Circular

National Stock Exchange Of India Limited

Department : Inspection	
Download Ref No: NSE/INSP/42919	Date : December 16, 2019
Circular Ref. No:48/2019	

To All Trading Members,

Sub: Rationalization of imposition of fines for false reporting of margins by Trading Member in Derivatives Segments

This has reference to Exchange circulars Ref No: NSE/INSP/41790 dated August 2, 2019 on the captioned subject and Exchange circular Ref No: NSE/INSP/36248 dated November 6, 2017.

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 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.

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

Members are requested to take note.

For and on behalf of
National Stock Exchange of India Limited

Srijith Menon
Chief Manager-Inspection

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. 15,00,000/- in case of violation by a Trading 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.