
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all the members of the Exchange

Circular No : NCDEX/COMPLIANCE-025/2024

Date : April 09, 2024

Subject : Framework for Trading Members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients

This is with reference to SEBI Circular SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024 and Exchange Circular NCDEX/COMPLIANCE-009/2024 dated January 17, 2024 on the subject "Ease of Doing Investments by Investors - Facility of voluntary freezing/ blocking of Trading Accounts by Clients".

The framework for trading members to provide the facility of voluntary freezing / blocking the online access of the trading account to their clients on account of suspicious activities as finalized in accordance with point no. 4 of the SEBI Circular is enclosed as **Annexure – 1**.

In accordance with aforesaid SEBI Circular dated January 12, 2024, the trading members shall frame a policy in line with the above mentioned framework, which shall be the part of the trading member's Risk Management Policy. The trading members shall disclose on their website, the above policy along with the process and mode(s) through which the client can place the request to freeze / block & unfreeze / unblock the trading account along with the timelines that will be followed by the trading members for the same.

With respect to new clients onboarded with effect from July 01, 2024, the policy so framed in line with the above mentioned framework shall form part of account opening kit.

Further, with respect to the existing clients, the aforesaid policy so framed by the trading members shall be communicated by July 01, 2024 via email or any other suitable mechanism which can be preserved. In case, if communication gets bounced/undelivered, the same shall be communicated through alternate channels to such clients. Other suitable mechanism may include physical delivery/ SMS / electronic instant messaging services after adhering with the safeguards prescribed under Exchange Circular NCDEX/COMPLIANCE-036/2022 dated June 06, 2022 on Issuance of Electronic Contract Notes (ECN) through SMS/electronic instant messaging services. Further, the details pertaining to reporting requirement shall be communicated through a separate circular in due course.

Members are hereby requested to take note of the contents of the circular and comply.

For and on behalf of

National Commodity & Derivatives Exchange Limited

Pranesh Shetty

Vice President – Inspection & Enforcement

For further information/clarifications, please contact

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Framework for Trading Members to provide the facility of voluntary freezing/ blocking the online access of the trading account to their clients on account of suspicious activities
 (per requirements of SEBI circular ref. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024)

The framework for Trading Members for providing the facility of voluntary freezing/ blocking the online access of the trading account to their clients on account of suspicious activities as finalised by the Brokers' Industry Standards Forum in consultations with Exchanges as follows:

1. The Trading Members providing internet based trading/ mobile trading/ other online access for trading shall make available to the clients at least two modes of following communications through which the client may request for voluntary freezing/ blocking the online access of trading account if any suspicious activity is observed in the trading account: -
 - a) Email from registered e-mail ID
 - b) SMS from registered mobile number
 - c) IVR /tele calling
 - d) Chatbot
 - e) Trading Member's App / website
 - f) Any other legally verifiable mechanism
2. Where an e-mail ID and/or telephone number is provided by the Trading Member for this purpose, the said e-mail ID/ telephone number should be dedicated for receipt of communication for voluntary freezing/ blocking of the online access of the clients' trading account. The nomenclature of dedicated e-mail Id shall be stoptrade@domainname.com.
3. The Trading Member shall take the following actions on receipt of request through any modes of communications as provided by trading member for freezing/blocking of the online access of the trading account from the client:
 - a. Validate that the request is received from the client as per point no. 4 and issue the acknowledgement as well as freeze/block the online access of the client's trading account and simultaneously cancel all the pending orders of the said client. The timelines for freezing/ blocking of the online access of the clients' trading account is as under: -

Scenario	Timelines for issuing acknowledgement as well as freezing/ blocking of the online access of the trading account.
Request received during the trading hours ¹ and within 15 minutes before start of trading.	Within 15 Minutes ²
Request received after the trading hours and 15 minutes before the start of trading.	Before the start of next trading session

¹Trading hours shall be as follows:

Capital Market Segment: 9.15 am to 3.30 pm, Equity Derivatives Segment: 9.15 am to 3.30 pm, Currency Derivatives Segment: 09.00 am to 05.00 pm, Commodity Derivatives Segment: 09.00 am to 11:30 pm.

² To begin with, the time limit of 15 minutes is being specified for the purpose of issuing acknowledgement as well as freezing/blocking of the online access of the trading account. This time limit shall be contracted after a review in next six months after the date of its applicability to enhance protection of investors from suspicious activities.

- b. Post freezing/blocking the client's trading account, send a communication on registered mobile number and registered e-mail ID of the client, stating that the online access to the trading account has been frozen/blocked and all the pending orders in the client's trading account, if any, have been cancelled along with the process of re-enablement for getting the online access to the trading account.
 - c. Details of open positions (if any) should also be communicated to client along with contract expiry information within one hour from freezing/blocking of the trading account. This will eliminate risk of unwanted delivery settlement. This time limit shall be contracted after a review in next six months after the date of its applicability to enhance protection of investors from suspicious activities.
4. The Trading Member shall have a mechanism in place to validate that the request for freezing/blocking of the online access of the trading account is received from the client only. This can be done by the Trading Member by:
 - a) verifying whether request is received from the registered phone number/e-mail Id of the client; or where request is received from other than registered phone number/e-mail Id of the client, the Trading Member should have a client authentication procedure (2 Factor Authentication) in place or
 - b) Following any other process as may be prescribed by the Exchange(s) uniformly in consultation with SEBI, from time to time.
5. The Trading Member shall maintain the appropriate records/logs including, but not limited to, request received to freeze/block the online access of trading account, confirmation given for freezing/blocking of the online access of the trading account and cancellation of pending orders, if any, sent to the clients.
6. In case of failure of the Trading Member in freezing/ blocking the online access within the prescribed timelines (**15 Mins in case request is received during the trading hours and within 15 mins before start of trading / Before the start of next trading session in case request is received after the trading hours and 15 min before the start of trading**), Trading Member **shall be responsible** for any trades executed from the time of receipt of such request till such time the online access is blocked / frozen.
7. **Re-enabling the client for online access of the trading account:** - The trading member shall re-enable the online access of trading account after carrying out necessary due diligence including validating the client request and unfreezing / unblocking the online access of the trading account.
8. It is clarified that:
 - a. Freezing/blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of the Trading Member.
 - b. The request for freezing/ blocking does not constitute request for marking client Unique Client Code (UCC) as inactive in the exchange records.

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9. The Trading Member shall frame a policy on the above guidelines, which shall be the part of the Trading Member's Risk Management Policy. The Trading Member shall disclose on their website, the above policy along with the process and mode(s) through which the client can place the request to freeze/block & unfreeze / unblock the trading account along with the timelines that will be followed by the trading member for the same. The same shall be communicated to the new clients as a part of account opening kit with effect from July 01, 2024, and to the existing clients by July 01, 2024 via email or any other suitable mechanism which can be preserved. In case if communication gets bounced/undelivered, the same shall be communicated through alternate channels to such clients. Other suitable mechanism may include physical delivery/SMS/electronic instant messaging services after adhering with the safeguards prescribed under Exchange Circular NCDEX/COMPLIANCE-036/2022 dated June 06, 2022 on Issuance of Electronic Contract Notes (ECN) through SMS/electronic instant messaging services.