

Guidance Note – Direct Market Access (NSE Derivatives Market)

Direct Market Access (DMA) allows investors to place buy and sell orders directly on the Exchange's order book. This effectively allows investors to execute trades for themselves rather than rely on their Trading Members for execution. DMA benefits investors by allowing for faster trade execution and a greater degree of control over trading. The investor is also able to mitigate risks associated with passing trade instructions to third parties since they execute trades for themselves.

Important to note is that DMA is offered to investors through their Trading Members, in a form of sponsored access. The Trading Member remains fully responsible for all activity of its clients to whom it has granted sponsored access.

Rule 5.7.2 of the NSE Derivatives Rules provides for direct access to the Derivatives Automated Trading System (DATS) as follows:

A trading member may request the NSE, or its clearing house, to give direct access to the DATS to such persons with whom it has a business relationship (sponsored users) for purposes of conducting direct trading activity, provided always that the trading member will remain fully responsible, and will indemnify the NSE and its clearinghouse fully, for all activity of the sponsored users in the DATS. The NSE or its clearinghouse may require, and the trading member shall provide such information with regard to the sponsored user as the NSE or its clearing house shall consider reasonable.

Pursuant to this Rule, Trading Members may grant DMA rights to their clients through Avvento or an alternative trading front-end, provided always, that the Trading Member shall remain responsible for all its client's activities and shall ensure that such activities abide by the risk limits set by the Trading Member or Clearing Member, as the case may be.

The Trading Member shall assess its clients before granting DMA rights and based on the client's level of sophistication and familiarity with derivatives trading, may require that the client is first certified by the Exchange to trade NSE derivatives products.

The Trading Member may revoke DMA rights in the event of a breach of the client agreement or other terms that may have been agreed between the Trading Member and the client.



GEOFFREY ODUNDO
CHIEF EXECUTIVE