

PENALTIES/DISCIPLINARY ACTION(S) FOR VIOLATIONS WITH FINANCIAL IMPLICATIONS

Sr.No.	Details of contravention	Penalty/Disciplinary Action
1	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)	More than 50% of instances: Rs.2,00,000, Direction to settle all client accounts and submit Internal Auditor certificate on compliance status for next 4 quarters. In case of repeat violation, the amount of penalty applicable will be escalated by 100%. (Violation equal to or below 50% has been considered in Procedural violations)
2	Use of client funds & securities/commodities for other than specified purposes / Use of client funds for own purpose /for other clients.	Rs. 1,00,000/- or 1% of the amount involved, whichever is higher.
3	Bank and demat account operations : Pay in / payout not received from / delivered to respective clients / Inter-client adjustment done for the purpose of settlement of accounts	1. Non-compliance up to Rs. 5 lacs- Warning 2. In excess of Rs. 5 lacs and upto Rs. 20 Lacs- Rs. 1 lac 3. More than Rs. 20 lacs- Rs. 2 lacs.
4	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.
5	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.
6	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)
7	Evasion of margin	1. Margin evasion up to Rs 1 Lac- The amount of evasion. 2. Margin evasion exceeding Rs 1 Lac- Rs. 1 lac or 0.3% of the value of trades, whichever is higher.
8	Unauthorized trading determined by IGRP / Arbitration when there is no appeal.	1. Monetary penalty of Rs. 1 lac; 2. 50% escalation in case of 3 cases of unauthorized trading in the same F.Y. 3. In case of 4 cases or more in the same F.Y. – In addition to the above penalty,

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	Unauthorized or Illegal trading activities / fictitious transactions	registration of new clients and APs to be disallowed for 1 month.
9	<u>Submission of information for inspection</u> 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) Material wrong/incorrect submission of data towards Inspection	1. Monetary penalty of Rs. 1 lac, besides not allowing member to trade till the time of completion of inspection/Surrender/ Declaration as default/ Expulsion. 2. Rs. 1,000 per day starting from final due date for submission of data / records /documents sought for inspection. 3. Penalty may vary from warning to Rs. 1 lac on case to case basis.

Incremental Penalties Structure for violations with financial implications

In case any violation is observed to be repeated compared to last inspection conducted, the following escalation of penalty would be made applicable.	
Applicable Penalty	Penalty for repeat violations
Monetary Penalty	Increase penalty amount by 50% (if not specifically stated)
Relevant Authority may consider following actions, as it deems fit, for repeated/serious violations: 1. In addition to incremental penalty, Disablement of proprietary trading 2. Disallowing registration of new clients for a specific period of time 3. Disablement of trading terminal 4. Suspension 5. Any other action, as deemed fit.	

PENALTIES/DISCIPLINARY ACTIONS FOR PROCEDURAL VIOLATIONS

Sr. No.	Details of contravention	Penalty/Disciplinary Action
1	Actual settlement of funds or securities/commodities not done on monthly / quarterly basis as specified by the client (Applicable where non compliances are observed in: 1. Less than or equal to 50% of sample instances, or 2. Less than or equal to 10 clients and more than 50% sample instances)	1. In excess of 2% and up to 5% of number of instances – Rs. 15,000/- 2. In excess of 5% and up to 10% of number of instances – Rs. 45,000/- 3. In excess of 10% of number of instances – Rs. 75,000/- Otherwise: Advice
2	Cash dealings with clients	0.1% of the aggregate value, in excess of Rs. 50,000/-
3	Client Registration	
	a) Non execution of client registration documents	Rs. 15,000/- per client
	b) Client registration documents Not provided / Not made available to the Exchange	Rs. 15,000/- per client
	c) Inclusion of contravening clauses / omission of material details	Violation for critical clauses - Rs 25,000/- Other procedural clauses - Rs 10,000/-
	d) 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
	e) In-person verification of clients not carried out	Rs. 1,000/- per client
4	Bank and demat account operations: Separate clients bank or demat account not maintained.	Rs. 1 Lac and direction to open separate account within 1 month;
5	Excess STT/CTT charges recovered from the clients	If amount involved is less than Rs. 10,000/-:- Penalty of Rs.25,000/- and Direction to member to refund to clients/remit to relevant authorities. and

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		If amount involved is more than 10,000/- :- Penalty of Rs. 1 lac and Direction to member to refund to clients/remit to relevant authorities.
6	Non-issue of Contract Notes	Rs. 10,000/- per client
7	Dealing with unregistered intermediaries	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. 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.
8	Unauthorized extension of NEAT/ Trading terminal / Non-upload of CTCL Trading terminals to the Exchange / 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.
9	Other Errors like difference in User details / Status of terminals in upload of CTCL/Trading terminal details / Upload of CTCL/ Trading Terminal details with incorrect terminal location (Non-Trading ids to be excluded while levying fine)	Upto 5 trading terminals- Rs. 1,000 per terminal. More than 5 trading terminals- Rs. 5,000 per terminal.
10	Non-maintenance of:- 1. Client ledger 2. Register of Securities (Client wise scrip wise Register)	Rs. 1 Lac and Direction to comply
11	Client ledger not maintained properly (i.e. incomplete/ erroneous/ delay in entries)	Rs. 25,000/-

Sr. No.	Details of contravention	Penalty/Disciplinary Action
12	Register of Securities not in the prescribed format	Rs. 25,000/-
13	Discrepancies / Incorrect details in Register of Securities, non-reconciliation of balances between client beneficiary accounts and register of securities	Rs. 25,000/-
14	Non segregation of transactions between client and own bank/beneficiary accounts (Client money/securities deposited in own bank/beneficiary account or expenses routed through Client Bank Account or own money/securities deposited in client bank/beneficiary account) Non segregation of client and own money/securities	1. In excess of 2% and up to 5% of number of instances – Rs. 25,000/-
		2. In excess of 5% and up to 10% of number of instances – Rs. 50,000/-
		3. In excess of 10% of number of instances - Rs 75,000/-
		Otherwise: Advice
15	Facilitating financing to clients through NBFC	Rs. 5 Lacs
16	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 and Direction to refund excess charges to clients.
17	Delay in release of payout of funds or securities (beyond one working day) or commodities	1. Up to 5% of number of instances – Rs. 15,000/-
		2. In excess of 5% and up to 10% of number of instances – Rs. 45,000/-
		3. In excess of 10% and upto 20% of number of instances – Rs. 75,000/-
		4. In excess of 20% of number of instances – Rs. 1,00,000/-
18	Quarterly/ Monthly Statement of accounts for funds or securities not sent / Not sent at the time of settlement of accounts, non-issue of transaction statement displaying all receipt and payment of funds / inward and outward movement of securities while settling the account along with statement explaining retention of funds or securities, if any/ Client preference for monthly / quarterly settlement not obtained	1. In excess of 2% and up to 10% of number of instances - Rs 20,000/-
		2. In excess of 10% and up to 40% of number of instances – Rs. 60,000/-
		3. In excess of 40% of number of instances – Rs. 1,00,000/-
		Otherwise, Advice
19	Funding to clients	Where non-compliance is observed in more than 5% instances or amount exceeds Rs. 1 crore - Rs. 50,000/-

Sr. No.	Details of contravention	Penalty/Disciplinary Action
		Where non-compliance is upto 5% and amount is upto Rs. 1 crore- Advice
20	Contract Notes Issued with material discrepancies / Duplicates or copies or proof of dispatch of contract notes not maintained/ Not issued within 24 hours of transaction execution/ Not signed by authorized signatory.	1. In excess of 2% and up to 5% of number of instances – Rs. 15,000/- 2. In excess of 5% and up to 10% of number of instances – Rs. 45,000/- 3. In excess of 10% and up to 20% of number of instances – Rs. 75,000/- 4. In excess of 20% of number of instances – Rs. 1,00,000/-
21	a) ECN Log report not maintained in case of bounced back mails, ECNs 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	1. In excess of 2% and up to 5% of number of instances – Rs. 15,000/- 2. In excess of 5% and up to 10% of number of instances – Rs. 45,000/- 3. In excess of 10% and up to 20% of number of instances – Rs. 75,000/- 4. In excess of 20% of number of instances – Rs. 1,00,000/-
	b) Generation of email IDs for clients by member.	Rs. 15,000/- per client
	c) Non display of ECN on website	Advice
	d) Contract note issued otherwise than in format prescribed by the Exchange	Advice
22	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 children and dependent parents)	Rs. 1,000/- per client
23	Inspection of sub-brokers / APs/ branches not done / Inspection report of sub-brokers/APs & branches not made available to the inspecting team	Rs. 50,000/-
24	Operation of terminals by persons other than the approved user / person as per Exchange records	Rs 1,500/- per terminal.
25	Non-appointment of compliance officer	Rs. 50,000/-
26	Not following the advertisement code of the Exchange	Rs. 50,000/-

Sr. No.	Details of contravention	Penalty/Disciplinary Action
27	Segregation of Exchange wise client ledgers not maintained	Rs. 50,000/-
28	Incorrect submission of RBS	Penalty may vary from Rs. 3,000/- to Rs. 10,000/- on case to case basis
29	Delayed / non-payment of dividend	<u>Non-payment of dividend</u> – 2 times the amount of dividend not paid. <u>Delay in payment</u> 1. Up to Rs. 1 lac- Warning 2. In excess of Rs. 1 lac and up to Rs. 5 lacs- 1% of the amount involved 3. Above Rs. 5 lacs- 2% of the amount involved
30	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	Rs. 25,000/- per book

Incremental Penalties Structure for procedural violations

In case any violation is observed to be repeated compared to last inspection conducted, the following escalation of penalty would be made applicable:	
Applicable Penalty	Penalty for repeat violations
Advice	Warning
Warning	Rs. 5,000/-
Monetary Penalty	Increase penalty amount by 50%

PENALTIES/DISCIPLINARY ACTIONS FOR OTHER PROCEDURAL VIOLATIONS

Sr. No.	Details of contravention	Penalty/Disciplinary Action
1	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	1. In excess of 2% and up to 5% of number of instances – Rs. 15,000/-
		2. In excess of 5% and up to 10% of number of instances – Rs. 45,000/-
		3. In excess of 10% of number of instances – Rs. 75,000/-
		Otherwise, Advice
2	Not uploaded KYC information to KRA/CKYC within prescribed time frame	Rs. 5,000/- for more than 20% of instances, otherwise advice
3	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
4	Incomplete / Non display of details by member viz, Notice Board/ name, its logo, registration no, address with telephone no, compliance officer name, telephone no, email id, SEBI Registration certificate/ AP Registration certificate and other prescribed details.	Rs. 10,000/-
5	Electronic transfers from clients not as per specified guidelines / Supporting documents / audit trail for pre-funded instruments not maintained	1. In excess of 2% and up to 5% of number of instances – Rs. 15,000/-
		2. In excess of 5% and up to 10% of number of instances - Rs 45,000/-
		3. In excess of 10% of number of instances – Rs. 75,000/-
		Otherwise Advice
6	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	Up to 5 instances: Advice More than 5 instances Rs.10,000/-
7	Daily Margin statement not sent	1. In excess of 2% and up to 5% of number of instances – Rs. 15,000/-
		2. In excess of 5% and up to 10% of number of instances – Rs. 45,000/-

Sr. No.	Details of contravention	Penalty/Disciplinary Action
		3. In excess of 10% of number of instances – Rs. 75,000/-
		4. Otherwise, Advice
8	Non-disclosure of trading on own account to clients	Warning
9	Exclusive e-mail id for investors' complaints not created or not displayed	Rs. 10,000/- if email ID not created Rs. 5,000/- if email ID not displayed
10	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
11	Doing business for / through other TMs or sub-brokers of other TMs of the Exchange without prior approval of the Exchange	Rs. 15,000/-
	With brokers / sub-brokers/ AP of other Exchanges without intimation	Advice
12	Non-upload of non-trading id's (Id's that cannot be used for trading)	Advice
13	Allowing trading terminals to be operated where certificate has expired	Cash segment- Advice Derivatives segment – Rs. 1,500/- per terminal
14	Execution of trades on own account from locations other than those permitted by the Exchange	Rs. 15,000/-
15	Non-compliance with PMLA requirements	
	(a) Non maintenance of Written Policy and Procedures relating to PMLA	Rs. 15,000/-
	(b) Non Appointment of Principal Officer /Designated Director/ Non Intimation of Designated Director or change of Principal officer to FIU Delhi	Rs. 15,000/-
	(c) Non-Implementation of systems in place to monitor, identify suspicious transaction and procedures for reporting the same	Rs. 15,000/-
	(d) Non Adoption of customer due diligence	Rs. 10,000/- per client
	(e) Financial information of clients not obtained / updated / documentary evidence related to financial information not obtained in case of clients trading in derivatives segment	Rs. 10,000/- per client

Sr. No.	Details of contravention	Penalty/Disciplinary Action
	(f) Non Maintenance of records regarding ongoing training to staff relating to PMLA	Advice
	(g) Disproportionate Exposure	Up to Rs.2,00,000/-
	(h) Any other observation /violation which is required as per PMLA and not covered above	Advice
16	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	Rs. 10,000/- per book
17	Non adoption / Maintenance of following policies as per the regulatory requirements:- 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 vii. Surveillance policy viii. Policy for Inactive Clients	Rs. 2,000/- per policy
18	Delay in payment of funds to clients / Delay in transfer of commodities to clients beyond 15 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
19	Non-payment of statutory dues/duties/fees etc.	Advice
20	More than one client code to a client	Rs. 10,000/ - per client code
21	Non-maintenance of client code/non mapping of trading code.	Rs. 10,000/ - per client
22	Pledging statement not sent	Advice

Sr. No.	Details of contravention	Penalty/Disciplinary Action
23	Payment to clients not made through electronic mode viz; NEFT / RTGS while settling client accounts	Advice

Incremental Penalties Structure for other procedural violations

In case any violation is observed to be repeated, during inspection conducted in last three financial years, the following penalty would be made applicable.	
Applicable Penalty	Penalty for repeat violations
Advice	Warning
Warning	Rs. 5,000/-
Monetary Penalty	Increase penalty amount by 50%

PENALTY FOR MARGIN REPORTING VIOLATION:-

False reporting of margin	100% of falsely reported amount along with suspension of trading for 1 day in the respective segment. (As prescribed by SEBI circular Ref. No. CIR/DNPD/7/2011 dated August 10, 2011.)
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