

Department: Inspection	Segment: All
Circular No: MSE/INSP/12032/2022	Date : July 06, 2022

Subject: Financing of securities transactions

To All Trading Members,

Members' attention is drawn to Exchange's circulars no. MSE/INSP/10101/2021 dated February 09, 2021, wherein it was advised not to indulge in the practice of financing Securities Transactions. Members were also advised to desist from trading or acting as a conduit or intermediary for financing any secondary market transactions entered by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing. Further, Exchange vide its circular MSE/INSP/11350/2022 dated January 10, 2022 has reiterated that members are not permitted to engage in any business or activities or transactions, directly or indirectly, other than that of securities or commodity derivative except as a broker or agent not involving any personal financial liability. Hence, it is reiterated that engaging in NBFC/Lending Business either directly or indirectly, tantamount to financing of transactions which is not in compliance with the guidelines issued vide aforesaid circulars.

However, it has come to the notice of the Exchange that certain members are engaging in funding the clients' transactions either directly or through NBFC or other lending institutions. Hence, it is reiterated that the member shall ensure compliance with the said Exchange / SEBI guidelines as notified and amended from time to time as under:

- Trading members shall not be a party to any agreement or arrangement, directly or indirectly, entered into between their clients and any person including their subsidiary / holding company or group or associate company, to fund any secondary market transactions in any segment or margin requirements in respect of transactions executed by the trading members on behalf of their clients, or recognize or act in accordance with any such agreement or arrangement entered into by the trading members' clients with any person.
- Trading members shall not entertain any instructions to trade in securities or transfer funds or securities, from any entity other than the clients, by prior arrangement or otherwise to facilitate financing of clients' transactions or margin requirements in respect of the transactions. Any financing arrangement with a general authorization by the clients are not permitted.
- Trading members shall not otherwise finance or act as a conduit or intermediary for financing any secondary market transactions in any segment or margin requirements in respect of the transactions entered into by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing.

Metropolitan Stock Exchange of India Limited



METROPOLITAN STOCK EXCHANGE

- Trading Members shall not share transaction/obligation details of the clients with NBFC or any other lending institutions.
- Trading members shall not engage in cross-selling of lending products or open joint (2 in 1 type of) accounts in collaboration with NBFC or any other lending institutions.

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

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

**Mahendra Choudhari
AVP – Inspection and Membership Department**

In case of any query kindly contact Inspection Department on 6112 9000 or mail on compliancemsx@msei.in