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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all members of the Exchange

Circular No : NCDEX/COMPLIANCE-045/2022

Date : July 07, 2022

Subject : Financing of Securities/Commodities transactions

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Members' attention is drawn to Exchange's circular no. NCDEX/COMPLIANCE-008/2021 dated February 10, 2021 regarding on Financing of Securities/Commodities transactions, wherein it was advised not to indulge in practice of financing the Securities Transactions. Members were also advised to desist from acting as a conduit or front for financing any secondary market transactions including transactions in commodity derivatives, entered by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing.

It is reiterated that facilitating any arrangements / agreement by way of loans/credit facilities by NBFCs to the clients for funding the peak margin / other margin requirements or secondary market transactions is in violation of the SEBI guidelines.

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:

- i. 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.
- ii. 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.
- iii. 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.
- iv. Members shall not share transaction/obligation details of the clients with NBFC or any other lending institutions.
- v. 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.

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Members are advised to take note of the contents of the circular and strictly comply to avoid any disciplinary actions.

For and on behalf of  
**National Commodity & Derivatives Exchange Limited**

Pranesh Shetty  
Vice President – Inspection & Enforcement

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For further information/clarifications, please contact

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