

NOTICES

Notice No.	20220706-55	Notice Date	06 Jul 2022
Category	Compliance	Segment	General
Subject	Precautions for clients dealing in Options		

Content

This has reference to Exchange notice no. 20220325-58 dated March 25, 2022, wherein it was highlighted that certain practices followed by members are not in compliance with the relevant guidelines issued by the Exchange.

Further, members' attention is drawn to Exchange notice no. 20091204-7 dated December 4, 2009 and 20100203-30 dated February 03, 2010, wherein the guidelines for "Dealings between a client and a stockbroker" have been prescribed. Subsequently, SEBI vide circular no: CIR/MIRSD/16/2011 dated August 22, 2011, has simplified and rationalized the trading account opening process. In accordance with the aforesaid circulars, clients who wish to trade in derivatives segments shall mandatorily sign the "trading preference" in the client registration form. Trading members shall also collect documentary evidence of financial details provided by the clients who opt to deal in the derivatives segment.

However, it has been observed that trading members are not performing adequate due diligence to ensure that documentary evidence for income submitted by the client reflects the satisfactory financial position of the client before allowing them to trade in derivatives. It has also been observed that certain members are availing the services of influencers to promote "Options" trading, thereby inducing the clients to trade in "Options" without considering the product suitability/knowledge and trading experience of the clients.

In view of the same, members are hereby advised to carry out due diligence to ensure that evidence of financial information / income details reflecting the satisfactory financial position of the client are collected before onboarding the clients for trading in derivatives. Members are also advised to monitor whether the trading activity of their clients in the derivatives segment, particularly in Options, is in proportion to their income / networth.

Further, Trading members are also advised to regularly caution and create awareness amongst their clients/investors at least once in a fortnight through email and also display the same on their websites to sensitise them to avoid practices like:

- Sharing of trading credentials – login id & passwords including OTP's
- Trading in leveraged products like options without proper understanding, which could lead to losses
- Writing/ selling options or trading in option strategies based on tips, without basic knowledge & understanding of the product and its risks
- Dealing in unsolicited tips through Whatsapp, Telegram, YouTube, Facebook, SMS, calls, etc.
- Trading in "Options" based on recommendations from unauthorised / unregistered investment advisors and influencers

Members are advised to regularly look for various unsolicited messages/unauthorised practices being circulated in the market and take appropriate action against the individual/person/entity in case the details such as names, phone numbers, email ids appearing in the said messages are matching with the records of their employees, authorised persons and clients. Members are also advised to take appropriate actions on the individuals/entities using their name/brand/logo and engaging in unauthorised market practices.

Members are advised to refrain from engaging in any practice that is against the spirit of the guidelines issued by SEBI/Exchange.

All Members are advised to take note of the above and strictly comply.

For and on behalf of BSE Ltd.

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