

Annexure 3

Penalties /disciplinary action(s) for non-compliances by the Market Maker in SME Segment

Sr. No.	Violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of Repeat violation/contravention
1	Failure to act as a Market Maker for a period as mutually decided between the Merchant Banker and the market maker	Monetary penalty of Rs.25000	Rs.50000/- in case of repeat violation. Plus, non-entitlement to apply for allotting any scrip for a period of 6 months
2	Buying of scrips from the promoters or any persons belonging to the promoter group or any person who has acquired securities from such promoters or promoter group during the compulsory market-making period.	Default in the first instance - Penalty of Rs. 1,00,000/-	Subsequent default will lead to suspension of market maker in that scrip. Further the market maker will not be allowed to take any new assignment for six months.
3	Failure to ensure that the money / securities deposited/ committed by the client / nominated investors is not used by the Market Maker for any purpose other than market making.	Default in the first instance - Penalty of Rs. 1,00,000/-	Subsequent default will lead to suspension of market maker in that scrip. Further the market maker will not be allowed to take any new assignment for six months.

Sr. No.	Violation	Penalty/disciplinary actions
4	For Non-participation	
	1 day or less	Warning Letter to be issued
	For 2 days (at a stretch)	Rs. 2,500
	For 2 days (at a stretch)	Rs. 5,000
	More than 5 days and up to 7 days (at a stretch)	Rs. 15,000
	More than 7days and up to 15 days (at a stretch)	Rs. 25,000
	More than 15 days and up to 30 days (at a stretch)	Rs. 50,000 and suspension of market maker

Sr. No.	Violation	Penalty/disciplinary actions
5	Failure to meet the minimum net worth* of Rs. 1 crore (as per computation methodology stipulated for membership of the NSE Capital Market Segment)	No new market making assignments on SME platform will be allowed
		The Lead Manager to the Issue and Market Maker should ensure that the required net worth is reported on a periodic basis to the Exchange.
		They shall take necessary steps to appoint another Market Maker within 15 days of the notice from the Exchange.
		If they fail to take necessary steps within the stipulated timeframe, the matter shall be reported to SEBI.
		Till such time new Market Maker is appointed, the present Market Maker shall continue to do market making w.r.t. the listed companies in the interest of investors to ensure adequate liquidity is made available on the SME platform.
		If name of the defaulting Market Maker is appearing in the RHP, the Lead Manager will be required to replace its name with another Market Maker who is fulfilling the criteria

Penalties /disciplinary action(s) for abnormal and non-genuine trade

Sr. No.	Violation	Penalty/disciplinary actions
1	Penalty on Abnormal/Non Genuine Transactions (NSE/INVG/46662 dated December 16, 2020)	Penalty of 100% of the traded value/ profit made/ loss incurred subject to minimum penalty of Rs. 50,000/-