

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

Download Ref No: NSE/INSP/43824

Date : March 11, 2020

Circular Ref. No: 14/2020

To All Trading Members,

Sub: Clarification on incentives/referral schemes

This has reference to Exchange circular NSE/INSP/43029 dated December 26, 2019 with respect to incentives/referral schemes.

Based on representations received from Members, the following clarifications are being issued on incentives/referral schemes which supersedes the point no. 1, 2 and 6 mentioned in the existing Exchange Circular NSE/INSP/43029 dated December 26, 2019:-

1. For a particular referring person, the rate of the incentive should be flat (i.e. not slab based) and a single rate should be applied. It is hereby clarified that a trading member may have different referral incentive rates across different referring person.
2. The referring person should not undertake any form of selling/advisory activities in secondary market w.r.t securities and should not manage the portfolio of any person who is being referred. He/she should strictly limit his/her role to “Referral” only.
3. The referring person cannot conduct IPV/OSV. However, referring person who are under an obligation to undertake IPV/OSV under their respective governing regulations, may continue to do so.
4. Authorised Persons (A.P), SEBI Registered Portfolio Managers and Investment advisors shall continue to be governed by the existing regulatory provisions including any changes issued from time to time.

The revised guidelines in the matter is enclosed herewith as **Annexure A** for reference.

All Members are advised to adhere to the above guidelines while offering such incentives/referral schemes.

For and on behalf of

National Stock Exchange of India Limited

Srijith Menon

Chief Manager-Inspection

Annexure A

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

Regional Office	CONTACT NO.	E MAIL ID
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)	022-25045264/259/224	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	

Annexure A

1. For a particular referring person, the rate of the incentive should be flat (i.e. not slab based) and a single rate should be applied. It is hereby clarified that a trading member may have different referral incentive rates across different referring person.
2. The referring person should not undertake any form of selling/advisory activities in secondary market w.r.t securities and should not manage the portfolio of any person who is being referred. He/she should strictly limit his/her role to “Referral” only.
3. The referred client shall not be subjected to any kind of trade inducement by the referring person and it shall be ensured that all instructions for placement of orders are obtained from the respective clients only.
4. All the details/information pertaining to the client shall be maintained confidentially and the same should not be disclosed to any person except as required under any law/regulatory requirements or with the express written permission of the client.
5. All correspondences viz. contract notes, daily margin statement, statement of accounts, Annual global transaction statements etc. should be sent to the respective client only and under no circumstances will go to the referring person.
6. The referring person cannot conduct IPV/OSV. However, referring person who are under an obligation to undertake IPV/OSV under their respective governing regulations, may continue to do so.
7. Incentive amount should not be recovered from the client being referred and no obligation whatsoever should be cast on such client. There should be no financial transaction between the referred client and the referring person under the arrangement.
8. Member shall be directly and wholly liable in case of any dispute w.r.t. referral program/incentive scheme or calculation of referral income between broker-referred/referring person. Such disputes/grievances will not be covered under investor protection or grievance redressal measures of the Exchange.

Members should comply with code of conduct prescribed for Stock Brokers under Regulation 9 of SEBI (Stock Brokers) Regulations, 1992 and all relevant Byelaws, rules & regulations and of SEBI/Exchange w.r.t. sharing of Brokerage, account opening, inducement to trade, sales practices, orders placement etc. issued from time to time.

Members shall frame an internal policy w.r.t. quantum/maximum limit on the incentive to be provided to the referring person in line with the aforementioned guidelines. Such policy shall be duly approved by its Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be. Members shall take adequate steps to review and monitor the adherence to the said policy on a regular basis, at such intervals not later than one year.

Authorised Persons (A.P), SEBI Registered Portfolio Managers and Investment advisors shall continue to be governed by the existing regulatory provisions including any changes issued from time to time.