

CIRCULAR

CIR/HO/MIRSD/DOP/CIR/P/2019/88

August 01, 2019

To
The Managing Directors / Chief Executive Officers of
All Recognized Stock Exchanges
All Recognized Clearing Corporations

Dear Sir / Madam,

Sub: Rationalization of imposition of fines for false/incorrect reporting of margins or non-reporting of margins by Trading Member/Clearing Member in all segments

1. Attention is drawn to the following circulars issued by SEBI with respect to 'Mechanism for regular monitoring of and penalty for short-collection/ non-collection of margins from clients':
 - a) Circular No. CIR/DNPD/7/2011 dated August 10, 2011; and
 - b) Circular No. SEBI/HO/CDMRD/DRMP/CIR/P/2016/80 dated September 07, 2016 directed to all National Commodity Derivatives Exchanges.
2. It has been brought to the notice of SEBI by the Stock Exchanges that there is need to harmonise the penalties specified in the aforesaid circulars.
3. In order to rationalize and bring uniformity in the manner of imposition of fine for 'false/incorrect' reporting of margin vis-à-vis 'non-reporting' of margin, following guidelines are issued:
 - a. The Stock Exchanges and Clearing Corporations, in all segments, in consultation with one another, shall devise a standard framework for imposition of fine on the Trading Member/ Clearing Member for incorrect/false reporting and non-reporting of margin collected from the clients.
 - b. Considering the principle of 'proportionality', the fine shall be charged to the member based on the materiality of non-compliance done by the member which may include factors such as number of instances, repeated violations, etc. The amount of fine to be charged upon the member may extend to 100% of such false/incorrectly/non reported amount of margin and/or suspension of trading for appropriate number of days.
4. In view of the aforesaid guidelines the following clauses of the circulars mentioned hereunder, shall stand rescinded to the extent of subject matter dealt under the aforesaid guidelines::
 - A. Clause 5 & 6 of SEBI Circular No. CIR/DNPD/7/2011 dated August 10, 2011; and
 - B. Clause 3 (vii) and 3 (xii) of SEBI Circular No. SEBI/HO/CDMRD/DRMP/CIR/P/2016/80 dated September 07, 2016.

5. This circular shall come into force September 1, 2019.
6. The Stock Exchanges and Clearing Corporations are directed to:
 - a. Bring the provisions of this circular to the notice of their members along with illustration as required and also disseminate the same on their websites.
 - b. Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above directions in co-ordination with one another to achieve uniformity in approach.
 - c. Communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.
7. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 and Section 10 of Securities Contract (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
8. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework".

Yours faithfully,

Rajesh Kumar D
General Manager