



भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India

CIRCULAR

CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108

September 26, 2017

To

All recognized Stock Exchanges,

Dear Sir / Madam,

**Sub: Prevention of Unauthorised Trading by Stock Brokers**

- I. SEBI in the past has taken several steps to tackle the menace of “Unauthorized Trades” viz Periodic Running Account Settlement, Post transactions SMS/email by exchanges/Depositories, Ticker on broker/DP websites etc. It was observed that in spite of measures taken, a considerable proportion of investor complaints is of the nature of “Unauthorized Trades”.
- II. The current regulatory requirements in commodity derivative markets require that *“The members shall execute the trade of clients only after keeping evidence of the client placing such order; it could be, inter alia, in the form of sound recording.”* There are no such requirements in Equity, Equity Derivative and Currency Derivative Market side.
- III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:
  - a. Physical record written & signed by client,
  - b. Telephone recording,
  - c. Email from authorized email id,
  - d. Log for internet transactions,
  - e. Record of SMS messages,
  - f. Any other legally verifiable record.

When dispute arises, the burden of proof will be on the broker to produce the above records for the disputed trades.



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- IV. Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.
- V. This circular shall be effective with effect from 1<sup>st</sup> January 2018.
- VI. The Stock Exchanges are directed to:
- bring the provisions of this circular to the notice of the Stock Brokers and also disseminate the same on their websites.
  - make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above directions in co-ordination with one another to achieve uniformity in approach.
  - communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.
- VII. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of and to regulate the securities market.

Yours faithfully,

**DebashisBandyopadhyay**  
**General Manager**