

## **Precautions for clients dealing in Options / Derivatives**

This has reference to Exchange circular ref no: NSE/INSP/51770 dated March 25, 2022, wherein it was highlighted that certain practices are to be followed by members & Clients as per the relevant guidelines issued by the Exchange.

Subsequently, SEBI vide circular no: CIR/MIRSD/16/2011 dated August 22, 2011, has simplified and rationalized the trading account opening process and NSE circular ref no: NSE/INSP/52900 dated July 06, 2022 and BSE notice no: 20220706-55

Kindly note the following points:-

1. 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.
2. Trading members shall also collect documentary evidence of financial details provided by the clients who opt to deal in the derivatives segment.
3. Documentary evidence for income submitted by the client should reflect the satisfactory financial position of the client before allowing them to trade in derivatives.
4. Clients trading in “Options” should consider the product suitability/knowledge as per their trading experience.
5. 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.
6. Further, Trading members are also advised to regularly caution and create awareness amongst their clients/investors to sensitise them to avoid practices like:
  - a. Sharing of trading credentials – login id & passwords including OTP’s.
  - b. Trading in leveraged products like options without proper understanding, which could lead to losses
  - c. Writing/ selling options or trading in option strategies based on tips, without basic knowledge & understanding of the product and its risks
  - d. Dealing in unsolicited tips through Whatsapp, Telegram, YouTube, Facebook, SMS, calls, etc.
  - e. Trading in “Options” based on recommendations from unauthorised / unregistered investment advisors and influencers.