

National Stock Exchange Of India Limited

Department : Inspection

Download Ref No: NSE/INSP/47457

Date : February 25, 2021

Circular Ref. No: 09/2021

To All Members

Sub : List of violations and applicable penalties (CM, F&O, CD and CO segments)

This has reference to the Exchange Circular No.323/2017; Download Ref. No: NSE/INSP/36248 dated November 06, 2017. The existing penalty structure has been reviewed and revised in consultation with SEBI and all the Stock Exchanges.

This penalty framework also provides for incremental penalties in case of repeat violations as well as covers certain other areas, the observation of which constitutes a violation. The violations are grouped in two categories namely, violations with financial implications and procedural violations.

The revised penalty structure is attached as **Annexure-I**.

It is clarified that this circular harmonizes the existing penalty structure through this framework and shall be applicable in respect of inspections commenced on or after the date of this circular. It is further clarified that all inspections that have been carried out prior to this circular shall continue to be governed by the Exchange Circular No. NSE/INSP/36248 dated November 06, 2017. Considering the principle of 'proportionality', the penalty shall be charged to the member based on the materiality of non-compliance done by the member which may include factors such as number of instances, repeated violations, etc.

It may be noted that the penalties/ disciplinary action(s)/charges are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations and may vary considering the principle of proportionality.

The penalties/disciplinary action(s)/charges that may be levied are decided by the Relevant Authority of the Exchange and the same are at the discretion of the relevant authority.

Members are advised to take note of the same and put in place systems and procedures so as to ensure strict adherence to the compliance requirements.

For and on behalf of

National Stock Exchange of India Limited

Suresh Nair

Vice President - Enforcement

Encl: Annexure I

In case of any clarifications, Members may contact our below offices:

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Annexure I

A. Violations with financial implications

A (I) Penalty/disciplinary action in case of misuse of client funds and/or securities

Sr. No.	Scenario 1 (1 st time violation observed)	First time violation and misuse is recouped subsequently	First time violation and misuse is not recouped subsequently
1a	Misuse up to Rs. 50 Lakhs	<ul style="list-style-type: none"> ➤ Monetary penalty of Rs. 1 Lakh 	<ul style="list-style-type: none"> ➤ Monetary penalty of Rs. 1 Lakh + ➤ Direction to recoup shortfall within reasonable time else disablement till shortfall is recouped
1b	Misuse above Rs. 50 Lakhs and up to Rs.2 crores	<p><u>If misuse is up to 50% of net worth</u></p> <ul style="list-style-type: none"> ➤ Monetary penalty up to 2% of misuse or Rs. 2 lakh whichever is higher <p><u>If misuse is more than 50% of net worth</u></p> <ul style="list-style-type: none"> ➤ Monetary penalty up to 2% of the misuse or Rs. 2 lakhs whichever is higher + ➤ No new clients up to three months. 	<p><u>If misuse is up to 50% of net worth</u></p> <ul style="list-style-type: none"> ➤ Monetary penalty up to 2% of misuse or Rs. 2 lakh whichever is higher + ➤ Direction to recoup shortfall within reasonable time else disablement till shortfall is recouped <p><u>If misuse is more than 50% of net worth</u></p> <ul style="list-style-type: none"> ➤ Monetary penalty up to 2% of the misuse or Rs. 2 lakh whichever is higher + ➤ no new clients up to three months + ➤ Direction to recoup shortfall within reasonable time, else disablement till shortfall is recouped <p>Member can be expelled and/or declared defaulter depending upon gravity of violation</p>
1c	Misuse above Rs.2 crores and less than Rs. 10 Crore	<p><u>If misuse is up to 50% of net worth</u></p> <ul style="list-style-type: none"> ➤ Monetary penalty up to 3% of misuse <p><u>If misuse is more than 50% of net worth</u></p> <ul style="list-style-type: none"> ➤ Monetary penalty up to 3% of the misuse + ➤ No new clients up to six months 	<p><u>If misuse is up to 50% of net worth</u></p> <ul style="list-style-type: none"> ➤ Monetary penalty up to 3% of misuse + ➤ Direction to recoup shortfall within reasonable time, else disablement till shortfall is recouped <p><u>If misuse is more than 50% of net worth</u></p>

Sr. No.	Scenario 1 (1 st time violation observed)	First time violation and misuse is recouped subsequently	First time violation and misuse is not recouped subsequently
			<ul style="list-style-type: none"> ➤ Monetary penalty up to 3% of the misuse + ➤ No new clients for six months ➤ Direction to recoup shortfall within reasonable time, else disablement till shortfall is recouped <p>Member can be expelled and or declared defaulter, depends upon gravity of violation</p>
1d	If misuse of Funds & Securities is equal to or more than Rs. 10 Crores	<ul style="list-style-type: none"> ➤ SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/11 dated July 01, 2020 will be applicable ➤ Penal action as prescribed under '1c' for "First time violation and misuse is recouped subsequently" 	<ul style="list-style-type: none"> ➤ SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/11 dated July 01, 2020 will be applicable
	Scenario 2 (2 nd time violation observed)	Repeat violation and misuse is recouped subsequently	Repeat violation and misuse is not recouped subsequently
2a	Misuse is Less than Rs. 10 Crores	<ul style="list-style-type: none"> ➤ Monetary penalty up to 4% of misuse or Rs. 4 lakhs whichever is higher + ➤ No new clients up to six months 	<ul style="list-style-type: none"> ➤ Direction to recoup shortfall within reasonable time, else disablement till shortfall is recouped ➤ Monetary penalty up to 4% of misuse or Rs. 4 lakhs whichever is higher in case member is not declared defaulter / expelled ➤ No new clients up to six months from date of order ➤ Member can be expelled and or declared defaulter depends upon gravity of violation.
2b	If misuse of Funds & Securities is equal to or more than Rs. 10 Crores	<ul style="list-style-type: none"> ➤ SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/11 dated July 01, 2020 will be applicable ➤ Penal action as prescribed under '2a' for "Repeat violation and misuse is recouped subsequently" 	<ul style="list-style-type: none"> ➤ SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/11 dated July 01, 2020 will be applicable

A (II) Penalty/disciplinary action in case of non-settlement of client accounts

Sr. No.	Scenario 1	First time violation (1 st time violation observed)
1a	Applicable where non compliances are observed in: 1. Less than or equal to 50% of sample instances, or 2. Less than or equal to 10 clients and more than 50% sample instances	Prescribed monetary penalty (as follows) - ➤ Up to 2% of number of instances :- Advise ➤ In excess of 2% and up to 5% of number of instances –Rs. 30,000/- ➤ In excess of 5% and up to 10% of number of instances –Rs. 75,000/- ➤ In excess of 10% of number of instances –Rs. 1,00,000/-
1b	Applicable where non compliances are observed in: More than 50% of sample instances verified and violation observed is for more than 10 clients	➤ Monetary Penalty of Rs. 2 Lakhs + ➤ Direction to settle all client accounts and submit Internal Auditor certificate certifying settlement for all clients for 4 subsequent quarters.
Scenario 2		Repeat Violation (2 nd time violation observed)
2a	Applicable where non compliances are observed in: 1. Less than or equal to 50% of sample instances, 2. Less than or equal to 10 clients and more than 50% sample instances	➤ Prescribed monetary penalty (as per scenario 1) + ➤ 50% Escalation Penalty + ➤ No new clients till submission of Internal Auditor certificate certifying that all clients have been settled
2b	Applicable where non compliances are observed in: More than 50% of sample instances verified and violation observed is for more than 10 clients	➤ Prescribed monetary penalty (as per scenario 1) + ➤ 100% Escalation Penalty + ➤ No new clients till submission of Internal Auditor certificate certifying that all clients have been settled + ➤ Submission of Internal Auditor certificate certifying settlement of all clients for 4 subsequent quarters

A (III) Penalty/disciplinary action in case of other violations with financial implications

Sr. No.	Details of Contravention	Penalty / Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
1	Bank and demat account operations : Pay in / payout not received from / delivered to respective clients / Inter-client adjustment done for the purpose of settlement of accounts	➤ Non-compliance up to 5 lakhs – Warning ➤ In excess of Rs. 5 Lakhs and up to Rs. 20 Lakhs – Rs. 1 Lakh ➤ More than Rs. 20 Lakhs – Rs. 2 Lakhs	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of Contravention	Penalty / Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
2	Modification/Transfer of trades otherwise than on the Exchange trading platform or for purposes other than permitted	<ul style="list-style-type: none"> ➤ Up to 5% of value (Turnover) - penalty of 1% of value (turnover) modified ➤ In excess of 5% of value (turnover)- Penalty of 2% of value (turnover) modified 	2nd time - 50% escalation 3rd time - 100% escalation
3	Trades in the error account are subsequently shifted to some other client code	<ul style="list-style-type: none"> ➤ Up to 5% of value (Turnover) - penalty of 1% of value (turnover) modified ➤ In excess of 5% of value (turnover)- Penalty of 2% of value (turnover) modified 	2nd time - 50% escalation 3rd time - 100% escalation
4	Transfer of trades otherwise than for genuine purpose	0.1% of value of trades modified for other than genuine purpose (over and above SEBI stipulated penalty for online modification)	2nd time - 50% escalation 3rd time - 100% escalation
5	Evasion of margin	Margin evasion up to Rs 1 Lakh- The amount of evasion. Margin evasion exceeding Rs 1 Lakh- Rs. 1 lakh or 0.3% of the value of trades, whichever is higher + Disciplinary action under the relevant rules of the Exchange	Disciplinary action under the relevant rules of the Exchange
6	<p>Submission of information for inspection</p> <p>a. Non co-operation in providing data/records/documents to inspecting officials for inspection resulting in non-completion of inspection.</p> <p>b. Delay in submission of documents/data/records sought for inspection</p> <p>c. Material wrong/incorrect submission of data towards Inspection</p>	<p>a. Monetary penalty of Rs. 1 lakh, besides not allowing member to trade till the time of completion of inspection/Surrender/ Declaration as default/ Expulsion.</p> <p>b. Rs. 1,000 per day starting from final due date for submission of data / records /documents sought for inspection.</p> <p>c. Penalty may vary from warning to Rs. 1 lakh on case to case basis.</p>	In addition to penalty, the relevant authority may decide to disable /suspend the trading terminals of the member in all segment
7	Clients' securities lying with the TM are pledged to the Banks/NBFCs or any other persons/entities for raising funds	Rs. 1,00,000/- or 2% of the Value of securities involved, whichever is higher. Direction to be given to un-pledge the securities within 10 calendar days failing which trading terminals will be disabled.	2nd time - 50% escalation 3rd time - 100% escalation Disciplinary action such as suspension / disablement of trading terminals / Expulsion etc. depending upon the gravity of the case may also be considered

Sr. No.	Details of Contravention	Penalty / Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
8	The client's securities which have been unpledged but are not returned to the clients upon fulfilment of pay-in obligation or disposed off after giving notice of 5 days to the client	Rs. 50,000/- or 1% of the Value of securities involved, whichever is higher. Disciplinary action such as suspension / disablement of trading terminals / Expulsion etc. depending upon the gravity of the case may also be considered	2nd time - 50% escalation 3rd time - 100% escalation Disciplinary action such as suspension / disablement of trading terminals / Expulsion etc. depending upon the gravity of the case may also be considered
9	Non adherence to Rule 8(1)(f) and 8(3)(f) of Securities Contract (Regulation) Rules, 1957, relating to fund based activities of brokers and in connection with / incidental to / consequential upon the securities business	Amount involved <= Rs. 5 Crores : 1% of the amount involved + Direction to recover the funds given as Loans/advances within the time allotted Amount involved > Rs. 5 Crores : Penalty of Rs. 5 Lakhs + No new clients if funds given as loans / advances are not recovered within the time allotted Disciplinary action such as suspension / disablement of trading terminals / Expulsion etc. depending upon the gravity of the case may also be considered	2 nd time – Amount involved <= Rs. 5 Crores : 50% escalation + No new clients till CA certificate certifying that funds are recovered is submitted Amount involved > Rs. 5 Crores : 50% escalation + appropriate disciplinary action such as suspension / disablement of trading terminals / Expulsion etc. as deemed fit by the relevant authority
10	Member has allowed trading in the account of minor	Rs. 25,000/-	2nd time - 50% escalation + No new clients for 3 months 3rd time - 100% escalation + No new clients for 6 months
11	Excess payout has been given to the clients than the available ledger/securities balance	Rs. 25,000/-	2nd time - 50% escalation + No new clients for 3 months 3rd time - 100% escalation + No new clients for 6 months
12	Non-reconciliation of funds lying in Suspense Accounts	Warning + Park Funds in a separate Fixed Deposit	Warning + Park Funds in a separate Fixed Deposit

B. Procedural Violations

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
Related to Client Registration & KYC			
1	Non execution of client registration documents	Rs. 15,000/- per client	2nd time - 50% escalation 3rd time - 100% escalation
	Client registration documents Not provided / Not made available to the Exchange	Rs. 15,000/- per client	
	Inclusion of contravening clauses / omission of material details	Violation for critical clauses – Rs. 25,000/- Other procedural clauses – Rs. 10,000/-	
	Material Discrepancies (viz. Photograph not provided, No signature, No Pan Card details, No Proof of Address/Identity provided) in Client registration documents	Rs. 10,000/- per client	
	In-person verification of clients not carried out	Rs. 1,000/- per client	
2	Copy of client registration documents not delivered / Client Code and mail id not communicated in writing / policies & procedures not communicated to clients / RDD not issued to clients	<ul style="list-style-type: none"> ➤ Less than 2% of number of instances - Advise ➤ In excess of 2% and up to 5% of number of instances – Rs. 15,000/- ➤ In excess of 5% and up to 10% of number of instances – Rs. 45,000/- ➤ In excess of 10% of number of instances – Rs. 75,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
3	Not uploaded KYC information to KRA/CKYC within prescribed time frame	<ul style="list-style-type: none"> ➤ Less than 20% of number of instances - Advise ➤ More than 20% of instances- Rs. 5,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
4	Delay in uploading KYC information to KRA / other procedural observations related to KRA process	<ul style="list-style-type: none"> ➤ Less than 20% of number of instances - Advise ➤ More than 20% of instances- Rs. 3,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
5	Incorrect/ Incomplete execution of client registration documents	Warning / Advise	2nd time – Rs. 1,000/- per client 3rd time - 100% escalation
6	More than one client code mapped to a client	Rs. 10,000/ - per client code	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
7	Non-maintenance of client code/non mapping of trading code.	Rs. 10,000/- per client	2nd time - 50% escalation 3rd time - 100% escalation
Maintenance of Books of Accounts & Records			
8	Books (Except Client ledger) not maintained including: General Ledgers , Journals, Cash and Bank Book, Margin Deposit details, Dividend Records, and Brokerage Records Register of complaints Register of transaction Register of account of AP Register of commodity	Rs. 50,000/- per book + No new Clients till the said records are maintained	2nd time - 50% escalation 3rd time - 100% escalation
9	Books (Except Client ledger) not maintained properly (i.e. incomplete/ erroneous/ delay in entries) including: General Ledgers , Journals, Cash and Bank Book, Margin Deposit details, Dividend Records, and Brokerage Records Register of complaints Register of transaction Register of account of AP Register of commodity	Rs. 25,000/- per book	2nd time - 50% escalation 3rd time - 100% escalation
10	Non adoption / Maintenance of following policies as per the regulatory requirements:- ➤ Policy regarding pre-funded instrument ➤ Policy to handle client code modification ➤ Risk management policy ➤ Managing conflict of interest ➤ Assessment of activities outsourced	➤ Surveillance Policy - Rs. 10,000/- ➤ Other Policies - Rs. 2,000/- per policy	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
	<ul style="list-style-type: none"> ➤ Policy on applicability of NISM Series VII-SORM certification ➤ Surveillance policy ➤ Policy for Inactive Clients 		
11	Non-maintenance of – <ul style="list-style-type: none"> ➤ Client ledger ➤ Register of Securities (Client wise scrip wise Register) 	Rs. 1 Lakh and Direction to comply	2nd time - 50% escalation 3rd time - 100% escalation
12	Client ledger not maintained properly (i.e. incomplete/erroneous/ delay in entries)	Rs. 25,000/-	2nd time - 50% escalation 3rd time - 100% escalation
13	Register of Securities not in the prescribed format	Rs. 25,000/-	2nd time - 50% escalation 3rd time - 100% escalation
14	Discrepancies / Incorrect details in Register of Securities, non-reconciliation of balances between client related accounts and register of securities	Rs. 25,000/-	2nd time - 50% escalation 3rd time - 100% escalation
15	Non segregation of transactions between client and own bank/demat accounts (Client money/securities deposited in own bank/demat account or expenses routed through Client Bank Account or own money/securities deposited in client bank/demat account) Non segregation of client and own money/securities	<ul style="list-style-type: none"> ➤ Less than 2% of number of instances - Advise ➤ In excess of 2% and up to 5% of number of instances –Rs. 30,000/- ➤ In excess of 5% and up to 10% of number of instances – Rs. 75,000/- ➤ In excess of 10% of number of instances –Rs 1,00,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
16	Electronic transfers from clients not as per specified guidelines / Supporting documents / audit trail for pre-funded instruments not maintained	<ul style="list-style-type: none"> ➤ Less than 2% of number of instances - Advise ➤ In excess of 2% and up to 5% of number of instances – Rs. 15,000/- ➤ In excess of 5% and up to 10% of number of instances - Rs 45,000/- ➤ In excess of 10% of number of instances – Rs. 75,000/- 	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
17	Bank and demat account operations: Separate clients bank or demat account not maintained.	Rs. 1 Lakh and direction to open separate account within 1 month	2nd time - 50% escalation 3rd time - 100% escalation
Contract Notes, Charges, Email ID & Mobile Number Related			
18	Non-issue of Contract Notes	Rs. 10,000/- per client	2nd time - 50% escalation 3rd time - 100% escalation
19	Excess STT/CTT charges recovered from the clients	<ul style="list-style-type: none"> ➤ If amount involved is less than Rs. 10,000/-: Penalty of Rs.25,000/- and Direction to member to refund to clients/remit to relevant authorities. ➤ If amount involved is more than 10,000/-: Penalty of Rs. 1 lakh and Direction to member to refund to clients/remit to relevant authorities. 	2nd time - 50% escalation 3rd time - 100% escalation
20	Excess brokerage /Transaction Charges recovered from the clients/ Levy of charges other than statutory / regulatory dues in contract notes	Amount of excess charges or Rs. 1 lakh, whichever is less and Direction to refund excess charges to clients.	2nd time - 50% escalation 3rd time -100% escalation with direction to refund the excess the Brokerage
21	Contract Notes Issued with material discrepancies / Duplicates or copies or proof of dispatch of contract notes not maintained/ Not issued within 24 hours of transaction execution/ Not signed by authorized signatory.	<ul style="list-style-type: none"> ➤ Up to 2% of number of instances- Advise ➤ In excess of 2% and up to 5% of number of instances –Rs. 15,000/- ➤ In excess of 5% and up to 10% of number of instances –Rs. 45,000/- ➤ In excess of 10% and up to 20% of number of instances –Rs. 75,000/- ➤ In excess of 20% of number of instances –Rs. 1,00,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
22	ECN Log report not maintained in case of bounced back mails, ECNs sent to Email accounts other than those created / provided by clients, authorization for receiving ECN is not signed by the client but by the POA holder, e-mail ID for receiving ECN not created	<ul style="list-style-type: none"> ➤ Up to 2% of number of instances- Advise ➤ In excess of 2% and up to 5% of number of instances –Rs. 15,000/- ➤ In excess of 5% and up to 10% of number of instances –Rs. 45,000/- ➤ In excess of 10% and up to 20% of number of instances –Rs. 75,000/- 	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
	/ provided by client/ Consent of client not obtained for sending ECN	➤ In excess of 20% of number of instances –Rs. 1,00,000/-	
23	Generation of email IDs for clients by member.	Rs. 15,000/- per client	2nd time - 50% escalation 3rd time - 100% escalation
24	Non display of ECN on website	Advise	2nd time – Warning 3rd time – Rs. 5,000/-
25	Contract note issued otherwise than in format prescribed by the Exchange	Advise	2nd time – Warning 3rd time – Rs. 5,000/-
26	Trading member has not uploaded mobile number/ email address for clients for receiving alerts / Trade details) Same email id / mobile number is uploaded for multiple clients (Not applicable for family members of clients. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents Mismatch in Email IDs as per Exchange records and Member's backoffice records	Rs. 1,000/- per client	2nd time - 50% escalation 3rd time - 100% escalation
Settlement of Client Funds & Securities Related			
27	Quarterly/ Monthly Statement of accounts for funds or securities not sent / Not sent at the time of settlement of accounts, non-issue of transaction statement displaying all receipt and payment of funds / inward and outward movement of securities while settling the account along with statement explaining retention of funds or securities, if any/ Client preference for monthly /	<ul style="list-style-type: none"> ➤ Up to 2% of number of instances- Advise ➤ In excess of 2% and up to 10% of number of instances –Rs 20,000/- ➤ In excess of 10% and up to 40% of number of instances –Rs. 60,000/- ➤ In excess of 40% of number of instances –Rs. 1,00,000/- 	2 nd time - 50% escalation 3 rd time -100% escalation If less than 2% of instance warning for 2nd time and Rs. 5000 penalty of 3rd time

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
	quarterly settlement not obtained		
28	Payment to clients not made through electronic mode viz; NEFT / RTGS while settling client accounts	Advise	2 nd time - Warning 3 rd time – Rs.10,000/-
29	Delay in settlement of client funds & Securities	<ul style="list-style-type: none"> ➤ Up to 50% of the instances verified – Warning / Advise ➤ More than 50% of instances verified –Rs. 25,000/- 	2 nd time - 50% escalation 3 rd time -100% escalation
30	Running account authorization taken by trading member from client is not dated and does not contain a clause that the client may revoke the authorization any time/ Running account authorization not signed by client but by POA holder / Other discrepancies in running account authorization from clients	<ul style="list-style-type: none"> ➤ Up to 5 instances: Advise ➤ More than 5 instances Rs.10,000/- 	2 nd time - 50% escalation 3 rd time - 100% escalation
Enhanced Supervision Related			
31	Non-Reporting of closure of existing client accounts to Exchange/s within one week from closure in the prescribed format	Penalty of Rs.5,000/- per annum and warning to be issued to Member and direction to report such details to the Exchange.	2 nd time - 50% escalation 3 rd time - 100% escalation
32	a. Failure to assign appropriate Bank and Demat nomenclature within the time specified b. Non-submission/ incorrect submission of PAN of Key Managerial Personnel (KMPs)/ Directors/ dealers etc. within the time specified	Penalty of Rs.5,000/- per annum and warning to be issued to Member and direction to assign appropriate nomenclature and intimate such details to the Exchange.	2 nd time - 50% escalation 3 rd time - 100% escalation
33	Failure to report new bank and demat accounts opened by the member to Exchanges within the time specified for reporting of such accounts.	Penalty of Rs.5,000/- per annum and warning to be issued to Member and direction to report such details to the Exchange.	2 nd time - 50% escalation 3 rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
34	Incomplete submission of data towards enhanced supervision- Monitoring of client funds & upload of client funds & security balances	To be treated at par as non-submission of data by the Member and penalty shall be levied accordingly.	2nd time - 50% escalation 3rd time -100% escalation
35	Material wrong submission or incorrect submission of data towards enhanced supervision- Monitoring of client funds & upload of client funds & security balances.	Penalty may vary from warning to Rs. 1 lakh on case to case basis	2nd time - 50% escalation 3rd time -100% escalation
36	Member has not maintained a daily reconciliation clearly indicating the reason for fund transfer between client bank and own bank account	Rs. 25,000/-	2nd time - 50% escalation 3rd time -100% escalation
37	Funding to clients	<ul style="list-style-type: none"> ➤ Where non-compliance is observed in more than 5% instances or amount exceeds Rs. 1 crore –Rs. 50,000/- ➤ Where non-compliance is up to 5% and amount is up to Rs. 1 crore- Advise 	<p>Where non-compliance is observed in</p> <ul style="list-style-type: none"> ➤ more than 5% instances or amount exceeds Rs. 1 crore – 2nd time - 50% escalation 3rd time - 100% escalation ➤ If less than 5% of instance and amount is up to Rs. 1 cr – 2nd time - Warning 3rd time – Rs. 5,000/-
Margin Trading Related			
38	Adequate margin has not been collected by the Member in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut in case of Margin Trading facility.	As suggested vide Circular No. NSE/INSP/42919 dated December 16, 2019 & NSE/INSP/45533 dated August 31, 2020	As suggested vide Circular No. NSE/INSP/42919 dated December 16, 2019 & NSE/INSP/45533 dated August 31, 2020
39	Providing Margin Trading facility to clients without obtaining prior permission of the Exchange	Rs. 1,00,000/- + Direction to obtain the permission of the Exchange	2nd time - 50% escalation + Disablement of Trading Terminals till permission is obtained
40	Not meeting the minimum Net-worth criteria of Rs. 3	Withdrawal of Margin Trading Facility	-

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
	crores for providing Margin Trading Facility		
41	Providing margin trading facility using funds from other than approved sources	<ul style="list-style-type: none"> ➤ Where the irregularity is up to 20% of the latest net worth – Rs. 10,000/- ➤ Where the irregularity exceeds 20% of the latest net worth - Rs. 1,00,000/- or 1% of the amount involved, whichever is higher. 	2nd time - 50% escalation 3rd time - 100% escalation
42	Non-adherence to Leverage and Exposure Limits pertaining to Margin Trading Facility	<ul style="list-style-type: none"> ➤ Where the irregularity is up to 20% of the latest net worth – Rs. 10,000/- ➤ Where the irregularity exceeds 20% of the latest net worth - Rs. 1,00,000/- or 1% of the amount involved, whichever is higher. 	2nd time - 50% escalation 3rd time - 100% escalation
43	Violations pertaining to KYC/Rights and Obligations etc. of Margin Trading Facility	Rs. 15,000/- per client	2nd time - 50% escalation 3rd time - 100% escalation
44	Margin trading facility in other than permitted scrips	Rs. 50,000/- per scrip	2nd time - 50% escalation 3rd time - 100% escalation
45	Non-maintenance of separate client-wise ledgers for funds and securities of clients availing margin trading facility	Rs. 25,000/-	2nd time - 50% escalation 3rd time - 100% escalation
46	Non- maintenance of separate record of details of the funds used and sources of funds for the purpose of margin trading.	Rs. 15,000/-	2nd time - 50% escalation 3rd time - 100% escalation
47	Incorrect/Non reporting of MTF trades to Exchange	Rs. 1,000/- per instance	2nd time - 50% escalation 3rd time - 100% escalation
48	Member has not maintained segregation of collateral and funded stock pertaining to margin trading facility	<ul style="list-style-type: none"> ➤ Up to 2% of number of instances- Advise ➤ In excess of 2% and up to 5% of number of instances – Rs. 30,000/- ➤ In excess of 5% and up to 10% of number of instances – Rs. 75,000/- ➤ In excess of 10% of number of instances – Rs. 1,00,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
49	The securities that are bought under Margin	Rs. 25,000/-	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
	Trading Facility, are not kept in a separate account titled as – ‘Client Margin Trading Securities Account’		
Terminal Related			
50	Operation of terminals by persons other than the approved user / person as per Exchange records	Rs 1,500/- per terminal.	2nd time - 50% escalation 3rd time - 100% escalation
51	Non-upload of non-trading id's (Id's that cannot be used for trading)	Advise	2nd time - Warning 3rd time - Rs.1,000/- per ID
52	Allowing trading terminals to be operated where certificate has expired	<ul style="list-style-type: none"> ➤ Cash Segment – Advise ➤ Derivatives Segment – Rs. 1,500/- per terminal 	2nd time – Warning for Cash Segment / 50% escalation for Derivative Segment 3rd time – Rs. 1,000/- per terminal for Cash Segment / 100% escalation for Derivative Segment
53	Execution of trades on own account from locations other than those permitted by the Exchange	Rs. 15,000/-	2nd time - 50% escalation 3rd time - 100% escalation
54	Unauthorized extension of NEAT/ Trading terminal / Non-upload of CTCL Trading terminals to the Exchange / Location of terminal at a place other than main / branch office and the location of the offices of registered / authorized persons of the member not uploaded to Exchange	Rs. 1 Lakh per location In cases where non-upload of details of more than five CTCL terminals are observed and such CTCL terminals are also observed to be operated by entities acting as unregistered intermediaries in the CM segment or as unregistered intermediaries in the F&O segment and / or such terminals are observed to be used for carrying out illegal trading activity, suspension of the trading membership may also be considered depending upon the gravity of the violation.	2nd time - 50% escalation 3rd time - 100% escalation suspension of the trading membership for a longer period may also be considered depending upon the gravity of the violation
55	Member does not have appropriate systems in place to monitor, review trading terminals mapped to its branches/AP	Rs. 1,000/- per terminal + Direction to place appropriate systems to monitor, review trading terminals mapped to its branches/AP	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
56	Other Errors like difference in User details / Status of terminals in upload of CTCL/Trading terminal details / Upload of CTCL/ Trading Terminal details with incorrect terminal location (Non-Trading ids to be excluded while levying fine)	Up to 5 trading terminals - Rs. 1,000 per terminal. More than 5 trading terminals – Rs. 5,000 per terminal.	2nd time - 50% escalation 3rd time - 100% escalation
Margin Related			
57	False Reporting of Margin Collection to the Exchange	As per Exchange Circular NSE/INSP/42919 dated December 16, 2019 and NSE/INSP/45533 dated August 31, 2020.	As per Exchange Circular NSE/INSP/42919 dated December 16, 2019 and NSE/INSP/45533 dated August 31, 2020.
58	Delay in issue of Daily margin statement/ Daily margin statement issued with material discrepancies	<ul style="list-style-type: none"> ➤ Up to 2% of number of instances – Advise ➤ In excess of 2% and up to 5% of number of instances – Rs. 5,000/- ➤ In excess of 5% and up to 10% of number of instances – Rs. 20,000/- ➤ In excess of 10% of number of instances – Rs. 40,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
59	Member has passed on short reporting penalty to its clients without providing any relevant supporting	Warning / Advise	2nd time – Rs. 5,000/- 3rd time -100% escalation
60	Daily Margin statement not sent	<ul style="list-style-type: none"> ➤ Up to 2% of number of instances – Advise ➤ In excess of 2% and up to 5% of number of instances – Rs. 15,000/- ➤ In excess of 5% and up to 10% of number of instances – Rs. 45,000/- ➤ In excess of 10% of number of instances – Rs. 75,000/- 	2nd time - 50% escalation 3rd time - 100% escalation
Payin – Payout to Client Related			
61	Delay in release of pay out of funds or securities (beyond one working day) or commodities	<ul style="list-style-type: none"> ➤ Up to 5% of number of instances –Rs. 15,000/- ➤ In excess of 5% and up to 10% of number of instances –Rs. 45,000/- ➤ In excess of 10% and up to 20% of number of instances –Rs. 75,000/- 	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
		➤ In excess of 20% of number of instances –Rs. 1,00,000/-	
62	Delayed / non-payment of dividend	Non-payment of dividend – 2 times the amount of dividend not paid. Delay in payment of dividend - ➤ Up to Rs. 1 lakh- Warning ➤ In excess of Rs. 1 lakh and up to Rs. 5 lakhs- 1% of the amount involved ➤ Above Rs. 5 lakhs- 2% of the amount involved	2nd time - 50% escalation 3rd time - 100% escalation
63	Delay in payment of funds to clients / Delay in transfer of commodities to clients beyond 15 days from the date of receipt of request from the clients	Rs. 50,000/- or 1% of the value of the amounts/ commodities, per instance	2nd time - 50% escalation 3rd time -100% escalation
Operations & Administration Related			
64	Member has not maintained pre order confirmation of trades	Rs. 25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication	2nd time - 50% escalation + No new clients till such system is put in place 3rd time - 100% escalation + No new clients till such system is put in place
65	Inspection of APs/ branches not done / Inspection report of APs / branches not made available to the inspecting team	Rs. 50,000/- per AP / Branch	2nd time - 50% escalation 3rd time - 100% escalation
66	Non-closure of existing client beneficiary accounts	Rs. 50,000/- per account (where Members are unable to provide reasonable explanation). Member to be disabled in case account is not closed within one month of levy of penalty	-
67	Non-closure of existing Client Margin/ Collateral account and Client Margin Trading Securities account	Rs. 50,000/- per account (where Members are unable to provide reasonable explanation). Member to be disabled in all Exchanges in case account is not closed within one month of levy of penalty	-
68	Non-reporting of closure of existing demat accounts to Exchange/s within one	Penalty of Rs. 5,000/- per annum and warning to be issued to Member and direction	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
	week from closure in the prescribed format	to report such details to the Exchange.	
69	Incomplete / Non display of details by member viz, Notice Board/ name, its logo, registration no, address with telephone no, compliance officer name, telephone no, email id, SEBI Registration certificate/ AP Registration certificate and other prescribed details.	Rs. 10,000/- per location	2nd time - 50% escalation 3rd time - 100% escalation
70	Non-disclosure of trading on own account to clients	Warning	2nd time-Rs.10,000/- penalty 3rd time-100% escalation
71	Non-payment of statutory dues/duties/fees etc.	Advise	2nd time –Warning 3rd time – Rs. 10,000/-
72	Exclusive e-mail id for investors' complaints not created or not displayed	➤ Rs. 10,000/- if email ID not created ➤ Rs. 5,000/- if email ID not displayed	2nd time - 50% escalation 3rd time - 100% escalation
73	Trading member has outsourced activities in violation of SEBI prescribed rules	To be decided on a case to case basis based on nature of non-compliances	To be decided on a case to case basis based on nature of non-compliances
74	➤ Doing business for / through other TMs or sub-brokers of other TMs of the Exchange without prior approval of the Exchange ➤ With brokers / sub-brokers/ AP of other Exchanges without intimation	➤ Rs. 15,000 ➤ Advise	To be decided on a case to case basis
75	Non-appointment of compliance officer	Rs. 50,000/-	2nd time - 50% escalation 3rd time - 100% escalation
76	Not following the advertisement code of the Exchange	Rs. 50,000/-	2nd time - 50% escalation 3rd time - 100% escalation
Miscellaneous			
77	Incorrect submission of RBS	Penalty may vary from Rs. 3,000/- to Rs. 10,000/- on case to case basis	2nd time - 50% escalation 3rd time - 100% escalation
78	Material wrong submission or incorrect submission of Holding Statement	Penalty may vary from warning to Rs. 1 lakh on case to case basis	2nd time - 50% escalation 3rd time - 100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
79	Cash dealings with clients	10% of the amount of cash dealing or Rs. 1,000/- whichever is higher.	2nd time - 50% escalation 3rd time - 100% escalation
80	Dealing with unregistered intermediaries	Rs. 1,00,000/- per unregistered intermediary; Also Member to be directed to stop all dealings with such unregistered intermediaries and to withdraw the terminal(s), if any, allotted to such entities immediately. In addition to monetary penalty, suspension of the trading membership may also be considered, depending upon the gravity of the violation, in case where dealings with more than 5 unregistered intermediaries (in cash segment) and/ or intermediaries (in Derivative segment) are observed.	Increase penalty amount by 100% + expulsion of the trading membership, depending upon the gravity of the violation
81	Facilitating financing to clients through NBFC	Rs. 5 Lakhs	50% escalation 2nd time + No New Clients till such activity is discontinued 100% escalation 3rd time + No New Clients till such activity is discontinued
82	Non-issuance/Delay in issuance of annual global statement to clients	Warning / Advise	2nd time – Rs. 10,000/- 3rd time -100% escalation
83	Material discrepancies in the statement sent to clients (Statement of Funds & Securities / Retention Statement/ Annual Global Statement, etc.)	Rs. 15,000/-	2nd time - 50% escalation 3rd time - 100% escalation
84	Member has not opened "client unpaid securities account" by Aug 31, 2019 and securities are transferred to other than client's DP A/c	0.25% of the value of securities transferred	2nd time - 50% escalation 3rd time - 100% escalation
85	Member has not sent text of schedule II of the SEBI (Intermediaries) regulations, 2008 to clients dealing in scrips of listed	Warning / Advise	2nd time – Rs. 5,000/- 3rd time -100% escalation

Sr. No.	Details of contravention	Penalty/Disciplinary Action	Penalty/Disciplinary Action in case of Repeat Violation
	depositories along with the contract notes		
86	Member has not sent text of Regulation 19 & 20 of SECC Regulations, 2012 to clients dealing in scrip of listed Stock Exchanges along with the contract notes	Warning / Advise	2nd time – Rs. 5,000/- 3rd time -100% escalation

Notes :

1. The term “Net worth” used herein would be the last verified net worth by the Exchange or last reported Net worth by the member whichever is latest and prior to the date of misuse.
2. Misuse includes shortfall of client funds & securities but shall not be limited to the violation of any of the principles of enhanced supervision. The amount of misuse on which the penalty will be computed for each area / principle, will be the highest / maximum misuse of client assets observed during the sample period for each inspection / LPI / offsite monitoring.
3. It may be noted that the period of disablement will be excluded while calculating the period of no new clients’ registration wherever the penalty prescribed is by way of prohibiting onboarding of new clients for a specific period.
4. Penalty Structure for Non-submission / delay in submission of Net-worth Certificate, System Audit Report, Internal Audit Report, Annual Audited Accounts, Risk Based Supervision, Monitoring of Client Funds (Enhanced Supervision), Monthly balances of Client Funds and Securities (Enhanced Supervision), Weekly Holding Statement, Client Level Cash and Bank Balances and such other submission made to the Exchange will be as per the relevant circular issued in this regard.
5. Penalty Structure for Unauthorised trading determined by Investor Grievance Redressal Panel (“IGRP”) /Arbitration is as per Exchange Circular NSE/INSP/36784 dated January 19, 2018.
6. Any penalty not specified in the aforementioned sections will be as per the specific circular issued by the Exchange in this regard.