

# National Stock Exchange of India

## Circular

Department: SURVEILLANCE	
<b>Download Ref No:</b> NSE/SURV/57315	<b>Date:</b> June 27, 2023
<b>Circular Ref. No:</b> 435/2023	

### To All NSE Members

### Sub: Consolidated Penalty Structure for Surveillance

The Exchange has reviewed and revised the penalties levied by Surveillance Department as under:

#### 1. Unique Identifier for Algorithms:

With reference to Exchange circular no. NSE/SURV/39958 dated January 15, 2019, Trading Members were advised to adhere to the various circulars pertaining to tagging of algorithmic orders with the unique identifier and ensure that all algorithmic orders are tagged with the unique identifier allocated by the Exchange.

Further w.r.t Exchange circular no. NSE/SURV/50154 dated October 29, 2021, members may note that the penalty structure has been revised as under:

Existing Penalty	Revised Penalty
<ul style="list-style-type: none"><li>Penalty of Rs. 10,000/- per day,</li><li>After 5 instances Rs 50000/- per day</li></ul>	<ul style="list-style-type: none"><li>Penalty of Rs. 20,000/- per day,</li><li>After 3 instances Rs 50,000/- per day,</li><li>After 10 instances Rs 1,00,000/- per day (for incremental instances)</li></ul>

**Note:** Instance violation count to be computed based on rolling 3 months.

#### 2. Quote Stuffing:

Trading Members having excessive order messages with nil or low trade count as per the below criteria:

- Order messages of 10 lakh or above with 0 trade count
- Order messages of 20 lakh or above with 10 trade or less

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Existing Penalty	Revised Penalty
NIL	<ul style="list-style-type: none"> <li>Penalty of Rs. 20,000/- per instance in case 3 instances of violation observed in rolling 1 month.</li> <li>Post levy of initial penalty as above, penalty of Rs 25,000/- shall be levied for every incremental instance of violation.</li> </ul>

**Note:** The above computation of order messages and trade count will be done separately for equity, equity derivatives and currency derivatives segment at unique algo and dealer level (Algo id + Dealer user id level).

### 3. Order modifications without change in price and quantity:

Penalty will be levied in case of excessive order modifications without change in price and quantity based on the number of modifications observed as per the below structure.

Existing Penalty	Revised Penalty
NIL	<ul style="list-style-type: none"> <li>Penalty of Rs. 20,000/- per day (Between 10,000 to 50,000 modifications)</li> <li>Stopping the algo strategy and Penalty of Rs. 50,000/- per day (More than 50,000 modifications)</li> </ul>

### 4. High algo order messages in stock/stock derivatives with Nil or low trade count:

Computation of symbol/contract ratio:

Symbol/Contract = No. of Order Messages (Algo) / No. of Trades (Algo)

Order messages = Order Entry + Order Modification + Order Cancellation

The above computation will be checked for entire month at trading member level and at specific stock/stock derivatives level.

Members may note that the penalty will be levied as per the below table in case the symbol/contract ratio computed for a trading member is more than 500:

Existing Penalty	Revised Penalty
NIL	Penalty of Rs. 20,000/- to be levied in case instances of violations are observed in a particular segment for 3 consecutive months.

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**Note:** Penalty shall be levied for each segment (CM, FO, CDS) separately for which violation condition is satisfied.

All orders, including those within 0.75% of LTP will be considered in computation of the above ratio.

The extant OTR framework as per Exchange circular - NSE/SURV/45016 dated July 14, 2020 shall continue to be in force.

### 5. Non-algo id pumping excessive order messages:

Non- Algo ID is identified on basis of 13th digit of NNF id. Penalty will be levied for NNF id pumping excessive order messages, incorrectly tagged as non-algo instead of algo.

Existing Penalty	Revised Penalty
NIL	<ul style="list-style-type: none"><li>Penalty of Rs. 20,000/- per day,</li><li>After 3 instances Rs 50,000/- per day,</li><li>After 10 instances Rs 1,00,000/- per day (for incremental instances)</li></ul>

**Note:** Instance violation count to be computed based on rolling 3 months post establishment that the NNF id is Algo.

### 6. Market Orders emanating from Algo:

This is with reference to circular no NSE /SURV/55281 dated January 17, 2023 wherein Exchange has reiterated that trading members should adhere to the Market Price Protection check, by not placing any algorithmic orders on the Exchange as a market order. In continuation of the above, the following penalty structure has been put in place and shall be levied at member level for Market Orders emanating from Algo:

Existing Penalty	Revised Penalty
Nil	Penalty of Rs 1000 per order up to a maximum of Rs 1 lac per day at member level

**Note:** Orders placed in post close session will be exempted.

**The above penalty changes/revisions will be effective w.e.f 1<sup>st</sup> August 2023.**

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**Members may note that the below penalties shall remain unchanged:**

<b>Particulars</b>	<b>Circular reference</b>	<b>Penalty/Disciplinary action</b>
Monitoring of Foreign Investment limits in listed Indian companies	NSE/SURV/50158 dated October 29, 2021	Penalty of Rs. 50,000 or 0.10 % of the total value whichever is higher per security
Surveillance Obligation Quarterly Reporting	NSE/SURV/49765 dated September 29, 2021	Penalty of Rs. 10,000 per day till submission of quarterly report on 1st instance.
		From 2nd instances, Rs. 20,000 per day till submission of quarterly report.
Order to Trade Ratio (OTR)	NSE / SURV / 45016 dated July 14, 2020	Actions/penalties as specified in the circular
Persistent Noise Creator (PNC)	NSE / SURV / 52992 dated July 15, 2022	Actions/penalties as specified in the circular

In case of any further queries, you may write to us at [surveillance@nse.co.in](mailto:surveillance@nse.co.in)

**For National Stock Exchange of India Limited**

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