

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : INSPECTION	
Download Ref.No.: NSE/INSP/29096	Date : March 11, 2015
Circular Ref.No.: 223/2015	

To All Members

Sub : Actual Settlement of Client Accounts

This has reference to Exchange Circulars NSE/INSP/13606 dated December 03, 2009, NSE/INSP/14048 dated February 03, 2010, NSE/INSP/15008 dated June 17, 2010, NSE/INSP/17781 dated May 13, 2011 NSE/INSP/21651 dated September 07, 2012 and NSE/INSP/24849 dated October 29, 2013 relating to dealing with clients, running account authorization and actual settlement of client accounts. Members' attention is also drawn to Regulation 6.1.5 of NSEIL Capital Market Regulations and Regulation 6.1.6.1 and 6.1.6.2 of NSEIL F&O Regulations which requires clear segregation between client funds/securities with that of the Member and the permissible purposes for which the funds & securities can be transferred from client accounts.

Members may appreciate that the facility of running account is provided for operational convenience and should be used responsibly and judiciously.

However, it is observed during Exchange conducted inspections and the half yearly internal audits conducted by member appointed Internal Auditors that some Members are not diligently adhering to the requirement of settling client accounts once a month or quarter as per the consent of client. It is also observed that , the funds available with the Member was reported to be short of the amount payable to the clients as per the settlement cycle, which indicates serious liquidity concerns. In the recent past, Exchange has also received large number of investor complaints for non-receipt of funds & securities against some Members.

In view of the above, Members are advised to ensure that the funds & securities available in the client bank/s and client beneficiary account/s together with balances available with clearing Member and funds with clearing corporation are not less than the funds and securities payable to the client at all times.

Members are also advised to reconcile client beneficiary account/s and the register of securities on a quarterly basis and maintain complete audit trail & documentation of such reconciliation.

Any discrepancy between amounts/securities payable to clients and the actual balances available in client bank/s & beneficiary account/s together with the balances available with clearing member/clearing corporation and any instance of actual settlement not done shall be viewed very seriously.

All members are requested to take note of the above and ensure that they are in compliance at all times.

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

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

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