NSE

Circular

National Stock Exchange Of India Limited

Department: INVESTOR SERVICES CELL	
Download Ref No: NSE/ISC/60035	Date: December 29, 2023
Circular Ref. No: 56/2023	

To All Members and Market Participants,

Sub: Penalty Structure with respect to Unauthorized Trades

This is reference to the Exchange Circular No. 04/2021; Download Ref. No. NSE/ISC/47659 dated March 17,2021 and Exchange Circular No. 22/2023; Download Ref. No. NSE/ISC/57761 dated July 31,2023, with regard to levy of penalty on unauthorized trades as observed by the Investor Grievance Redressal Committee (IGRC/Arbitration/Appellate). Vide this circular, the penalty structure is now being extended to unauthorized trades observed by the Conciliation/Arbitration under Online Dispute Redressal Mechanism (ODR). Members are requested to make a note of the revised penalty structure.

Details of contravention	**Penalty**
a) Unauthorized trading** observed by Arbitrators while finalizing Arbitration / Appellate awards under old mechanism, even if trading member settled the claim.	Determined by Investor Grievance Redressal Committee (IGRC) / Conciliator / Arbitration.
b) Unauthorized trading** as observed by Conciliator/ Arbitration under Online Dispute Resolution (ODR) mechanism introduced w.e.f. August 16, 2023, even if trading member settled the claim.	I. Monetary Penalty per case shall be Rs.50,000/- or 3% of the admissible amount determined in the IGRC, Conciliation, Arbitration order / award, Appellate order / award whichever is higher.
** (induced trades or trades executed by the trading member / AP using any unfair means (ex. obtaining user ID and password of the client to execute trades etc., without the consent of the client).	II. In addition to the above penalty

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Details of contravention	Penalty
	a) Member will be debarred from taking new clients for a period of one month, in case 25% of all the complaints (not less than 05) placed before IGRC / Conciliation / Arbitration in the immediately preceding calendar quarter are determined by it to be unauthorized trading cases. b) Where the number of unauthorized trading cases as per the numbers indicated at (II a) persist for three consecutive quarters, the Member concerned will be debarred from taking new clients and Authorized Persons (APs) if any, for a period of three months. c) The number of unauthorized trading cases as per numbers indicated at (II b) persists beyond three consecutive quarters, the matter be placed before the relevant Committee, for action. d) Member will be referred to inspection in case any of the above instance (i.e., II a, b, c) is triggered.

The revised penalty structure is applicable for the cases in respect of trades executed and determined as unauthorized trades by the GRC order / Conciliatory reports / Arbitration / Appellate Awards with immediate effect.

For any clarifications, members may contact the Investor Services Cell of the Exchange.

For and on behalf of
National Stock Exchange of India Limited

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