



Circular

National Stock Exchange Of India Limited

Department: Inspection

Download Ref No: NSE/INSP/45533

Date : August 31, 2020

Circular Ref. No: 51/2020

To All Trading Members,

Sub: Imposition of fines for false reporting of margins by Trading Member in Cash Segment

This has reference to SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019 wherein SEBI had advised that in respect of the false reporting of margin collection from the clients by TMs, the Stock Exchanges shall take disciplinary action as per the framework specified in SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/88 dated August 01, 2019.

In line of the existing structure of derivative segments, as specified in the exchange circular NSE/INSP/42919 dated December 16, 2019, penalty structure for false reporting of margins in cash segment is introduced, in consultation with all the Stock Exchanges, and enclosed as **Annexure A**.

It is to be noted that the penal provision for false reporting of Margins in Cash segment shall come into force with effect from September 01, 2020.

The aforementioned 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 of the same.

**For and on behalf of
National Stock Exchange of India Limited**

**Pranav Tanna
Chief Manager-Inspection**

Penalty Structure for False Reporting of Margins

% of the violation in the current inspection (Proportion of the instances with false reporting to the Total sample instances verified)	PENALTY AS A PERCENTAGE (%) OF THE FALSE REPORTING			
	Observed only in current Inspection	Observed only in 1 out of 3 previous Inspections in addition to the current Inspection	Observed in 2 out of 3 previous inspections in addition to the current Inspection	Observed in all the previous 3 Inspections in addition to the current Inspection
Above 50%	50%	60%	75%	100%
25%-50%	25%	50%	60%	75%
10%-25%	10%	25%	50%	60%
Less than 10%	5%	10%	25%	50%

Based on the above slabs, the penalty amount for the false reporting of margin, shall be capped at Rs. 15,00,000/- in case of violation by a Trading member

Along with the monetary penalty, the Member may also be subjected to suspension for one day in the respective segment in case of material instances. The false reporting shall be treated as material for the purpose of suspension, if it meets the all the following broad criteria:-

1. Instances of false reporting is more than 5% of the instances verified (minimum 3 instances) during inspection, and
2. Percentage of value of false reporting is more than 5% of total margin required to be collected for the instances verified during inspection, and
3. Value of false reporting of margin is more than Rs. 15 lakhs.