

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/57097	Date: June 13, 2023
Circular Ref. No: 51/2023	

To All Trading Members,

Sub: Administrative actions for misuse of client funds

The Exchange, from time to time, reviews the existing regulatory policies and framework to improve regulatory compliance by the Members. Further, Exchange also periodically evaluates the penal provisions for non-compliance by the members regarding various regulatory requirements to make it more effective and act as a deterrent.

In the recent past, the Exchange has observed instances of misuse of client funds during its inspections as well as in the alerts generated under offsite supervision.

In order to initiate immediate actions in critical cases where misuse of client funds is observed, following administrative actions shall be taken by the Exchange-

Details of contravention	Administrative Action (s)
Misuse of client funds in any of the Principles of Enhanced Supervision (Highest shortfall observed on a single day in a calendar month for more than Rs.25 lakhs)	i. The proprietary deposits/collaterals of the Trading Member available with NCL shall be blocked to the extent of the shortfall/misuse amount or Rs.10 crores, whichever is lower. ii. In case misuse is observed in all principles, amount equivalent to aggregate amount of all principles, shall be blocked. iii. Proprietary deposits/collaterals shall be blocked after 2 trading days from the date of communication of the direction regarding the blocking of such deposits/collaterals to the Trading Member. iv. Such deposits/collaterals shall be blocked for a period of 10 days. v. No exposure will be granted to the Trading member on such deposits/collaterals.

National Stock Exchange of India Limited

Such administrative actions shall be in addition to the existing disciplinary actions/penalties prescribed in Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, for misuse of client funds.

This circular shall come into effect from September 1, 2023.

Members are advised to take note of the above.

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

**Jayalakshmi Iyer
Chief Manager**

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

Regional Office	E MAIL ID	CONTACT NO.
Ahmedabad (ARO)	inspectionahm@nse.co.in	079- 49008632
Chennai (CRO)	inspection_cro@nse.co.in	044- 66309915 / 17
Delhi (DRO)	delhi_inspection@nse.co.in	011- 23459127 / 38 / 46
Kolkata (KRO)	inspection_kolkata@nse.co.in	033-40400412/59
Mumbai (WRO)	compliance_wro@nse.co.in	Board Line: 022-25045000 / 022-61928200 Direct Line: 022-25045138 / 022-25045144 Extn: 28144/28138
Central Help Desk	compliance_assistance@nse.co.in	