

FAQ on
**Market Making in
Small and Medium Enterprise (SME) segment**

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Frequently Asked Questions (FAQs)

1. What is the background of Market Making in SME segment?

SEBI vide Circular Nos. CIR/MRD/DP/14/2010 dated April 26, 2010 and CIR/MRD/DSA/17/2010 dated May 18, 2010 has stipulated that market making is mandatory in respect of all securities listed and traded on SME exchange. Merchant bankers shall ensure market making through trading members of SME segment for a minimum period of three years from the date of listing of a security issued in accordance with the SEBI stipulation in the above mentioned circular, or from the date of migration from NSE Capital Market Segment in terms of the SEBI Issue of Capital and Disclosure requirements (ICDR) Regulation, 2009, as the case may be. Market making shall be carried out by eligible trading members registered as market makers with NSE. These norms are applicable to all registered market makers for making market in securities listed and traded on SME segment of NSE.

2. What is meant by Market Making and Market Maker?

“Market Making” means a facility where the market maker shall be required to provide eligible two 2-way quotes in securities listed and traded on SME platform.

“Market Maker” means a trading member of Capital Market segment of the Exchange and who satisfies the criteria as set up by the Exchange from time to time, and who has signed up with issuer (SME) / merchant banker of a SME for providing the market making facility.

3. Which are the Circulars issued by SEBI & Exchange w.r.t. Market Making in SME segment that are currently applicable?

The following circulars (currently applicable) are issued by SEBI and Exchanges from time to time informing all Members regarding the obligations and responsibilities of Market Makers in the process of market making in SME segment and prescribed the penalties /disciplinary action(s) for non-participation in the scrip by the Market Maker in SME Segment.

3.1. SEBI Circulars:

- 3.1.1. CIR/MRD/DP/14/2010 dated April 26, 2010
- 3.1.2. CIR/MRD/DSA/17/2010 dated May 18, 2010
- 3.1.3. CIR/MRD/DSA/31/2012 dated November 27, 2012

3.2. Exchange Circulars:

- 3.2.1. NSE/SME/MEM/21427 dated August 06, 2012
- 3.2.2. NSE/CMTR/34805 dated May 05, 2017
- 3.2.3. NSE/CMTR/42850 dated December 06, 2019

- 3.2.4. NSE/SURV/63146 dated July 30, 2024
- 3.2.5. NSE/CML/2024/27 dated September 25, 2024
- 3.2.6. NSE/SURV/69471 dated August 04, 2025
- 3.2.7. NSE/SURV/69587 dated August 08, 2025
- 3.2.8. NSE/INSP/70746 dated October 10, 2025 (refer Annexure 1.5)

4. What are the obligations and responsibilities of Market Maker?

The Market Maker shall at all times adhere to the Byelaws, Rules and Regulations of NSE and shall comply with such operational parameters, rulings, notices, guidelines and instructions of NSE as may be applicable from time to time. The Market Maker shall also comply with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, Circulars issued by SEBI from time to time and such other Rules, Regulations and or Guidelines issued by SEBI from time to time.

- 4.1. Market Maker shall provide eligible two-way (Buy-Sell) quotes (simultaneously) for a security from the date of listing of a security or from the date of being notified as a designated Market Maker for the security for 75% time of total market time.
- 4.2. Market Maker shall provide quotes within permissible bid-ask spread for the security, which is provided by the Exchange to members daily in the 'security.txt' file (path: 'common/ntneat folder') which is a part of master files uploaded by trading members before starting trading.
- 4.3. The permissible spread is specified under column no. 47 - "MMSpread" - Refer Annexure 1 in Part D of Exchange Circular No. NSE/CMTR/73927 dated April 28, 2026.
- 4.4. Orders provided by Market Maker during pre-open and carried forward in normal market segment are also considered in determining the 75% limit.
- 4.5. In the event the Market Maker exhausts the inventory (i.e., Initial allotment and/or shares acquired during the market making process) through market making process on the platform of the exchange:
 - 4.5.1. Market Maker informs the Exchange about the inventory exhaustion in the prescribed format, along with copy of the relevant demat account transaction-cum-holding statement (duly certified/stamped by the Depository Participant) evidencing the same.
 - 4.5.2. Market Maker shall continue the market making process by providing one-way 'Buy' quote for atleast 75% of time in a day, until the new inventory is acquired (i.e., shares acquired during the market making process) for the security.
- 4.6. Upon acquiring the new inventory, Market Maker shall resume to provide two-way quotes for atleast 75% of time in a day, within permissible bid-ask spread limit as per the obligations and responsibilities of market maker mentioned in SEBI circular dated April 26, 2010 and Exchange circular dated August 6, 2012.

4.7. For the scrips trading in Periodic Call Auction Session (PCAS), following are the conditions:

- 4.7.1. Session duration in PCAS- The call auction session duration shall be one hour, of which 45 minutes shall be allowed for order entry, order modification and order cancellation, 8 minutes shall be for order matching and trade confirmation and remaining 7 minutes shall be a buffer period for closing the current session and facilitating the transition to next session (there will be total 6 session of 1 hr each). The session shall close randomly during last one minute of order entry between the 44th & 45th minute. Such random closure shall be system driven.
- 4.7.2. Market maker shall be present during the Order collection period (i.e., from 'Start of Session' till 44 mins) for 75% of the time within permissible spread for initial 44 minutes in each of the PCAS sessions.
- 4.7.3. Market maker shall also be present during the Order matching session (i.e., from 44th min till 'Random Market Closure of Session') within permissible spread in each of the PCAS sessions.
- 4.7.4. All the unmatched orders of each PCAS session will be carried forward to next PCAS session.

5. Example of Eligible two-way quotes within the permissible spread?

Previous close price of a scrip ABC = 100

Price Band = 10%

Daily price range (DPR) = Lower DPR - 90 and Upper DPR - 110

Permissible spread = 10

Scrip	DPR	Buy Quote A	Sell Quote B	Bid-Ask Spread C=B-A	Permissible Spread	Eligible Quote (Yes / No)
ABC LTD.	90 - 110	90	110	20	10	No
	90 - 110	95	105	10	10	Yes
	90 - 110	94.5	105	10.5	10	No
	90 - 110	93	102	9	10	Yes

6. What are the Exemptions from market making/ Blackout period?

The Market Maker may temporarily discontinue market making (stop putting quotes) for a particular security during the blackout periods. The following conditions may be treated as eligible for blackout period.

- 6.1. In case of technical reasons (such as connectivity issues, system breakdown etc.), immediate /advance intimation must be sent to the exchange with reason and likely period of blackout.
- 6.2. Exceptional circumstances where the Market Maker may perceive deliberate & designed attempts to destabilize the market making or price of the security by

some party in its individual capacity or in group/syndicate. Under such circumstances, Market Maker may stop market making and bring it in the notice of NSE immediately

- 6.3. In the normal market, if the security trades at a circuit filter price level, it will be automatically considered as blackout for the day and the Market Maker will not be obliged to provide further quotes. In such a case, prior intimation to NSE will not be required.

Market Maker has to inform the Exchange in advance for each and every black out period when the quotes are not being offered by the Market Maker as mentioned in 6.1 & 6.2 above. Refer circular number NSE/CMTR/41795 dated August 05, 2019 for procedure of Blackout Period reporting on ENIT platform.

7. Why is it important to do the market making with Registered User ID?

As per the Exchange Circular No. NSE/ CMTR/34805 dated May 05, 2017, Market Maker CTCL/ NNF user id shall be used only for the purpose of market making for SME securities. The revised format of application in respect of Market Making facility for SME security to be submitted by trading members.

Further, as per Exchange Circular No. NSE/CMTR/42850 dated December 06, 2019, Market Maker can place both PRO as well as CLI orders in SME securities from market maker User ID. However, only PRO orders placed from market maker user id shall be considered for market making. The format of application in respect of Market Making facility for SME security to be submitted by trading members.

8. How can members check the compliance status every day?

Exchange disseminates market maker compliance file to the members on extranet path (/common/Onlinebackup) on an hourly basis for the scrips trading in Normal Market. Members can check the hourly compliances in the extranet path mentioned above. Refer Exchange Circular Nos. NSE/SURV/69471 dated August 04, 2025 and NSE/SURV/69587 dated August 08, 2025.

9. What is the current penalty structure applicable for non-participation in Market Making?

As per the Exchange circular NSE/INSP/70746 dated October 10, 2025 (refer Annexure 1.5) the penalty structure has been revised for providing framework for incremental penalties in case of repeat violations. The revised penalty structure is as follows:

Violation for Non-participation Across scrip(s) in a month	Action in case of First instance	Action in case of Repeat instance 2nd Time & Onwards
Upto 1 day	Warning Letter to be issued	Rs. 1,000 for every single day
For 2 days	Rs. 2,500	Prescribed monetary penalty + 50% escalation.
More than 2 days and up to 5 days	Rs. 5,000	
More than 5 days and up to 7 days	Rs. 15,000	
More than 7 days and up to 15 days	Rs. 25,000	
More than 15 days in a month	Rs. 50,000 and intimation to merchant banker to consider appointing new market maker	Rs. 50,000 + 50% escalation penalty + intimation to merchant banker to appoint new Market Maker and the non-compliant market maker will not be allowed to take any new assignment for upto 36 months.

10. How is the monthly penalty of violation for non-participation computed?

Penalty shall be levied to the market makers for non-compliance in SME segment considering the stringent criteria and is computed based on Member-wise Scrip-wise non-compliance days across scrips or Member-wise unique days of non-compliances across scrips, whichever is higher.

Example 1:

Scrip	Member Code	Month	Non-compliant Trading Date	Non-compliant Trading Days in a scrip	Scrip-wise Penalty Applicable (in Rs.)	Scrip-wise Total Penalty (in Rs.)	No. of instances of non-compliance across scrips in a month	Non-compliant UNIQUE Trading days across scrips	Penalty for non-compliance across scrips in a month (in Rs.)	Penalty Applicable in a month (in Rs.)
						A			B	C = Higher of A & B
A	111	Dec-25	Dec 05, 08, 09, 10, 11 & 23, 2025	6	15,000	20,000	13	12	25,000	25,000
B			Dec 11 & 24 2025	2	2,500					
C			Dec 04, 2025	1	Warning					
D			Dec 31, 2025	1	Warning					
E			Dec 26, 2025	1	Warning					

Scrip	Member Code	Month	Non-compliant Trading Date	Non-compliant Trading Days in a scrip	Scrip-wise Penalty Applicable (in Rs.)	Scrip-wise Total Penalty (in Rs.)	No. of instances of non-compliance across scrips in a month	Non-compliant UNIQUE Trading days across scrips	Penalty for non-compliance across scrips in a month (in Rs.)	Penalty Applicable in a month (in Rs.)
						A			B	C = Higher of A & B
F			Dec 12 & 29, 2025	2	2,500					

Example 2:

Scrip	Member Code	Month	Non-compliant Trading Date	Non-compliant Trading Days in a scrip	Scrip-wise Penalty Applicable (in Rs.)	Scrip-wise Total Penalty (in Rs.)	No. of instances of non-compliance across scrips in a month	Non-compliant UNIQUE Trading days across scrips	Penalty for non-compliance across scrips in a month (in Rs.)	Penalty Applicable in a month (in Rs.)
						A			B	C = Higher of A & B
A	222	Dec-25	Dec 01, 02, 03, 04, 05, 08, 09, 10, 11, 12, 15, 16, 17, 18, 19, 22, 23, 24, 26, 29, 30 & 31, 2025	22	50,000	1,25,000	52	22	50,000	1,25,000
B			Dec 02, 03, 04, 10, 11, 15, 16, 17, 19, 23, 24, 26, 29 & 30, 2025	14	25,000					
C			Dec 04, 08, 10, 11, 12, 15, 16, 17, 18, 19, 22, 23, 24, 29, 30 & 31, 2025	16	50,000					

11. How is the penalty for Repeat instance of violation for non-participation computed?

Penalty is segregated into 3 categories:

Category	Violation for Non-participation Across scrip(s) in a month
1	Upto 1 day
2	For 2 days
	More than 2 days and up to 5 days
	More than 5 days and up to 7 days

Category	Violation for Non-participation Across scrip(s) in a month
	More than 7 days and up to 15 days
3	More than 15 days in a month

Penalty for repeat violation is levied to the members, if the violation of same category is repeated by the market maker in the subsequent months and on 3 month rolling basis.

Example:

If penalty for repeat violation is being computed for the month of January 2026, then the penalty levied to the member for violations in the previous months viz., November 2025 & December 2025 are considered and should be of same category of violation.

Scrip	Member Code	Action for non-compliance in the month of Jan 2026	Category of violation in the month of Jan 2026	Category of violation in the month of Dec 2025	Category of violation in the month of Nov 2025	Penalty for repeat violation in the month of Jan 2026
A	111	Warning	1	2	-	-
B	222	Warning	1	1	2	Rs.1,000
C	333	2,500	2	1	1	-
D	444	25,000	2	2	2	Rs.12,500
E	555	75,000	3	2	2	-
F	666	80,000	3	3	2	Rs.90,000

12. How is penalty communicated to the members?

For all the instances except 'More than 15 days in a month', Penalty is directly levied to the members in the portal. Later, emails shall be sent by the exchange to notify the members regarding the penalty levied.

In case of the instance 'More than 15 days in a month', Exchange sends a Letter of Observation (LO) to the members and seek their response. Post receipt of response from the member, the reanalysis is carried out by Exchange and matter is placed before the Exchange Committee before levying such penalty to member. Post that Action Letter is issued to member and penalty for the same is levied.

Penalty is communicated to the Members (Market Makers) through the Inspection Portal of the Exchange on monthly basis.

In case of any further queries, you may write to us at surveillance@nse.co.in

For any **other** queries, Members are requested to contact Trade helpdesk **toll free no. 1800 266 0050** (Select IVR option 1) for the same. Refer the below link:
<https://www.nseindia.com/static/trade/member-services-help-guide>

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