
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange
Circular No. : NCDEX/COMPLIANCE-111/2023
Date : October 19, 2023
Subject : Revised Penalty Structure

This is with reference to Exchange Circular NCDEX/COMPLIANCE-020/2017/285 dated October 31, 2017 and various other penalty /disciplinary action circulars issued by the Exchange from time to time.

The existing penalty structure has been reviewed and revised in accordance with introduction/ amendment of various regulatory and Exchange guidelines. The details of violations and the penalty /disciplinary action applicable against the violations along with escalations for repeat violations with respect to inspection conducted in the immediate previous inspection cycle are enclosed as **Annexure A**.

Members are informed that the revised penalty/disciplinary action as mentioned in **Annexure A** shall be applicable in respect of inspections commenced or any non-compliance observed (as *applicable*) on or after the date of this circular. Further, all inspections that have been carried out prior to this circular shall continue to be governed by the penalty/disciplinary action guidelines applicable at that point in time.

The existing disciplinary actions provisions, if any, not included in the said annexure will continue to be applicable. The disciplinary actions as per the said annexure are indicative in nature and the Exchange may revise the same in specific cases depending on materiality, frequency and gravity of violations. Further, the Exchange may impose more stringent penalty/ enhance the penalty / deactivation of trading terminals / suspension etc. as deemed fit, in case of serious violations.

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

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Vice President – Inspection & Enforcement

For further information/clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
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Annexure A

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
1	Actual settlement of funds or securities/commodities not done on monthly / quarterly basis as specified by the client (Applicable where less than or equal to 50% of sample instances, (includes instances where member has not returned funds of clients who have not traded for 30 days and Penalty for delay in settlement of client funds & Securities/ Commodities)	<p>For sample clients more than 10 –</p> <p>a) In excess of 2% and upto 5% of number of instances - Rs.15,000/-</p> <p>b) In excess of 5% and upto 10% of number of instances – Rs.45,000/-</p> <p>c) In excess of 10% of number of instances – Rs.75,000/-</p> <p>d) up to 2% of number of instances : Advice</p> <p>If sample clients are less than 10 - monetary penalty of 10000 if violation is observed for more than 50 % of cases else Advice</p>	<ul style="list-style-type: none"> ➤ Prescribed monetary penalty ➤ 50% Escalation Penalty ➤ No new clients registration till submission of Internal Auditor certificate certifying that all clients have been settled
2	Actual settlement of funds or securities/commodities not done on monthly / quarterly basis as specified by the client (Applicable where number of clients are more than 10 and non-compliance are more than 50% of sample instances (includes instances where member has not returned funds of clients who have not traded for 30 days and Penalty for delay in settlement of client funds & Securities/ Commodities)	<p>More than 50% of instances: Rs.2,00,000/- ; Direction to settle all clients and submit Internal Auditor certificate on compliance status for next 4 quarters.</p> <p>(Violation at equal to or below 50% has been considered in Procedural violations)</p>	<ul style="list-style-type: none"> ➤ Prescribed monetary penalty ➤ 100% Escalation Penalty ➤ No new clients registration 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
3	Pay in / payout not received from / delivered to respective clients / Inter-client adjustment done for the purpose of settlement of accounts	<p>a) Non-compliance up to Rs. 5 lac-Warning</p> <p>b) In excess of Rs. 5 lac and up to Rs. 20 Lacs - Rs. 1 lac</p> <p>c) More than Rs. 20 lacs - Rs. 2 lacs</p>	<p>Increase penalty amount by 50% (if not specifically stated)</p>

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
4	Member has not sent an intimation including the details about the transfer of funds to clients by SMS & Email at the time of running account settlement of funds.	Advice	
5	Incorrect statement sent to clients (Namely : Statement of Funds & Securities / Retention Statement/ annual Global Statement)	Advice	Warning
6	Weekly Statement of accounts for funds, securities and commodities not sent/delay in issuance of weekly Statement of accounts for funds, securities and Commodities, non-issue of weekly statement displaying all receipt and payment of funds / inward and outward movement of securities and pending obligations	a) Up to 25% of number of instances- Rs. 50,000/- b) In excess of 25% and up to 75% of number of instances – Rs. 1,00,000/- c) In excess of 75% of number of instances - Disablement of trading terminals for 1 day or till the time the weekly statements are sent will also be done depending upon the gravity of the case For clients less than or equal to 10 clients, penalty of Rs 10000 in case non compliance observed for more than 50% instances	50% escalation
7	Use of client funds & securities/commodities for other than specified purposes/ for own purpose/for other clients	a) Misuse is Less than Rs. 10 Crores Rs. 1,00,000/- or 1% of the amount involved whichever is higher + > Direction to recoup shortfall within reasonable time else disablement till shortfall is recouped b) Misuse is more than Rs. 10 Crores >SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/ CIR/P/2020/11 dated July 01, 2020 will be applicable	➤ Misuse is Less than Rs. 10 Crores then increased penalty amount by 50% ➤ Misuse is more than Rs. 10 Crores >SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/ CIR/P/2020/11 dated July 01, 2020 will be applicable

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
8	Evasion of margin	a) Margin evasion up to Rs.1 Lac - The amount of evasion. b) Margin evasion exceeding Rs.1 Lac - Rs. 1 lac or 0.3% of the value of trades whichever is higher.	Increase penalty amount by 50% (if not specifically stated)
9	Non segregation of transactions between client and own bank accounts (Client money deposited in own account or expenses routed through Client Bank Account or own money deposited in client account) Non segregation of client and own money	a) In excess of 2% and up to 5 % of number of instances - Rs.25,000/- b) In excess of 5% and up to 10% of number of instances - Rs.50,000/- c) In excess of 10% of number of instances - Rs.75,000/- d) Otherwise: Advice	➤ If Monetary Penalty is levied - Increase penalty amount by 50% ➤ If Advice is levied - Warning
10	Member has not maintained a daily reconciliation clearly indicating the reason for fund transfer among client bank, settlement and own bank account	Advice	Warning
11	Segregation of Exchange-wise client ledgers not maintained	Rs.50,000/-	Increase penalty amount by 50%
12	Bank and demat account operations: Separate clients bank or demat account not maintained (as applicable)	Rs.1 Lac and direction to open separate account within 1 month	Increase penalty amount by 50%
13	Failure to report new bank and demat accounts opened by the stockbroker to exchanges within the time specified for reporting of such accounts.	Penalty of Rs.5,000/- per annum and warning to be issued to stock broker and direction to report such details to the Exchange.	
14	Failure to assign appropriate Bank and Demat nomenclature within the time specified	Penalty Charges of Rs.5,000/- per annum and warning to be issued to stockbroker and direction to assign appropriate nomenclature and intimate such details to the Exchange.	Increase penalty amount by 50%

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
15	Non-closure of bank account named as "Stock Broker - Client Account" in excess of 30 by December 31, 2020	<p>a) Rs. 20,000/- per account and Total maximum penalty capped to Rs. 100,000/- if the excess client bank accounts are not closed.</p> <p>b) Non-closure of client bank account within 8 days from the date of levying penalty as per point 1 above - Member will not be allowed to register any new clients in Exchange UCC database. Registration of new clients will be allowed only after closure of excess client bank accounts.</p> <p>c) Non-closure of client bank account within 15 days from the date of levying penalty as per point 1 above - Letter for disablement (suspended square off mode) giving 15 days' notice will be sent.</p> <p>d) Member to be disabled (suspended square off mode) in all Exchanges in case account is not closed within 15 days from the notice.</p>	
16	Dealing with unregistered intermediaries	<p>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.</p> <p>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.</p>	Increase penalty amount by 50%

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17	Member is doing Portfolio Management Services (PMS) without requisite registration with SEBI	Warning letter to be issued + No registration of new clients If PMS business continued beyond 6 months then a penalty of minimum Rs.1 lac per case	
18	Non-display of Brokerage, Statutory & Regulatory Levies on Internet Based Trading (IBT) / Wireless Trading (WT) applications	Monetary penalty of Rs. 50,000/- and Direction to comply with the requirement of displaying the Brokerage, Statutory & Regulatory Levies within 7 days from the date of communication. In case of non-submission of compliance within 7 days of such direction, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of compliance report. In case of non-submission of compliance report within 7 days of the date of the notice, the Trading Member shall be disabled in all segments till submission of compliance report.	
19	Funding to clients (as defined in the Enhanced Supervision circular)	a) Where non-compliance is observed in more than 5% instances or amount exceeds Rs.1 crore - Rs. 50,000/- b) Where non-compliance is upto 5% and amount is upto Rs.1 crore - Advice	Where non-compliance is observed in > more than 5% instances or amount exceeds Rs.1 crore - 2nd time - 50% escalation > If less than 5% of instance and amount is up to Rs. 1 crore - 2nd time - Warning
20	Facilitating financing to clients through NBFC in contravention of SEBI circular	Rs. 5 Lacs	50% escalation + No New Clients till such activity is discontinued

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21	Submission of information for inspection a) Non co-operation in providing data/records/documents to inspecting officials for inspection resulting in non-completion of inspection. b) Delay in submission of documents/data/records sought for inspection c) Wrong/incorrect submission of data towards Inspection	a) Monetary penalty of Rs.1 lac, besides not allowing member to trade till the time of completion of inspection/Surrender/ Declaration as default/ Expulsion. b) Rs. 1,000 per day starting from final due date for submission of data / records /documents sought for inspection. c) Penalty of Rs.1 lac.	In addition to penalty, disablement /suspension of the trading terminals of the member in all segment
22	Inspection of sub-brokers / APs/ branches not done / Inspection report of sub-brokers/APs & branches not made available to the inspecting team (as applicable)	Rs. 50,000/-	Increase penalty amount by 50%
23	Unauthorized extension of NEXTRA/ TWS/ NEAT/BSE Trading terminal / Non-upload of CTCL/BSE Trading terminals to the Exchange (As applicable) / Location of terminal at a place other than main / branch office and the location of the offices of registered sub brokers / authorized persons of the member not uploaded to Exchange	Rs.1 Lac 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 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	Increase penalty amount by 50%
24	Unauthorized trading determined by IGRP / Arbitration when there is no appeal Unauthorized or Illegal trading activities / fictitious transactions	a) Monetary fine of Rs.1 lac b) 50% escalation in case of 3 cases of unauthorized trading in the same FY. c) In case of 4 cases or more in the same FY - In addition to the above penalty, registration of	Increase penalty amount by 50% (if not specifically stated)

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		new clients & APs to be disallowed for 1 month.	
25	Cash dealings with clients/ other entities	10% of the amount of cash dealing or Rs.1,000/- whichever is higher.	50% escalation
26	Non-appointment of compliance officer	Rs.50,000/-	Increase penalty amount by 50%
27	Non Appointment of Principal Officer /Designated Director/ Non Intimation of Designated Director or change of Principal officer to FIU Delhi	Report to FIU	
28	Clients' securities lying with the TM/CM cannot be pledged to the Banks/NBFCs or any other persons/entities for raising funds	Rs.1,00,000/- or 1% of the value of securities involved, whichever is higher. Direction to be given to unpledge the securities within 10 calendar days failing which trading facility to be withdrawn.	
29	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 0.5% of the value of securities involved, whichever is higher.	
30	Non execution of client registration documents	Rs.15,000/- per client	Increase penalty amount by 50%
31	Client registration documents Not provided / Not made available to the Exchange	Rs.15,000/- per client	Increase penalty amount by 50%
32	Inclusion of contravening clauses / omission of material details	a) Violation for critical clauses - Rs.25,000/- b) Other procedural clauses – Rs.10,000/-	Increase penalty amount by 50%
33	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 Otherwise Advice	➤ If Monetary Penalty is levied - Increase penalty amount by 50% ➤ If Advice is levied - Warning
34	In-person verification of clients not carried out	Rs.1,000/- per client	Increase penalty amount by 50%
35	Delay in uploading KYC information to KRA / other procedural observations related to KRA process	Rs.3,000/- for more than 20% of instances Otherwise Advice	➤ 50% escalation ➤ If Advice is levied - Warning

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36	Not uploaded KYC information to KRA/CKYC within prescribed time frame	Rs.5,000/- for more than 20% of instances Otherwise Advice	<ul style="list-style-type: none"> ➤ 50% escalation ➤ If Advice is levied - Warning
37	More than one ID to a client	Rs.10,000/- per ID	Increase penalty amount by 50%
38	Non-maintenance of client code/non mapping of trading code.	Rs.10,000/- per client	50% escalation
39	Generation of email IDs for clients by member.	Rs.15,000/- per client	Increase penalty amount by 50%
40	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.	a) Up to 5 instances: Advice b) More than 5 instances Rs.10,000/-	<ul style="list-style-type: none"> ➤ 50% escalation ➤ If Advice is levied - Warning
41	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 / incomplete (as applicable)	a) In excess of 2% and up to 5% of number of instances - Rs.15,000/- b) In excess of 5% and up to 10% of number of instances - Rs.45,000/- c) In excess of 10% of number of instances - Rs.75,000/- d) Otherwise - Advice	<ul style="list-style-type: none"> ➤ 50% escalation ➤ If Advice is levied - Warning
42	Non-disclosure of trading on own account to clients	Warning	Rs.10,000/-
43	a) Trading member has not uploaded mobile number/ email address for clients for receiving alerts / Trade details b) 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	Rs.1,000/- per client	50% escalation

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	children and dependent parents)		
44	Non - reporting of closure of Bank & Demat accounts to the Exchange within one week of its closure.	Penalty of Rs.5,000/- per annum and warning to be issued to Member and direction to report such details to the Exchange	50% escalation
45	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 all Exchanges in case account is not closed within one month of levy of penalty	
46	Not made available the facility for online closure of trading accounts and informed their clients regarding the availability of facility for online closure of trading accounts and its guidelines through emails, SMS, weekly / fortnightly /monthly newsletters etc.	Warning	Rs.10,000/-
47	Member has not implemented geo-location tagging guidelines for online KYC.	Advice	
48	Non display of mandatory KYC documents in vernacular languages on website and / or copy of same not provided to clients on their request.	Advice	
49	Mismatch of UCC details as compared to KYC of client or incorrect details uploaded in UCC database uploaded by the member.	<p>a) Material discrepancy observed - minimum Rs. 10,000/- and for multiple clients (more than 20) maximum of Rs.1,00,000/-</p> <p>b) For others (other fields in the UCC) - Advice/ Warning. (Material discrepancy : State incorrect, Pincode incorrect, Name incorrect, PAN incorrect)</p>	

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50	Non adherence to SEBI directives on use of technology w.r.t.: - eSign - Online AOF - KYC and IPV	Advice	Warning
51	In case of submission Aadhaar card as a proof during client registration, member have not adhered to the Exchange guidelines that includes: a. consent letter b. Aadhaar card number should be redacted or blacked out	Advice	Warning
52	Clients wherein no trades have been carried out since last 12 (Twelve) months across all exchanges are not marked as inactive (i.e. 'S' on NCDEX)	Advice	Warning
53	Member has no process to check the list of the permanently disconnected mobile numbers made available by TRAI on a monthly basis. In case any mobile number appearing in the list is pertaining to your existing clients, member is required to update the new mobile number in their back office records as well as in UCC database of the Exchange for the respective client immediately, so that all the relevant messages meant to be disseminated to the respective clients are delivered without any issue.	Advice	Warning
54	Non-obtainment of board resolution permitting trading in derivatives, from non-individual constituents	a) Up to 5 Instances : Advice b) More than 5 Instances : Rs. 500/- Per default (maximum of Rs.5,000/-)	
55	Member has not displayed SCORES details on their Account Opening Kit.	Advice	

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56	Error account (UCC - Pro account) not created by member as per its error code policy	Advice	Warning
57	Choice of nomination is not opted in case of existing trading account	Advice	Warning
58	Register of Securities not in the prescribed format (as applicable)	Rs.25,000/-	Increase penalty amount by 50%
59	Discrepancies / Incorrect details in Register of Securities, non-reconciliation of balances between client beneficiary accounts and register of securities (as applicable)	Rs.25,000/-	Increase penalty amount by 50%
60	Client ledger not maintained properly (i.e. incomplete/ erroneous/ delay in entries)	Rs.25,000/-	Increase penalty amount by 50%
61	Non-maintenance of 1. Client ledger 2. Register of Securities (Client wise scrip wise Register) (as applicable)	Rs.1 Lac + Direction to comply	Increase penalty amount by 50%
62	Non adoption / Maintenance of following policies as per the regulatory requirements (as applicable): i. Policy regarding pre-funded instrument ii. policy to handle client code modification iii. risk management policy iv. managing conflict of interest v. assessment of activities outsourced vi. Policy on applicability of NISM Series VII-SORM certification. (As applicable) vii. Surveillance policy viii. Policy for Inactive Clients	Rs.2,000/- per policy	Increase penalty amount by 50%

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63	Books (Except Client ledger) not maintained including: i) General Ledgers , ii) Journals, iii) Cash and Bank Book, iv) Margin Deposit details, v) Dividend Records, and vi) Brokerage Records vii) Register of complaints viii) Register of transaction ix) Register of account of sub broker / AP x) Register of commodity (as applicable)	Rs.25,000/- per book	Increase penalty amount by 50%
64	Books (Except Client ledger) not maintained properly (i.e. incomplete/ erroneous/ delay in entries) including: i) General Ledgers , ii) Journals, iii) Cash and Bank Book, iv) Margin Deposit details, v) Dividend Records, and vi) Brokerage Records vii) Register of complaints viii) Register of transaction ix) Register of account of sub broker / AP (as applicable)	Rs.10,000/- per book	Increase penalty amount by 50%
65	Narration / description of transactions not mentioned properly in Bank Books.	Advice	
66	Non-maintenance of up to date bank reconciliation	Advice	Warning
67	Non-reconciliation of funds lying in Suspense Accounts	Warning + Park Funds in a separate Fixed Deposit	Warning + Park Funds in a separate Fixed Deposit
68	Member has maintained bank Accounts with the Banks other than Clearing Banks or Scheduled Banks unless a written confirmation received from banks agreeing to submit the Day wise & Account No. wise details with the exchange.	Advice	Warning
69	Non-maintenance of vouchers (entries being directly posted to ledgers)	a) Up to 2 instances: Advice b) More than 2 instances: Warning	

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70	Stockbroker had not preserved the specified books of account and other records for a minimum period of five years.	Warning	Rs.5,000/-
71	Non-issue of Contract Notes	Rs.10,000/- per client	Increase penalty amount by 50%
72	Contract Notes Issued with material discrepancies / Duplicates or copies or proof of dispatch of contract notes not maintained/ / Not issued 24 hours of transaction execution/ Not signed by authorized signatory.	a) In excess of 2% and up to 5% of number of instances – Rs.15,000/- b) In excess of 5% and up to 10% of number of instances - Rs.45,000/- c) In excess of 10% of number of instances – Rs.75,000/- d) In excess of 20% of number of instances - Rs.1,00,000/-	Increase penalty amount by 50%
73	ECN Log report not maintained in case of bounced back mails, ECN's 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 / provided by client / Consent of client not obtained for sending ECN	a) In excess of 2% and up to 5% of number of instances – Rs.15,000/- b) In excess of 5% and up to 10% of number of instances – Rs.45,000/- c) In excess of 10% of number of instances – Rs.75,000/- d) In excess of 20% of number of instances – Rs.1,00,000/-	Increase penalty amount by 50%
74	Non display of ECN on website	Advice	Warning
75	Daily Margin statement not sent	a) In excess of 2% and up to 5% of number of instances – Rs.15,000/- b) In excess of 5% and up to 10% of number of instances – Rs.45,000/- c) In excess of 10% of number of instances – Rs.75,000/- d) Otherwise Advice	➤ Increase penalty amount by 50% ➤ If Advice - Warning
76	Delay in issue of Daily margin statement/ issued incorrect Daily margin statement	Advice	Warning

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
77	Non-issuance/ Delay in issuance of annual global statement to clients	Warning / Advice	Rs. 10,000/-
78	Contract note issued otherwise than in format prescribed by the Exchange	Advice	Warning
79	Operation of terminals by persons other than the approved user / person as per Exchange records	Rs.1,500/- per terminal	Increase penalty amount by 50%
80	Allowing trading terminals to be operated where certificate has expired (as applicable)	Rs.1,500/- per terminal	Increase penalty amount by 50%
81	Non-upload of non-trading id's (Id's that cannot be used for trading)	Advice	Warning
82	Minor Errors like difference in User details / Status of terminals in upload of CTCL/Trading terminal details / Upload of CTCL/BSE Trading Terminal (as applicable) details with incorrect terminal location (Non-Trading ids to be excluded while levying fine)	a) Up to 5 trading terminals- Rs. 1,000/- per terminal b) More than 5 trading terminals- Rs.5,000/- per terminal.	Increase penalty amount by 50%
83	Modification/Transfer of trades otherwise than on the Exchange trading platform or for purposes other than permitted	In excess of 5% of value (turnover). Penalty of 2% of value (turnover) modified, Otherwise a fine of 1% of value (turnover) modified	Increase penalty amount by 50% (if not specifically stated)
84	Trades in the error account are subsequently shifted to some other client code	In excess of 5% of value (turnover) - Penalty of 2% of value (turnover) modified, Otherwise a fine of 1% of value (turnover) modified	Increase penalty amount by 50% (if not specifically stated)
85	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)	Increase penalty amount by 50% (if not specifically stated)
86	Non-maintenance of Trading (TWS)reports	a) Up to 5 instances : Advice, b) More than 5 Instances : Rs. 1000/-	
87	Difference in trade rate as per the TWS system and the rate charged	Excess amount to be returned to the client and fine equal to twice the excess amount charged or Rs.25,000/-	

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		whichever is higher, to be levied on the member	
88	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	50% escalation
89	Incorrect submission of RBS (as applicable)	Penalty of Rs.10,000/-.	50% escalation
90	Non maintenance of Written Policy and Procedures relating to PMLA	Report to FIU	
91	Non-Implementation of systems in place to monitor, identify suspicious transaction and procedures for reporting the same	Report to FIU	
92	Non Adoption of customer due diligence	Report to FIU	
93	Financial information of clients not obtained / updated / documentary evidence related to financial information not obtained in case of clients trading in derivatives segment	Report to FIU	
94	Non Maintenance of records regarding ongoing training to staff relating to PMLA	Report to FIU	
95	Disproportionate Exposure	Report to FIU	
96	Any other observation /violation which is required as per PMLA and not covered above	Report to FIU	
97	AML policy has not been updated to reflect recent changes	Report to FIU	
98	Members has to complete the registration process on FINNET Gateway Portal and submit the details of registration with Financial Intelligence Unit - India (FIU-IND) to the Exchange.	Report to FIU	
99	Incomplete / Non display of details by member viz, Notice Board/name, its logo, registration no, address with telephone no, compliance	Rs.10,000/-	Increase penalty amount by 50%

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	officer name, telephone no, email id, SEBI Registration certificate/ AP Registration certificate and other prescribed details		
100	Exclusive e-mail id for investors' complaints not created or not displayed	a) Rs.10,000/- if email ID not created b) Rs.5,000/- if email ID not displayed	Increase penalty amount by 50%
101	NEFT/ RTGS not implemented	Advice	Warning
102	Execution of trades on own account from locations other than those permitted by the Exchange	Rs. 15,000/-	Increase penalty amount by 50%
103	Pledging statement not sent	Advice	Warning
104	Delay in release of payout of funds or securities (beyond one working day) or commodities	a) up to 5% of number of instances – Rs.15,000/- b) In excess of 5% and up to 10% of number of instances – Rs.45,000/- c) In excess of 10% of number of instances – Rs.75,000/- d) In excess of 20% of number of instances – Rs.1,00,000/-	Increase penalty amount by 50%
105	Delay in payment of funds to clients / Delay in transfer of commodities to clients beyond 3 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.	Increase penalty amount by 50%
106	Delayed / non-payment of dividend	Non-payment of dividend – 2 times the amount of dividend not paid. Delay in payment a) Up to Rs.1 lac- Warning b) Rs.1 lac to Rs.5 lacs- 1% of the amount involved c) Above Rs.5 lacs- 2% of the amount involved	➤ Increase penalty amount by 50% ➤ If Warning - Increase penalty by Rs.5,000/-
107	Non-payment of statutory dues/duties/fees etc.	Advice	Warning

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108	Electronic transfers from clients not as per specified guidelines/Supporting documents/audit trail for pre-funded instruments not maintained (as applicable)	a) In excess of 2% and upto 5% of no. of instances - Rs 15,000/- b) In excess of 5% and upto 10% of no. of instances - Rs 45,000/- c) In excess of 10% of no. of instances - Rs 75,000/- d) Upto 2% of no. of instances – Advice	➤ 50% escalation ➤ If Advice is levied - Warning
109	Not following the advertisement code of the Exchange	Rs. 50,000/-	
110	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
111	Excess payout has been given to the clients than the available ledger/securities balance	Advice	
112	Non maintenance of evidence of client placing / modifying / cancelling orders either written or electronic or voice recording	Rs.10,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication	Rs.20,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication
113	Member has not maintained pre order confirmation of trades (appropriate evidence for orders placed by client)	Advice + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication	Warning + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication
114	“Client unpaid securities pledgee account”, is not opened by TM/CM as per SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022 and all the existing “client unpaid securities accounts” are not wound up on or before April 15, 2023. The securities lying in “client unpaid securities accounts”	0.25% of the value of securities transferred	50% escalation

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
	<p>were not disposed off in the market or transferred to the client's demat account by the TM/CM accordingly.</p>		
115	<p>Policy regarding treatment of inactive accounts not covering aspects of time period, return of client assets and procedure for reactivation of the same and has also not displayed the same on its web site, if any.</p> <p>In case of account reactivation, there are no adequate mechanisms in place to ensure that:</p> <ol style="list-style-type: none"> 1. Account is operated by the relevant client only and 2. Updated information related to KYC (if any) has been obtained from client. 	Advice	
116	<p>DDPI - Demat Debit and Pledge Instruction shall be executed only if client provides his/her explicit consent to authorise stock broker & Depository Participant to access their BO account for limited purpose of meeting the Pay-in obligation for settlement of trades executed by them.</p>	Advice	Warning
117	<p>DDPI - Demat Debit and Pledge Instruction shall be a part of Voluntary documents as mentioned in Annexure - 1 of SEBI circular CIR/MIRSD/16/2011</p>	Advice	Warning
118	<p>Non installation of antivirus software, which is capable to take care of operating systems and protect the networks</p>	Advice	

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
119	<p>Monitoring of quality of Internal Audit Reports</p> <p>Deviations are observed between the findings of the internal audit report and the Stock Exchange inspection report</p>	<p>a) Caution the stock broker to reconsider the appointment of that particular internal auditor.</p> <p>b) The same shall also be brought to notice of all the stock brokers who are audited by that particular internal auditor.</p> <p>c) The Stock Exchange shall also bring the deviations to the notice of the internal auditor.</p>	
120	<p>Member has passed on short reporting penalty related to Upfront Margin to its clients without providing any relevant supporting.</p>	<p>Warning / Advice + Direction to refund short reporting penalty charged to its clients</p>	<p>Rs. 5,000/-</p>
121	<p>Non-compliance of SEBI circular wrt to Maintenance of Website and displaying the mandated details on the website (as applicable) as on the due date prescribed by SEBI</p>	<p>a) Warning Letter will be issued to the Trading Members by August 25, 2023.</p> <p>b) One time penalty of Rs. 5,000/- to be levied on failure to comply upto 1 month from issuance of warning letter</p> <p>c) Block fresh UCC registration On completion of 2 weeks from levy of onetime penalty</p> <p>d) Rs. 5,000/- : If the non-compliance observed during Trading Member Inspection.</p>	
122	<p>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</p>	<p>Rs.15,000/-</p>	<p>Increase penalty amount by 50%</p>
123	<p>Doing business with or for the trading members who are prohibited to transact, including suspended/expelled/defaulting trading member, defaulting constituents and employees of other trading members</p>	<p>Rs.5,000/-</p>	

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
124	Sharing of brokerage with a person for or with whom members are forbidden to do business	a) Up to 2 instances: Rs.2,500/- b) More than 2 instances: Rs.5,000/-	
125	Dealing with a Member of another Exchange on behalf of constituents without necessary registration	a) Up to 2 instances: Rs.2,500/- per instance b) More than 2 instances: Rs.5,000/- per instance	
126	Dealing with one member of another exchange for proprietary trading without intimating the name of such member to the Exchange	a) One or Few Instances: Rs. 2,500/- per instance b) Multiple Instances: Rs.5,000/- per instance.	
127	Dealing with more than one member / Authorised Person of another exchange for proprietary trading	a) One or Few Instances : Rs. 2,500/- per instance b) Multiple Instances: Rs.5,000/- per instance.	
128	Dealing with brokers / AP of other Exchanges without intimation	Advice	Warning
129	Incorrect submission of information to the Exchange about the AP inspection	Advice	Warning
130	Delay in reporting of AP inspection to the Exchange	Advice	Warning
131	Member has not taken regular backup of data on the systems	Advice	
132	Member has not recovered long outstanding debit balances within 180 days based on sample verification as on March 31, 2021.	Advice	
133	Member has not submitted quarterly reports containing information on cyber-attacks and threats experienced and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs / vulnerabilities / threats that may be useful for other members within 15 days from the end of each quarter.	Advice	
134	Member has not submitted the details of Artificial Intelligence (AI) & Machine	Advice	

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
	Learning (ML) applications and systems in AI / ML Reporting Form within prescribed timelines.		
135	Member has not submitted the status of the alerts forwarded to them on a quarterly basis to the Exchange in the prescribed format within 15 days from the last trading day of the respective quarter	Advice	
136	Change in Statutory Auditor not intimated to the Exchange	Advice	Warning
137	Member have not sensitize their investors and create investor awareness on fraudsters that are collecting data of customers who are already into trading on Exchanges and sending them bulk messages on the pretext of providing investment tips and luring them to invest with them in their bogus firms by promising huge profits. Members have not taken necessary steps to safeguards data of the customers / investors registered with them and/or have shared or revealed such data to unauthorized persons.	Advice	Warning
138	Transfer of membership to another entity pursuant to Amalgamation / Merger / Demerger or any other manner) without prior approval of the Exchange.	Rs. 50,000/- for instance where there is no change in control. For change in control Rs.100,000/-.	Penalty shall be levied along with escalation of 50%.
139	In case of Corporates / LLP / Partnership Firms where Member fails to intimate the change in the Registered office within 15 days from the date of filing in ROC/MCA/ROF. In case of Sole Proprietors / Individuals where member fails to intimate the change in	Issue of warning letter.	

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
	Registered office within 15 days of such change.		
140	Non Compliance of NISM III A Certification for Compliance Officer	<p>a) Warning be issued to member to ensure compliance and submit valid NISM certificate to the Exchange within 3 months from the date of issue of Warning letter. Thereafter, from the subsequent month a flat penalty of Rs.5000/- for a period of another 3 months shall be levied.</p> <p>b) If non-compliance continues beyond 3 months, then Rs.5,000/- per month till the month (including the month in which the valid submission is done) of submission of valid NISM certificate for Compliance Officer.</p>	
141	Non-adherence of training programme to all compliance officers including new appointment	Advisory letter will be issued to the Trading Members	
142	Delay / no intimation of change in compliance officer	Advice will be given to the Trading member	
143	Non-submission/incorrect submission of PAN of Key Managerial Personnel (KMPs)/Directors/dealers etc. within the time specified	Penalty Charges of Rs.5,000/- per annum and warning to be issued to member	
144	Excess STT/CTT charges recovered from the clients	<p>a) If amount involved is less than Rs.10,000 + TM to be directed to refund to clients/remit to relevant authorities and fine equal to Rs.25,000/- and</p> <p>b) If amount involved is more than Rs.10,000/- Rs. 1 Lac Penalty + refund to clients/remit to relevant authorities</p>	Increase penalty amount by 50%

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
145	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 lac whichever is less + refund to clients	Increase penalty amount by 50%
146	Commodities due to one client transferred to other clients	a) Up to 2 instances: Rs.2,500/- b) More than 2 instances: Rs.5,000/-	
147	Penalty structure for Non-submission of undertaking/authorization to Exchange to access the information/statements pertaining to all bank accounts (maintained by members) from Banks	In case of non-submission of undertaking of new Bank Account to the Exchange - Rs.5,000 /-	50% escalation
148	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	To be decided on a case to case basis based on nature of non-compliances	
149	False/incorrect reporting of margins or non-reporting of margins by Trading Member in all segments	Penalty structure is as per slabs as per circular NCDEX/COMPLIANCE-051/2019 dated December 19, 2019. Based on the slabs as per aforesaid circular, the penalty amount for the false/incorrect reporting of margin, shall be capped as under: a) Rs.15,00,000/- in case of violation by a Trading Member b) Rs.25,00,000/- in case of violation by a Clearing Member Along with the monetary penalty, the Member may also be subjected to suspension for one day in the respective	

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
		<p>segment in case of material instances.</p> <p>The false reporting shall be treated as material for the purpose of suspension, if it meets the all the following broad criteria:-</p> <p>a) Instances of false reporting is more than 5% of the instances verified (minimum 3 instances) during inspection, and</p> <p>b) Percentage of value of false reporting is more than 5% of total margin required to be collected for the instances verified during inspection, and</p> <p>c) Value of false reporting of margin is more than Rs.15 lacs.</p>	
150	<p>Failure to furnish Internal Audit report to Stock Exchanges for half year ending September 30th by November 30th and half year ending March 31st by May 31st.</p>	<p>For Active Trading/Clearing Members (who are required to submit the internal audit report) Due time for submission: 2 Months</p> <p>a) For 1st month after due date, Fine of Rs. 200/- per day</p> <p>b) Charges of Rs.500/- per day from 2nd month after due date till date of submission or disablement 2 weeks' notice shall be given to the Member after the 3rd month from the due date, subsequent to which the Member shall be disabled (suspended square off mode) in all segments of the Exchange. The disablement notice issued to the Member shall be shared with all the Exchanges.</p>	

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
151	Penal / Disciplinary Actions for Non / Late submission of data towards Cash and Cash Equivalents	Disciplinary actions for late/non submission of 'Cash & Cash Equivalent Balances' a) Rs. 10,000 per day, in case of non-submission for second consecutive week, New client registration to be prohibited b) In case of non-submission for third consecutive week, Member shall be disabled (suspended square off mode) in all segments. Note: Late submission charges shall be levied only till the due date of next submission cycle.	
152	Penal / Disciplinary Actions for Non / Late submission of holding statement	Disciplinary actions for late/non submission of 'Holding statement' a) Rs.10,000 per day of delay b) In case of non-submission for second consecutive week, no new client registration to be allowed. c) In case of non-submission for third consecutive week, Member shall be disabled (suspended square off mode) in all segments and across all Exchanges. Note: Late submission charges shall be levied only till the due date of next submission cycle.	

Sr. No	Details of Contravention	Penalty/ Disciplinary Action	Penalty/ Disciplinary Action in case of Repeat Violation
153	Non-submission / late submission of data towards monitoring of client funds (Including incomplete submission)	Delay/non-submission in case of weekly submission: a) Submission within 10 calendar days from the due date – Rs.500/- per day b) Submission beyond 10 calendar days from the due date – Rs.1,000/- per day In case of non-submission for consecutive 4 weeks - New client registration to be restricted In case of non-submission for consecutive 8 weeks - 2 weeks' notice shall be given to the Member subsequent to which the Member shall be disabled (suspended square off mode) in all segments by the Exchange	
154	Delayed/Non-submission of summary of settlement as per the prescribed format.	In case of non-submission of summary of settlement details within 2 trading days post settlement date or non-submission of UCC wise settlement details within 10 trading days post settlement date, penalty of Rs. 10,000 per day for each day of delay	
155	Delayed/Non-submission of UCC wise settlement details as per the prescribed format.	a) In case of non-submission of summary of settlement details or UCC wise settlement details within one week from the due date of submission of UCC wise settlement details (i.e. 10 trading days post settlement date), new client registration to be prohibited. Further, a seven days' notice shall be given intimating disablement of trading facility (Suspended Square off mode) in the event of failure of the submission of data. b) In case of non-submission of summary of settlement	

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		<p>details or UCC wise settlement details or both within two weeks from the due date of submission of UCC wise settlement details (i.e. 10 trading days post settlement date), Member shall be disabled (Suspended Square off mode) till submission of data.</p>	
156	<p>Failure to submit data for the half yearly Risk Based Supervision within the time specified by Stock Exchange.</p>	<p>a) For 1st week after due date, Charges of Rs. 2,500/- per day</p> <p>b) Charges of Rs. 5,000/- per day from second week after due date</p> <p>c) In case of non-submission within three weeks from the due date of submission, New client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information.</p> <p>d) In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.</p>	<p>In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%. In case of non-submission within three weeks from the due date of submission, New client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.</p>
157	<p>Penalty for late submission of Holding and Bank statement submission on daily basis</p>	<p>Rs.1,000/- per day</p>	<ul style="list-style-type: none"> ➤ continuous non submission for 6 reporting days – restriction of new client registration, ➤ continuous non submission for 12-reporting days - Terminal Disable (suspended square off mode)

Notes to above Annexure

Relevant Authority may consider following actions, as it deems fit, for repeated/serious violations:

- i. In addition to incremental penalty, Disablement of proprietary trading
- ii. Disallowing registration of new clients for a specific period of time
- iii. Disablement of trading terminal
- iv. Suspension
- v. Any other action, as deemed fit.

Incremental Penalties Structure

In case any violation is observed to be repeated, during inspection conducted in the immediate previous inspection cycle, the following penalty would be made applicable.

Applicable Penalty for repeat violations

Action in immediate previous inspection cycle	Escalation in action
Advice	Warning
Warning	Rs. 5,000/-
Monetary Penalty	Increase penalty amount by 50%