

**EXTRACT OF MINUTES OF THE 210<sup>th</sup> MEETING OF THE BOARD OF DIRECTORS OF NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE or the Company) HELD ON THURSDAY, DECEMBER 19, 2024, FROM 10.00 AM TO 3.15 PM AT THE GROUND FLOOR, CONFERENCE ROOM, 'A' WING, EXCHANGE PLAZA, BANDRA-KURLA COMPLEX, BANDRA (EAST), MUMBAI 400 051.**

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**Approval for the proposal to incorporate residual penalty clause for violations where specific penalties are not prescribed**

The Board was informed that the Company being a Stock Exchange derives its powers to inspect and penalize its trading members in accordance with the provisions of Chapter IV of the Rules and the provisions of Chapter III of the Bye laws.

The Board was apprised that the Exchange vide circular dated September 02, 2022, and other circulars issued prescribed penalties levied from time to time for listed violations which inter alia includes breach of provisions of various circulars issued by the Exchange.

It was also apprised that such circulars although provides a comprehensive list of violations with corresponding penalties, certain instances where no specific penalty was prescribed under the Exchange circular/SEBI circular or in the policy framed by Member Committee or any other applicable law.

The Board noted that the act of penalizing may be susceptible to challenge on the grounds of proportionality and the stakeholders are being penalized without them knowing the penalty in advance.

The Board was also informed that in terms of Scheule I of the Exchange Circular *“any penalty not specified in the aforementioned sections will be as per the specific circular issued by the Exchange in this regard”* with no *monetary limit being prescribed* to which a trading member may be penalized in case of a violation for which penalty is not prescribed.

The Board noted as per Section 15HB of the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), a lower and an upper limit for imposition of penalties for *contravention where no separate penalty has been provided*.

It was apprised that since, currently, there is no provision in Exchange Byelaws, Rules or Regulations or any circular that prescribes a range or limit on residuary penalties, it was proposed that a narration similar to Section 15HB of the SEBI Act may be incorporated in the Exchange's Regulations (CM & F&O) as a separate Chapter basis the criteria presented to the Board:

The Board took note of the provisions as presented to it and perused the agenda note. The Board after discussion unanimously approved the amendments to the Exchange's Regulations (CM & F&O) by way of adding a separate chapter as mentioned below:

*“Trading Members who fail to comply with the Rules, Bye Laws, and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings issued/ passed by the Exchange or the relevant authority thereunder for which no separate penalty has been provided, shall be liable to a penal action which may extend from giving ‘Warning’ to monetary penalty not exceeding Rs.1 Crore, where the extent of violation is not quantifiable. However, in case the extent of violation is quantifiable the penal action shall be basis the following broad criteria:*

- 1. The amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the contravention.*
- 2. The amount of loss caused to an investor or group of investors as a result of the contravention.*
- 3. The repetitive nature of the contravention.*
- 4. The cost incurred by the Exchange, if any, due to the violation committed by the Trading Member.*
- 5. Impact due to lack of Risk Management systems and processes at the Trading Member.*