
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/INVESTOR SERVICES-004/2024

Date : May 31, 2024

Subject : Penalty Structure with respect to Unauthorized Trades

This is with reference to the Exchange Circular No.: NCDEX/COMPLIANCE-111/2023 dated October 19, 2023 with regard to Revised Penalty Structure on certain violations including penalty on Unauthorized trades as determined by the Investor Grievance Redressal Committee (IGRC)/Arbitration where there is no appeal.

Vide this circular, the penalty structure is now being extended to unauthorized trades observed by the Conciliation/Arbitration under Online Dispute Redressal Mechanism (ODR). Members are requested to make a note of the revised penalty provisions.

Details of contravention	Penalty/Disciplinary Action#
<p>a) Unauthorized trading* observed by Arbitrators while finalizing Arbitration / Appellate awards under old mechanism**, even if trading member settled the claim.</p> <p>b) Unauthorized trading* as observed by Conciliator / Arbitrator under Online Dispute Resolution (ODR) mechanism introduced w.e.f. August 16, 2023, even if trading member has settled the claim.</p> <p><i>*(induced trades or trades executed by the Trading Member / Authorised Person using any unfair means (ex. obtaining user ID and password of the client to execute trades etc., without the consent of the client).</i></p> <p><i>**Mechanism before introduction of ODR wherein Awards are passed by the Arbitrators empanelled with the Exchange.</i></p>	<p>a) Monetary fine of Rs. 1 lakh;</p> <p>b) 50% escalation in case of 3 cases of unauthorized trading in the same FY.</p> <p>c) In case of 4 cases or more in the same F.Y – In addition to the above penalty, registration of new clients & APs to be disallowed for the period 1 month</p>

Members and their constituents are advised to take note of the same and ensure compliance.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Smita Chaudhary
Sr. Vice President – Investor Services

For further information, / clarifications, please contact

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