertaking sufficient due diligence (including IPV) and obtaining the updated information related to KYC from the respective client.
 - ii. After completing the above process, Member shall mark such client UCC as active and allow the client to trade.
3. All trading members are advised to upload correct status of the client code in the UCC database of the Exchanges prior to the execution of the trades.
 4. Appropriate disciplinary actions may be initiated in case client UCC is not marked as “inactive” correctly in the Exchange UCC database.
 5. **Return of Clients assets:**

This is in reference to Exchange Circular nos. MCX/INSP/325/2016 dated September 29, 2016 and MCX/INSP/634/2019 dated November 11, 2019 wherein attention of members is drawn to the regulatory requirements of settlement of funds/securities/commodities of clients within the prescribed timelines specified by the SEBI/Exchange from time to time. Accordingly, members are required to return the inactive clients’ funds, securities and collaterals immediately (if already not settled).

However, it has been represented that sometimes members are not able to trace the clients and consequently not able to settle funds and securities of such untraceable clients.

Members shall make all efforts to trace the clients and settle the funds and securities of such clients based on clients’ address, phone numbers, email id, bank account details, demat account details, proof of identity, proof of address and such other details available in client registration documents / other documents.



Members shall maintain a trail / verifiable records for efforts made for tracing such clients and in making settlement of funds and securities of such clients. In case, inspite of best efforts members are unable to settle the funds and securities of such inactive / untraceable clients, following directions shall be followed:

- i. Open a separate and single client bank account for keeping funds of such inactive and untraceable clients.
- ii. Open a separate and single client collateral demat account for keeping securities of such inactive and untraceable clients.
- iii. Maintain audit trail of UCC wise client funds transferred to such bank account and UCC wise / BO ID wise securities transferred to such demat account (as the case may be).
- iv. Submit the data / information maintained under point (iii) above to the Exchange on quarterly basis. The mechanism and the format of the same will be shared in due course.
- v. Members shall continue its efforts to trace such clients and settle funds and securities balances of such clients.

Policy for distributing Inactive clients' funds / securities in case such client claims it

- i. In case if any client claims for such not settled funds / securities lying with the member, the member shall satisfy itself about the client credentials. Member shall instantly repay such funds and deliver such securities (along with corporate benefits, if any) to the claimant upon satisfaction of client credentials.
- ii. The members shall update the details of such settlement to the clients in a submission to the Exchange on quarterly basis.

6. **Reporting of Clients' Funds and Securities:** Further, members are not required to upload the details of such inactive clients having NIL balances in their submission of Clients Funds Securities and Commodities Balances to the Exchange.

Members are hereby advised to take note of above regulatory requirements and ensure compliance of the same.

C N Upadhyay
Vice President
(Inspection & Audit)

Kindly contact Inspection & Audit Team on [022-66494150](tel:022-66494150) or send an email at Inspection@mcxindia.com for further clarification.

-----Corporate office -----

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