NSE Clearing Limited

(Formerly known as National Securities Clearing Corporation Ltd.)

Circular

DEPARTMENT: COMPLIANCE	
Download Ref No: NCL/CMPL/50410	Date: November 25, 2021
Circular Ref. No: 32/2021	

All Members

Sub: Segregation and Monitoring of Collateral at Client Level - Penalty

This is with reference to NCL circulars NCL/CMPL/49348 dated August 20, 2021, NCL/CMPL/49640 dated September 17, 2021 and NCL/CMPL/49764 dated September 29, 2021 on the captioned subject.

In consultation with other Clearing Corporations and SEBI, penalty structure as per **Annexure 1** shall be applicable for the irregularities observed with respect to the daily collateral reporting by the Clearing members.

Members may please note that the provisions of this circular shall be applicable from trade date December 16, 2021 onwards.

For and on behalf of
NSE Clearing Limited
(Formerly known as National Securities Clearing Corporation Limited)

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Annexure 1

Violation 1: Non reporting of data /Incomplete submission

Period	**Applicable penalty**
Till December 15, 2021	NIL
From December 16, 2021 till March 31, 2022	Collateral reporting is not done by the CM for clients where there exists collateral with the CC/CM/TM In such case, penalty of 0.1% on the amount of margin reported shall be applicable. For this purpose, EOD margin reported or peak margin reported, whichever is higher shall be considered.
April 1, 2022 onwards	Collateral reporting is not done by the CM for clients where there exists collateral with the CC/CM/TM In such case penalty of 0.5% on the amount of margin reported shall be applicable. For this purpose, EOD margin reported or peak margin reported, whichever is higher shall be considered.

Violation 2: Modification of data successfully submitted

Any data successfully submitted by clearing members can be modified up to T+3 working days. The penalty for modification of data successfully submitted shall be as follows:

Period	**Modifications of data successfully submitted for CM Prop/TM Prop/ CP/Clients with outstanding margin requirements**
Till December 15, 2021	NIL
From December 16, 2021 till March 31, 2022	Rs. 250 per entity per instance of modification
April 1, 2022 onwards	Rs. 500 per entity per instance of modification

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No modification shall be permitted beyond T+3 working days.

Violation 3: Incorrect data reporting (checked during inspection)

% 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%

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 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.