

**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 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:

<b>Regional Office</b>	<b>CONTACT NO.</b>	<b>E MAIL ID</b>
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

<b>Notice No.</b>	20200210-47	<b>Notice Date</b>	10 Feb 2020
<b>Category</b>	Compliance	<b>Segment</b>	General
<b>Subject</b>	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:

- 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
- 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'.
- 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.
- 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:

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)**