

**Department: Inspection**

**Segment: All Segments**

**Circular No: MSE/INSP/8653/2020**

**Date : February 10, 2020**

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**Subject: Treatment of Inactive Trading account**

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This has reference to the MSE circulars no. MCX-SX/INSP/238/2009 dated December 04, 2009 and MCX-SX/INSP/296/2010 dated February 25, 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 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 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.



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**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 MSE Circular MSE/INSP/7543/2019 dated April 15, 2019 and MSE/INSP/7947/2019 dated July 26, 2019 and monthly upload of client funds and securities balances to Exchange under Enhanced Supervision prescribed in MSE Circular MSE/INSP/4554/2016 dated September 28, 2016, MSE/INSP/2017/5382 dated July 27, 2017 and MSE/INSP/5961/2018 dated January 22, 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  
Metropolitan Stock Exchange of India Limited**

**Mahendra Choudhari  
Asst. Vice President – Inspection**

In-case of any query kindly contact Inspection Department on 6112 9000 or mail on [compliancemsx@msei.in](mailto:compliancemsx@msei.in)