

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

Download Ref No: NSE/INVG/2019/40175

Date : February 07, 2019

Circular Ref. No: 31/2019

To All NSE Members,

Sub: Guidance note on Abnormal / Non-Genuine trades

This is in continuation of NSE Circular No. NSE/INVG/39647 dated December 13, 2018 with respect to “Abnormal / Non-Genuine transactions” inter alia advising trading members to refrain from entering abnormal / non – genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts.

Trading Members are aware that in compliance of SEBI master circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 04, 2018 (clause 2.6), members are required to monitor transactions of their clients, excerpts of which are as follows –

- Intermediary to have understanding of their client’s activity to identify deviations in transactions by regularly monitoring them.
- The intermediary shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose.
- The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing.

In this regard, in order to assist trading members in identifying such type of transactions, certain indicative scenarios have been listed below which may need additional attention and examination by the trading member

- Trading activity of client(s) concentrated in a specific security / contract which is/are not traded very frequently or trading with low volumes with client squaring up its position within a short span of time. Additionally factors such as clients earning significant profit or incurring losses on account of such transactions, their consistent contribution to daily average volumes of security / contract may also be looked at.
- Fresh positions are being created in the contracts very close to their respective expiry or on the day of expiry.
- Large quantities being traded during last half an hour which account for significant percentage to total traded quantity without change in beneficial ownership.
- Securities /contracts where the total traded volume of the client vis a vis the average daily traded volumes in that security is significant.
- Additional emphasis to be given to Securities / Contracts where surveillance actions such as Additional Surveillance Measure, Graded Surveillance Measure, Periodic call

auction, Trade for Trade etc. have been initiated. The details available on NSE website under –

https://nseindia.com/invest/content/equities_surv_actions.htm

Trading Members may please note that these alerts and guidance note is indicative and not exhaustive and hence should exercise necessary caution and due diligence at all times.

Exchange has also been intimating trading members about transactions which needs to be analyzed and to seek rationale/ documentary evidences including seeking information such as bank statements/ demat transaction statements from the clients in terms of NSE circular reference no. NSE/INVG/22908 dated March 07, 2013.

Exchange shall after following the due process take appropriate disciplinary actions, if instances of abnormal / non-genuine transactions are observed by providing the necessary opportunity to the trading member to provide their clarification in the matter.

In case of any further queries, members are requested to contact the following officials:
Ms. Sayali Bhalerao (Extn: 22374), Mr. Soumil Shah (Extn: 22385), Hiren Thakkar (Extn:22399)
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**For and on behalf of
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