NSE Clearing Limited
(Formerly known as National Securities Clearing Corporation Limited)

Department: COMPLIANCE	
Download Ref No: NCL/CMPL/42946	Date: December 19, 2019
Circular Ref. No: 07/2019	

All Members,

Sub: Rationalization of imposition of fines for false/incorrect reporting of margins or non-reporting of margins by Clearing Member in all segments

This is with reference to Circular No: NCL/CMPT/42900 dated December 12, 2019 and Circular No: NCL/CMPL/41812 dated August 6, 2019 on the captioned subject.

The existing penalty structure for disciplinary action in case of false reporting of margin collection has been reviewed and revised in consultation with all the Stock Exchanges/Clearing Corporations and SEBI. The revised penalty structure is enclosed at Annexure A.

The revised penalty structure will be applicable for all instances of false reporting of margin from September 01, 2019 onwards. For all prior instances of false reporting upto August 31, 2019, the penalty structure as prescribed under SEBI Circular Ref.no. CIR/DNPD/7/2011 dated August 10, 2011 shall continue to be applicable.

As regard the applicability of this penalty structure for false reporting in Equity Cash Segment, the members may note that as per SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/137 dated November 19, 2019, the same will be applicable w.e.f. April 1, 2020.

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The aforementioned structure is indicative in nature and the Relevant Authority of the Clearing Corporation may, on case to case basis and based on the gravity of the violation, deal with such violation.

Members are requested to take note of the above circular.

For and on behalf of

NSE Clearing Limited

Jinal Shah

Senior Manager

Annexure A

Penalty Structure for False Reporting of Margins

% of the violation in the current inspection (Proportion of the instances with false reporting to the Total sample instances verified)	Penalty As A Percentage (%) Of The False Reporting			
	Observed only in current Inspection	Observed only in 1 out of 3 previous Inspections in addition to the current Inspection	Observed in 2 out of 3 previous inspections in addition to the current Inspection	Observed in all the previous 3 Inspections in addition to the current Inspection
Above 50%	50%	60%	75%	100%
25%-50%	25%	50%	60%	75%
10%-25%	10%	25%	50%	60%
Less than 10%	5%	10%	25%	50%

Based on the above slabs, the penalty amount for the false reporting of margin, shall be capped at 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 segment in case of material instances. The false reporting shall be treated as material for the purpose of suspension, if it meets the all the following broad criteria: -

1. Instances of false reporting is more than 5% of the instances verified (minimum 3 instances) during inspection, and
2. Percentage of value of false reporting is more than 5% of total margin required to be collected for the instances verified during inspection, and
3. Value of false reporting of margin is more than Rs. 15 lakhs.