
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange
Circular No : NCDEX/COMPLIANCE-047/2022
Date : July 11, 2022
Subject : Precautions for clients dealing in Options

This has reference to Exchange circular no. NCDEX/COMPLIANCE-019/2022 dated April 01, 2022 regarding Unauthorised Market Practices by the Members, wherein it was highlighted that certain practices followed by members are not in compliance with the relevant guidelines issued by the Exchange.

Exchange vide circular no: NCDEX/COMPLIANCE-015/2016/238 dated September 27, 2016 regarding Regulatory framework for commodity derivatives brokers, NCDEX/LEGAL-003/2015/136 dated April 21, 2015 and NCDEX/COMPLIANCE-017/2017/266 dated October 10, 2017 regarding guidelines on Common / Uniform Client Registration and NCDEX/COMPLIANCE-021/2017/302 dated November 17, 2017 regarding Anti - Money laundering Guidelines. In accordance with the aforesaid circulars, clients who wish to trade on National Commodity Exchange shall mandatorily sign the “trading preference” in the client registration form against the National Commodity Exchange name mentioned. Trading members shall also collect documentary evidence of financial details provided by the clients who opt to deal in the derivatives segment at least once in a financial year.

However, it has come to our notice that 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 Exchange trading activity of their clients is in proportion to their income / net worth.

Further, 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 sensitize 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
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Vice President – Audit & Inspection

For further information/clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : askus@ncdex.com