

National Stock Exchange of India Limited

Circular

DEPARTMENT: COMPLIANCE	
Download Ref No: NSE/COMP/53088	Date: July 26, 2022
Circular Ref. No: 60/2022	

To,
All Trading Members,
All Backoffice Vendors,

Sub: Empanelment of Backoffice vendors

Trading Members are currently managing their Back office (BO) functions either by an In-house developed software or by availing services of a BO software vendors. In order to achieve uniformity in the formats in which the books and accounts are maintained by the members and to harmonize the formats under which various data is submitted to Exchange, it has been decided to empanel Backoffice vendors. Detailed guidelines in this regard are mentioned as under:

Procedure for Empanelment:

The operating guidelines to be followed by the trading members for registering their BO facility and the process of empaneling BO vendor / In-house developed software is provided in **Annexure A**.

All members are required to submit the details of the back-office facility currently being used by them. The link for submission of such information through the member portal shall be informed to the members through a separate circular, in due course.

Members developing BO software in-house, may not be required to engage as empanelled vendor with the Exchange. However, for such BO Facility, the Designated Director of the Trading Members shall make an application to the Exchange and provide the undertaking as per the operating guidelines specified in **Point-I** of **Annexure A**. The details for submission including the timelines shall be communicated in due course.

BO vendors desirous of registering with the Exchange as empanelled vendors shall submit the application through a trading member who would be carrying out the necessary testing as per the operating guidelines specified in **Point II** of **Annexure A**. Exchange may seek additional details as deemed necessary for evaluating the application of the trading member for vendor empanelment. The vendor empanelment

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applications shall be evaluated based on various parameters inter alia including background/profile, infrastructure, systems etc, some of which are listed below:

1. Back-ground/profile of the vendor. (In case of newly formed firm /company, the Directors/Partners & KMPs of the firm / company to fulfil the criteria)
 - Organizational structure, Directors/ Partners & KMPs and their background/profile.
 - Details of affiliation with other entities like brokers, including beneficial interests held by / in such brokers.
 - The criteria for considering whether a relevant person is fit and proper which includes honesty, integrity and reputation, competence and capability and financial soundness. The onus is on the vendor to establish that it is a fit and proper person/entity/firm.
 - Relevant disclosures and details, if Directors/Partners & KMPs are debarred by any regulatory authority (worldwide) from rendering services.
 - Relevant disclosures (Conflict of Interest) in case Directors / Partners & KMPs of BO vendors are associated with any member.
2. Should have adequate infrastructure in terms of:
 - Hardware & Software facilities.
 - Communication & networking facilities within the organization
 - General facilities such as office space and infrastructure
 - Number of qualified staff
3. Should have required skills within the organization (can be a value-added reseller and must have necessary system integration and porting skills)
4. Should have sound platforms for the proposed solution

On receipt of the duly filled application form, undertaking along with other documents as defined in operating guidelines specified in **Annexure A** and on vendor meeting requirements as specified herein and from time to time the vendor shall be empanelled with the Exchange.

Trading Members, who are currently using the BO facility services are exempted from getting the permission from Exchange, if the current Backoffice Vendor gets himself empanelled with Exchange on or before December 31, 2022. Any new / existing trading member applying for availing Backoffice facility after December 31, 2022, are required to get permission from Exchange for using the empanelled backoffice vendor (New back office / Migration to other Back office) as per **Point III of Annexure A**.

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Empanelment for Backoffice Solutions, CTCL solutions and Internet based trading solutions are separate, and vendors are required to apply separately for empanelment for the same, in accordance with the various circulars issued by the Exchange from time to time.

It may be noted that the BO empanelment by the Exchange do not, in any manner, represent or warrant that the said software shall be free of any error, omission, defect, bugs, shortcoming or limitation of any nature whatsoever. Further, the Member shall be solely liable for all/any dysfunctional, erroneous or disorderly functioning of the BO software and for the consequences arising out of such functioning and the Exchange shall not be responsible for any consequences arising out of such functioning of the BO software. Members shall always ensure that the BO software shall not be used for any purpose that is contrary to applicable Circulars, Byelaws, Rules and Regulations of the Exchange and/or SEBI.

All Trading members are advised to take note of the above and bring the provisions of this circular to the notice of the BO vendors and ensure the conformance and compliances to the above requirements. Utilisation of services of a vendor, for back office, which is not empanelled with the Exchange shall not be permitted from January 01, 2023, onwards.

For any support, please reach out to the helpdesk on 1800 266 0050 (Select IVR option 3) or email at memcompliance_support@nse.co.in.

**For and on behalf of
National Stock Exchange of India Limited**

**Swati Sopare
Member Compliance**

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Annexure A: Operating Guidelines

I. Operating guidelines for developing back-office facility In-house: -

1. The trading members developing Back-office software in-house, may not be required to engage as empanelled vendor with the Exchange. However, for such Back Office Facility, the designated director of the Trading Members shall make an application as specified in **Annexure I** to the Exchange and provide the undertaking as specified in **Annexure II** stating that they will abide by all the conditions and / or requirements of the exchange.
2. Members shall also submit system audit report and certificate in the prescribed format specified in **Annexure III & IV** along with the application for Backoffice facility. In this report, the system auditor shall cover the areas of audit specified in **Annexure VI** and submit their findings.
3. Detailed list of documents to be submitted through the online portal ENIT and through physical copy is as under:

List of Documents	Annexure
Member Application format	Annexure I
Format of the undertaking to be given by the members availing Backoffice facility	Annexure II
Auditors Report	Annexure III
Auditors Certificate	Annexure IV
Criteria / Aspects of Testing	Annexure VI

II. Operating guidelines for Vendors desirous of being empanelled with Exchange: -

1. Vendors wishing to get themselves empanelled with Exchange are required to submit the application form as specified in **Annexure V** through the member, who will be introducing the vendor to the exchange by submitting the application form as specified in **Annexure I** after completing the necessary testing. The vendor is required to submit an undertaking as specified in **Annexure II** stating that they will abide by all the conditions and / or requirements of the exchange.
2. Member shall also submit system audit report and certificate in the prescribed format specified in **Annexure III & IV** along with the application for Backoffice facility. In this report, the system auditor shall cover the areas of audit as specified in **Annexure VI** and submit their findings.

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3. Detailed list of documents to be submitted by the member through the online portal ENIT and through physical copy is as under:

List of Documents	Annexure
Member Application format	Annexure I
Format of the undertaking to be given by the Vendor providing Backoffice facility	Annexure II
Auditors Report	Annexure III
Auditors Certificate	Annexure IV
Vendor Application format	Annexure V
Criteria / Aspects of Testing	Annexure VI

III. Operating guidelines for members procuring software from Exchange empanelled Vendors: -

- Members wishing to avail the BO facility through exchange empanelled vendors need to submit application form as specified in **Annexure I** along with vendor application form as specified in **Annexure V**.
- Members shall also submit system audit report and certificate in the prescribed format specified in **Annexure III & IV** along with the application for Backoffice facility. In this report, the system auditor shall cover the areas of audit as specified in **Annexure VI** and submit their findings.
- Detailed list of documents to be submitted by members through the online portal ENIT and through physical copy is as under:

List of Documents	Annexure
Member Application format	Annexure I
Auditors Report	Annexure III
Auditors Certificate	Annexure IV
Vendor Application format	Annexure V
Criteria / Aspects of Testing	Annexure VI