

On Intranet  
DD (SD) Delayed 8/3  
AD(PA)  
**SPEED POST**

No. 6/6/2007/MKT-II

Dated the 5<sup>th</sup> March, 2010

To,

1. The Managing Director & CEO, Multi Commodity Exchange of India Ltd., 'Exchange Square' CTS No. 225, Suren Road, Andheri (East), MUMBAI – 400 093.
2. The Managing Director & CEO, National Commodity & Derivatives Exchange Ltd, Akruvi Corporate Park, Lal Bahadur Shastri Marg, Kanjur Marg (W), MUMBAI – 400 079
3. The Chief Executive Officer, National Multi Commodity Exchange of India Ltd., 5, 4<sup>th</sup> Floor, H. K. House, B/h, Jivabhai Chambers, Ashram Road, AHMEDABAD – 380 009.
4. The Chief Executive Officer, Indian Commodity Exchange Ltd. (ICEX), Corporate Office: S. P. Centre, C-Wing, 41/44, Minoo Desai Marg, Near Radio Club, Colaba, MUMBAI – 400.005.

**Sub: Uniform Penalty for National Exchanges**

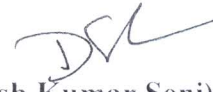
Sir,

The existing penalty structure followed by the Nationwide Multi Commodity Exchanges for various violations by their members has been examined by the Commission. It was observed that the penalty amount levied on members varies from Exchange to Exchange though the nature of violation by members is similar.

2. The issue of uniform penalty structure was also discussed with representatives of the Exchanges on various occasions and the structure has been devised after arriving at a consensus on the same.

3. In view of the above, the Commission has decided to put in place uniform penalty structure which would help in proper regulation of the markets in an equitable manner to discourage malpractices. The uniform penalties for various violations by members approved by the Commission is **Annexed** to this letter. These approved penalties would come in to force w.e.f. **1<sup>st</sup> April 2010**. You are, therefore, requested to make necessary amendments to the relevant provisions of the Bye-laws, Rules, Regulations of the Exchange for incorporating these approved penalties before the above indicated implementation date. You are also requested to forward the compliance report by the Exchange, so as to reach this office latest by **15<sup>th</sup> March 2010**.

Yours faithfully,

  
(Dinesh Kumar Soni)  
Deputy Director

**Copy for information to:**

1. PS to Chairman
2. PS to Member (A)
3. PS to Member (K)
4. PS to Economic Adviser
5. Director (AM)
6. Director (KJ)
7. Director (D)

**Encl: Annexure (as above)**

D.N.Bagali 10/Corr 10

902  
05/03/2010  
जारी किया गया / **ISSUED**  
वसुलान्तको सहित / **ISSUED WITH**  
भाकी किया गया / **ENCLOSURES**

05-03-2010  
D.N.Bagali

**UNIFORM PENALTY STRUCTURE FOR ALL THE NATION WIDE  
MULTI COMMODITY EXCHANGES IN INDIA**

Sr.No.	Particulars of Violations	Uniform Penalties
1	Maintenance of Books of Accounts/Records/ Registers partially/not maintained	Non-maintenance of (a) Soudha Book (b) Client Ledger (c) General Ledger (d) Journals (e) Cash Book (f) Bank Pass Book : Minimum of Rs. 25,000/- and Maximum of Rs. 50,000/- per register or / and deactivation of trading terminals till compliance is done.  <u>Not maintained the above mentioned books/ ledgers properly:</u> Minimum of Rs. 10,000/- and Maximum of Rs. 25,000/- per register.
	<b>MCA &amp; KYC Norms</b>	
2	KYC Forms formalities - not maintained or /and not maintained properly	Rs. 10,000/- per client.
3	(a) Non-obtainment/ Member-client agreement (b) Discrepancies/ deviation from the prescribed member- client agreement, if such discrepancies/ deviations are detrimental to clients	Rs. 10,000/- per client.
4	Risk Disclosure Document not obtained from clients/incomplete	Rs. 5,000/- per client.
	<b>Clients Related</b>	
5	Non-segregation of clients money	Rs. 25,000/- or 1% on the non segregated client money, which ever is higher.
6	Use of clients funds for own purpose / for other clients.	Rs. 50,000/- or 1 % per month of the money utilized, whichever is higher.
7	Delay in Payment of Funds to Clients Account / Delay in transfer of Commodities to Clients	Rs. 5,000/- - Rs. 25,000/- per instance.
8	Delay in Payment of Funds to Clients / Delay in transfer of Commodities to Clients beyond 15 days from the date of receipt of request from Clients	Rs. 50,000/- or 1% of the value of the amounts / commodities, per instance
9	More than one ID to a client	Rs. 10,000/- per ID
10	Non-maintenance of client code/non mapping of trading code.	Rs. 10,000/- per client
11 (a)	Contract Note non-issued	Rs. 10,000/- per client
11 (b)	Belated issue/no proof of receipt of contract note.	Rs. 5,000/- per client




Sr.No.	Particulars of Violations	Uniform Penalties
12	Non-maintenance of duplicate copies of contract note sent.	Rs. 5000/- per client
13	Non-maintenance Grievance/Complaints Register	Rs. 10,000/- per Register per office
14 (a)	Margin collection: non-collection/partial collection	0.1% of the margin not collected.
14 (b)	Adopting procedure (like use of pro-code for client trade) to evade margin	0.5% per day of the margin money evaded or Rs. 5,000/- per day, whichever is higher.
15	Net worth certificate- non-production/improper	Rs. 200/- per day.
16	Non-display of Information Board including details of Registration details as prescribed by the Exchange.	Rs. 10,000/- per office.
17	Unauthorized or Illegal Trading activities / Fictitious Transactions	Minimum of Rs.1 lakh per case and Max.Rs.5 lakh . Offences like contract notes / wash trades will be investigated by the exchange and other penalty provisions termination / suspension of members will be imposed.
18	Violation of the Advertisement Code of the Exchange	Rs. 5,000/- per instance
19	Trading (TWS/CTCL) terminals provided to intermediaries or unauthorized extension of trading net work / non submission of required details of CTCL terminals to the Exchange	First Instance – Rs.25,000/- per terminal. Repeated Instances - Rs.50,000/- per terminal and / or deactivation of trading terminals till the compliance is made.
20	Non-payment of statutory dues / duties / fees etc.	Some mechanism for taking disciplinary action to be put in place to improve compliance. The provisions, however, in no way should interfere with the penal provisions in the respective Acts.

**Note:**

- (i) In addition to the financial penalties prescribed in the table above, if serious violations noticed, the Exchange shall deactivate trading terminals of Members and initiate disciplinary proceedings, which may culminate in suspension of Membership.
- (ii) Non-compliance of the statutory requirements by the Members will lead to disciplinary proceedings.

*DR*

