

National Stock Exchange of India Limited

Circular

| DEPARTMENT: INSPECTION | |
|---------------------------------|------------------------|
| Download Ref No: NSE/INSP/70746 | Date: October 10, 2025 |
| Circular Ref. No: 63/2025 | |

To All Trading Members,

Sub: Ease of Doing Business - Rationalization and Standardization of penalties levied on Trading Members

1. This is with reference to Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, and other circulars issued by the Exchange from time to time wherein disciplinary actions under Chapter IV of NSEIL Rules viz. *"Disciplinary proceedings, penalties, suspension and expulsion"*, were prescribed for various regulatory non-compliances with respect to inspection observations, delay or non-submission of various periodic submissions, non-adherence to membership / compliance requirements, non-compliances/actions related to surveillance /investigation matters, non-compliances by the Market Maker in SME Segment, disciplinary action in case of Net worth shortfall and non-submission of Net worth, non-adherence to the requirements on Technical Glitches to prevent business disruptions, non-compliance to cyber security requirements, non-adherence to client code modification requirements and others.
2. With the objective of standardizing the disciplinary framework applicable to Trading Members across exchanges, a Working Group constituted by SEBI, comprising of members from all Exchanges and Stockbroker associations (ANMI, BBF & CPAI), after detailed deliberations, has prescribed a uniform structure for actions across exchanges.
3. The list of violations / non-compliances, their classification and the corresponding prescribed actions, approved by SEBI is as detailed in **Annexure – 1**.
4. The provisions of this circular shall be applicable with immediate effect as under:
 - i. On all cases under process / all non-compliances identified or determined after the date of the circular where penalty is being reduced
 - ii. On all other cases, where the date of violation falls after the date of the circular.
 - iii. On all submission-based compliances where due date falls after the date of the circular.

National Stock Exchange of India Limited

5. Trading members are requested to note that actions on all procedural lapses / technical errors are classified as 'Financial disincentive' (mentioned in Annexure – 1) on determination of such lapses / errors for all reporting purposes.
6. Trading Members may please note that the violations / non-compliances, where the penal actions / financial disincentives are not prescribed in Annexure – 1, such cases shall continue to be placed before Member Committee ("MC"), and the decisions of the MC shall be communicated to Trading Members by way of Action Letters / Orders.
7. The existing process of placing matters before MC will continue to be followed for observations involving disciplinary action like the prohibition of onboarding of new clients, restriction on the onboarding of Authorized Persons or any action like disablement of terminals, suspension, expulsion, declaration of default and any other critical violations deemed fit by the Committee. In such cases, the Exchange shall issue an Intimation of Observation (IO) to seek Trading Member response. Thereafter, based on the response received on the IO, if the observation persists, the Exchange shall issue Show Cause Notice (SCN). An opportunity of personal hearing before MC may be provided. However, the actions like disablement of the trading terminals, prohibition of onboarding of new clients, blocking collateral etc. shall continue to be applicable as per existing provisions/process for the following:
 - i. Violations mentioned in Annexure - 1.2 to 1.5
 - ii. Administrative Actions taken by Exchange (NSE Circular No. NSE/INSP/63598 dated August 27, 2024 and NSE/INSP/57097 dated June 13, 2023 and other circulars issued from time to time)
 - iii. Monitoring corrective actions taken by Trading Member pursuant to SEBI inspection (NSE Circular No. NSE/INSP/68731 dated June 24, 2025 and other circulars issued from time to time)
 - iv. Under SEBI SOP Circular SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020, regarding Trading Member / Clearing Member leading to default.
8. Trading Members must take note of the violations / non-compliances notified in the Letter of Observations (LO), Intimation of Observation (IO) and Show Cause Notice (SCN) along with the indicative penalties / penal actions / financial disincentives. It is in the interest of the Trading Members to submit complete, accurate and correct information in response to Exchange communications along with complete documentary evidence to substantiate their response within the timelines specified in the LO / IO / SCN. Upon receipt of Trading Members' response to LO / SCN, the Exchange shall consider the same as final and complete the enforcement actions by issuing an

National Stock Exchange of India Limited

Action Letter / Orders. Failure to submit a response to the LO / SCN within the prescribed timelines would be construed as "No additional information is available", and the Exchange shall proceed to complete the enforcement action based on the available documents. It is brought to the notice of the Trading Members that any failure to adhere to the timelines, unless extended by the Exchange as specified in Exchange Communications, may be treated as non-cooperation, and appropriate disciplinary proceedings may be initiated under Chapter IV of NSEIL Rules.

9. The amount collected in the form of penalty and financial disincentives is credited to Investor Protection Fund Trust (IPFT) of the Exchange.
10. The provisions of the current circular supersede the earlier penalty circulars except mentioned in point 7 above.

Trading Members are advised to take note of the above.

For and on behalf of

National Stock Exchange of India Limited

Kapil Marwah

Associate Vice President

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

| Regional Office | CONTACT NO. | E MAIL ID |
|-------------------|---------------------------------|------------------------------|
| Ahmedabad (ARO) | 079-65278024/55 | inspectionahm@nse.co.in |
| Chennai (CRO) | 044- 66309915/17 | inspection_cro@nse.co.in |
| Delhi (DRO) | 011-23459146/127/144/147 | delhi_inspection@nse.co.in |
| Kolkata (KRO) | 033-40400412/59 | inspection_kolkata@nse.co.in |
| Mumbai (WRO) | 022-61928200 | compliance_wro@nse.co.in |
| Central Help Desk | compliance_assistance@nse.co.in | |