

National Stock Exchange of India

Circular

Department: LISTING

Download Ref No: NSE/CML/2024/27

Date: September 25, 2024

To All Merchant Bankers,

Sub: Enforcement action on Merchant Bankers for Market Maker's non-participation in SME segment.

Regulation 261 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 provides for the role and obligations of Merchant bankers on market making in SME segment. The salient provisions covering the role of Merchant Banker / Lead Manager are as follows:

“The lead manager(s) shall ensure compulsory market making through the stockbrokers of the SME exchange(s) appointed by the issuer, in the manner specified by the Board for a minimum period of three years from the date of listing of the specified securities or from the date of migration from the Main Board in terms of regulation 276.”

In view of the above for non-compliance identified, the following graded actions will be initiated against Merchant Bankers.

Sr. No	Violation by market maker	Penalty/disciplinary action
1	First instance reported for the market maker and scrip combination,	The Merchant Bankers shall be notified of the non-compliance and advised through an advisory letter to consider appointing new market maker in the non-complied scrip
2	Second instance reported for the same market maker and scrip combination,	All ongoing applications (Excluding the open IPOs) involving the concerned Merchant Bankers shall be kept on hold for a period of 1 month and Merchant banker shall be directed to appoint new market maker in the non-complied scrip.
3	Third instance reported for the same market maker and scrip combination,	Merchant Bankers shall be debarred from taking on any new assignments for a period of 6 months, including keeping on hold all the ongoing applications (excluding the open IPOs). This shall be reported to SEBI.

Disciplinary actions over Market Maker for non-compliances observed in market making activities in SME Segment shall be taken as per Exchange Circular NSE/INSP/64144 dated September 25, 2024.

This circular shall be applicable with effect from October 01, 2024.

For and on behalf of
National Stock Exchange of India Limited

Yogesh Deshmukh
Senior Manager