
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation

Circular No. : NCCL/COMPLIANCE-007/2021

Date : August 20, 2021

Subject : Uniform penalty structure for Clearing Members

NCCL in consultation with other Clearing Corporations and SEBI has formulated an indicative penalty structure for violations observed by Clearing Members.

It may be noted that the penalties/ disciplinary action(s)/charges are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations. The penalties/disciplinary action(s)/charges actually levied are decided by the Relevant Authority of the Clearing Corporation. Penalty/disciplinary action in respect of violations having high impact would be dealt with on case to case basis depending on seriousness and gravity of such violations. The penalties/disciplinary action being implemented are listed in Annexure 1 hereto.

The penalty norms as mentioned in Annexure 1 shall be applicable in respect of inspections commenced on or after the date of this Circular.

Members are advised to take note of the same and put in place systems and procedures so as to ensure compliance with the requirements.

For and on behalf of
National Commodity Clearing Limited

Sylvia Fernandez.
Assistant Vice President

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 6007
2. Customer Service Group by e-mail to : contactus@nccl.co.in

Annexure 1
Penalty Structure for Clearing Members

Sr. No.	Violations	Applicable Penalty/disciplinary action
1	Use of TM/ CP funds / securities for other than specified purposes/Use of TM/CP funds/ securities for own purpose/for other clients	Rs. 1,00,000/- or 1% of the amount involved whichever is higher
2	Submission of information for inspection a) Delay in submission of documents/data/records sought for inspection b) Non co-operation in providing data / records / documents to inspecting officials for inspection resulting in non-completion of inspection. c) Wrong / incorrect submission of data towards Inspection	a) Rs. 1,000/- per day starting from final due date for submission of data/records/documents sought for inspection subject to a cap of Rs 1 lakh. b) Monetary penalty of Rs. 1 lakh besides not allowing member to clear trades till the time of completion of inspection/Surrender/cessation of membership/ Declaration as default/ Expulsion. c) Penalty may vary from warning to Rs.1 lakh on case to case basis. (The serious case shall be discussed separately in applicable committee, which may enhance the penalty as deemed fit)
3	Cash dealings with TM/CP	10 % of the amount of cash dealing or Rs.1000/- whichever is higher For repetitive instances – penalty shall be escalated by 50 %
4	Non maintenance of segregated accounts for proprietary and clients / TM funds & Securities / Commodities	Rs. 1 Lakh and direction to open separate account within 1 month
5	Non-maintenance of a) Client/TM ledger b) Register of Securities (Client / TM wise scrip wise Register) (as applicable)	Rs. 1 Lakh + Direction to comply
6	Client / TM ledger not maintained properly (i.e. incomplete/ erroneous/ delay in entries)	Rs.25,000/-
7	Register of Securities not in the prescribed format (as applicable)	Rs.25,000/-

Sr. No.	Violations	Applicable Penalty/disciplinary action
8	Discrepancies / Incorrect details in Register of Securities, non-reconciliation of balances between client beneficiary accounts and register of securities (as applicable)	Rs.25,000/-
9	<p>Non segregation of transactions between Custodial Participant / TM and own bank accounts (money deposited in own account or expenses routed through CP / TM Bank Account or own money deposited in CP / TM account)</p> <p>Non segregation of CP / TM and own money</p>	<p>a) If cumulative value of non-segregated transactions is less than Rs 1 crore - 0.5% of the cumulative value</p> <p>b) If cumulative value of non-segregated transactions is more than Rs 1 crore but less than Rs 5 crore - 0.75 % of the cumulative value</p> <p>c) If cumulative value of non-segregated transactions is more than Rs 5 crore - monetary penalty and/or any other disciplinary action, as may be decided by the Relevant Authority</p>
10	Facilitating financing through NBFC in contravention of SEBI Circular	Rs. 5 Lakhs
11	Delay in release of payout of funds or securities (beyond one working day) or commodities	<p>a) up to 5% of no. of instances – Rs. 15,000/-</p> <p>b) In excess of 5% and upto 10% of no. of instances - Rs 45,000/-</p> <p>c) In excess of 10% and upto 20% of no. of instances - Rs 75,000/-</p> <p>d) In excess of 20% of no. of instances – Rs. 1,00,000/-</p>
12	Non-appointment of compliance officer	Rs. 50,000/-
13	<p>a) Books (Except Client ledger) not maintained including:</p> <p>i) General Ledgers ,</p> <p>ii) Journals,</p> <p>iii) Cash and Bank Book,</p> <p>iv) Margin Deposit details,</p> <p>v) Register of complaints</p> <p>vi) Register of transaction</p> <p>vii) Register of commodity (as applicable)</p>	Rs. 25,000/- per book

Sr. No.	Violations	Applicable Penalty/disciplinary action
	b) Books (Except Client ledger) not maintained properly (i.e. incomplete/ erroneous/ delay in entries) including: i) General Ledgers, ii) Journals, iii) Cash and Bank Book, iv) Margin Deposit details, v) Register of complaints vi) Register of transaction vii) Register of Commodity (as applicable)	Rs. 10,000/- per book
14	Incomplete / Non- display of details by member viz: Notice Board/name, its logo, registration no, address with telephone no, compliance officer name, telephone no, email id, SEBI Registration certificate/ other prescribed details	Rs. 10,000/-
15	Daily Margin statement not sent to affiliated Trading Member & Custodial Participants	a) In excess of 2% and upto 5% of no. of instances - Rs 15,000/- b) In excess of 5% and upto 10% of no. of instances - Rs 45,000/- c) In excess of 10% of no. of instances - Rs 75,000/- d) Otherwise – Advice
16	Clearing member has outsourced activities in violation of SEBI prescribed rules	To be decided on a case to case basis based on nature of non-compliances
17	Non-payment of statutory dues/duties/fees etc.	Advice
18	Non-compliance with PMLA requirements based on confirmation from Compliance Officer	
	a. Non maintenance of Written Policy and Procedures relating to PMLA	Rs 25,000
	b. Non Appointment of Principal Officer /Designated Director/ Non Intimation of Designated Director or	Rs. 25,000



Sr. No.	Violations	Applicable Penalty/disciplinary action
	change of Principal officer to FIU Delhi	
	c. Non-Implementation of systems in place to monitor, identify suspicious transaction and procedures for reporting the same	Rs. 25,000
	d. Non Adoption of customer due diligence	Rs. 25000 per client
	e. Financial information of clients not obtained / updated / documentary evidence related to financial information not obtained in case of clients trading in derivatives segment	Rs. 25000 per client
	f. Non Maintenance of records regarding ongoing training to staff relating to PMLA	Advice
	g. Disproportionate Exposure	Upto Rs.2,00,000/-
	h. Any other observation /violation which is required as per PMLA and not covered above	Advice
19	Non adoption / Maintenance of prescribed policies	1. Non adoption / Maintenance of policies - Rs. 25,000/- 2. Per line item not followed – Rs. 2500/- subject to maximum of 25000/-