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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2370

March 24, 2011

UNAUTHENTICATED NEWS CIRCULATED BY SEBI REGISTERED MARKET INTERMEDIARIES THROUGH VARIOUS MODES OF COMMUNICATION

SEBI has issued Circular no. **CIR/ISD/1/2011** dated March 23, 2011 [see **Annexure-A**] and Circular no. **CIR/ISD/2/2011** dated March 24, 2011 (addendum to Circular no. Cir/ISD/1/2011 dated March 23, 2011) [see **Annexure-B**], regarding unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication.

DPs are advised to note the above and ensure compliance, as directed.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk** on (022) 2272-8642, 2272-8427, 2272-8624, 2272-8693, 2272-8625, 2272-8639, 2272-8663, 2272-1261 or 2272-2075. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Ramkumar K.
Vice President – Operations



CIRCULAR

Cir/ ISD/1/2011

March 23, 2011

To

All Stock Exchanges / All Depositories/ All SEBI Registered Market Intermediaries

Dear Sir/Madam,

Sub: Unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication

1. It has been observed by SEBI that unauthenticated news related to various scrips are circulated in blogs/chat forums/e-mail etc. by employees of Broking Houses/Other Intermediaries without adequate caution as mandated in the Code of Conduct for Stock Brokers and respective Regulations of various intermediaries registered with SEBI.
2. Further, in various instances, it has been observed that the Intermediaries do not have proper internal controls and do not ensure that proper checks and balances are in place to govern the conduct of their employees. Due to lack of proper internal controls and poor training, employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours. It is a well established fact that market rumours can do considerable damage to the normal functioning and behaviour of the market and distort the price discovery mechanisms.
3. In view of the above facts, SEBI Registered Market Intermediaries are directed that:
 - Proper internal code of conduct and controls should be put in place.
 - Employees/temporary staff/voluntary workers etc. employed/working in the Offices of market intermediaries do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification.
 - Access to Blogs/Chat forums/Messenger sites etc. should either be restricted under supervision or access should not be allowed.
 - Logs for any usage of such Blogs/Chat forums/Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern the concerned intermediary.
 - Employees should be directed that any market related news received by them either in their official mail/personal mail/blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned Intermediary's Compliance Officer. If an employee fails to do



so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for actions.

4. The Stock Exchanges are advised to:
 - a. bring the provisions of this circular to the notice of the Stock Brokers and also disseminate the same on their websites.
 - b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another to achieve uniformity in approach.
 - c. communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.
5. The Depositories are advised to:-
 - a. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable/necessary ;
 - b. bring the provisions of this circular to the notice of their DPs; and
 - c. disseminate the same on the website.
6. 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 interests of investors in securities and to promote the development of, and to regulate the securities markets.
7. The circular shall come into force from the date of the circular.
8. This circular is available on SEBI website at www.sebi.gov.in, under the category 'Legal Framework'.

Yours faithfully,

AVARJEET SINGH
DEPUTY GENERAL MANAGER

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CIRCULAR

Cir/ISD/2/2011

March 24, 2011

To

All Stock Exchanges / All Depositories/ All SEBI Registered Market Intermediaries

Dear Sir/Madam,

Sub: Addendum to Circular no. Cir/ISD/1/2011 dated March 23, 2011

This has reference to circular no. Cir/ISD/1/2011 dated March 23, 2011 issued regarding unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication.

1. The last paragraph in point 3 of said circular shall read as follows:-
 - Employees should be directed that any market related news received by them either in their official mail/personal mail/blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned Intermediary's Compliance Officer. If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for action. The Compliance Officer shall also be held liable for breach of duty in this regard.
2. All other provisions of the circular No. Cir/ISD/1/2011 dated March 23, 2011 shall remain unchanged.
3. The Stock Exchanges are advised to:
 - a. bring the provisions of this circular to the notice of the Stock Brokers and also disseminate the same on their websites.
 - b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another to achieve uniformity in approach.
 - c. communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.
4. The Depositories are advised to:-
 - a. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable/necessary ;
 - b. bring the provisions of this circular to the notice of their DPs; and
 - c. disseminate the same on the website.



5. 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 interests of investors in securities and to promote the development of, and to regulate the securities markets.
6. A copy of this circular is available at the web page www.sebi.gov.in, under the category 'Legal Framework'.

Yours faithfully,

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