

National Stock Exchange Of India Limited**Department : Inspection**

Download Ref No: NSE/INSP/43718

Date: February 28, 2020

Circular Ref. No: 12/2020

To All Members,

Sub: Penalty structure related to the provisions of Handling of Clients' Securities by Trading Members

This has reference to Exchange circulars Ref No: NSE/INSP/36248 dated November 6, 2017, NSE/INSP/41359 dated June 20, 2019 and SEBI circular dated June 20, 2019 on Handling of Client's Securities.

The Exchange in consultation with other Exchanges has formulated an indicative penalty structure for any non-compliance of the provisions of the said circular. The penalty structure is enclosed at **Annexure A**.

The said penalty norms shall be applicable for instances of non-compliances observed from the date of applicability of the provisions of stipulated in the SEBI circular dated June 20, 2019 read with SEBI Circular dated August 29, 2019. The 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

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In case of any clarifications, Members may contact our below offices:

Annexure A
Penalty Structure for Handling of Client Securities

Sr. No.	Details of contravention	Penalty/Disciplinary Action
1	The securities that are bought under Margin Trading Facility, shall be kept in a separate account titled as – ‘Client Margin Trading Securities Account’	Fine of Rs. 25,000/-
2	Clients’ securities lying with the TM cannot be pledged to the Banks/NBFCs or any other persons/entities for raising funds	Rs. 1,00,000/- or 1% of the Value of securities involved, whichever is higher. Direction to be given to un-pledge the securities within 10 calendar days failing which trading facility to be withdrawn.
3	The client’s securities which have been unpledged but are not returned to the clients upon fulfilment of pay-in obligation or disposed off after giving notice of 5 days to the client.	Rs. 50,000/- or 0.5% of the Value of securities involved, whichever is higher.
4	Non-closure of existing client beneficiary accounts	Rs. 50,000/- per account (where Members are unable to provide reasonable explanation). Member to be disabled in case account is not closed within one month of levy of penalty
5	Non-Reporting of closure of existing client accounts to Exchange/s within one week from closure in the prescribed format	Penalty of Rs.5,000/- per annum and warning to be issued to Member and direction to report such details to the Exchange.