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CHAPTER IV

INSPECTION AND DISCIPLINARY ACTIONS

35. Records, Books of accounts and Inspection

MCX will conduct inspection of books of accounts of the members periodically. The scope of such inspection will, in normal circumstances, be limited to the operations of the member at MCX and his off-market deals, but in special circumstances the Exchange may decide for extending the scope of such inspection. MCX, directly or through empanelled Chartered Accountant Firms, will conduct such inspection. All members of the Exchange shall be required to maintain books of accounts, documents, counterfoil of contract notes and other details for such period, as may be directed by the Exchange. They shall produce such records before the Inspection team as per directions issued by the Inspection team and extend their full co-operation in terms of providing information so as to carry out inspection smoothly. In addition to the normal inspection of the Books of Accounts, audit of statutory compliance and adherence to the Articles, Bye-laws, Rules, Regulations, Circulars and Notifications issued by MCX from time to time, The Exchange may take suitable action based on the inspection report, if it deems proper.

Generally the inspection may cover the following aspects:

a) Failure to follow the norms as prescribed by MCX for client accounts, know-your-client scheme etc.[1]

b) Unauthorised use / misuse of the TWS, software and other facilities provided by MCX.

c) Improper maintenance of books and records.

d) Violations in the issue of contract notes (not having pre-printed serial nos., signatory not authorised, contract note not in proper format, (e.g. contract price & brokerage not appearing on the contract notes separately, proper rates not given or any information on the contract note tampered with in comparison to the data available with MCX, Unauthorised change of Client codes against the Trade nos., printing of Order number on the Contract Note, etc.)

e) Failure to abide by / respond to the circulars, communications, notices issued by MCX.

f) Unfair trade practices.

g) Detection of circular trading, etc.

[1] Amended vide Exchange Circular no.: MCX/COMP/469/2011 dated 22/12/2011.

h) Detection of Insider Trading.

i) Attempt to forge / indulged in forging of signatures/authorisations of officials (MCX or any other regulatory body),

j) Suppression of material facts and not taking prior approval of the Exchange regarding change in shareholding pattern, nature of Organisation, activities, change in Memorandum and Articles of Association, change of address, change of telephone / fax numbers, or such things which are likely to affect his operations on MCX, including information about himself being convicted, declared insolvent, etc.

k) Coercing / attempting / indulging in influencing another member.

l) Dealing with black listed clients / persons.

36. Fines and Penalties

The following fines, penalties and other disciplinary actions will be initiated for the violations enumerated below:

Sr. No.	Violation	Fines and Penalties
[1]**1.**	Default in completing pay-in obligation on T+1, in full or in part, i. Up-to 3 instances in last 30 days 4th instance onwards in the last 30 days	@0.50% of pay-in shortfall (subject to minimum Rs.100/- and maximum Rs.10000/-) @0.75% of pay-in shortfall (subject to minimum Rs.2500/- and maximum R. 15,000/-)
2.	If the margin deposit is reduced below the initial security deposit, to be maintained with the Exchange, including due to the adjustments as mentioned in 1 above.	a) Rs. 5000/- and temporary deactivation / suspension till further compliance If the default continues, in addition to the above charges, interest @ 18% per annum shall be levied daily during the default period, on the amount required to build the initial security deposit.
3.	Default in the payment of deficit margin, (margins over-utilized on trading day), before close of the	@ 0.50% on the deficit margin amount (subject to a minimum of Rs. 100/- and maximum Rs.

[1] Amended Exchange Circular Ref. No. MCX/C&S/140/2013 dated 11/04/2013 w.e.f. 22/04/2013.
Earlier modified as per Circular No. MCX/C&S/200/2007 dated 29/5/2007, MCX/029/2006 dated 21/1/2006.

	banking hours on T+1 working day.	10,000/-)
4.	Violation of Maximum allowable open position limit or not reducing his position in spite of warning by the Exchange	1% of amount by which his exposure amount in that commodity exceeds the pre-determined maximum allowable open position limit, subject to a minimum of Rs.5000.
5.	Failure to pay subscription and other dues to the Exchange	If a member fails to pay the dues, other charges and fees to MCX within the stipulated time, the Executive Committee or the Managing Director may suspend him from doing business for such period as it may deem fit.
6.	Wrong declarations by the member	As may be decided by the Disciplinary Action Committee.
7.	Non-submission of information / documents	As may be decided by the Disciplinary Action Committee.
8.	Violation of any clause of the Memorandum and Articles of Association, Rules, Bye-laws, Regulations, Circulars, Notifications or Orders issued under the authority of MCX	As may be decided by the Disciplinary Action Committee.
9.	Violation of any clause of FCRA or directions issued by FMC	As per the norms prescribed by FMC.
10.	Price manipulation, cornering, price rigging or other market abuses	The case will be reported by the Surveillance department and the Executive Committee will have the authority to decide fines, penalties, withdrawal of trading and clearing rights, etc. as it may think fit.
11.	Appointment of a User without prior permission of MCX	Fine as may be decided by the Executive Committee, subject to a minimum of Rs. 5000.

12.	Other violations relating to deliveries, settlements or other matters pertaining to the Exchange	As may be decided by the Board of MCX

1. [1]**[**Monetary penalty on the concerned member for violations in the open interest (either on own account or on account of clients) are linked to the quantum / value of violation committed and to be charged from the concerned member for each such violation as under:

   i. Where the violation is more than 2% of the prescribed limit (s) – Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10000/- whichever is higher.

   ii. Where the violation is upto 2% of the prescribed limit (s) – Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10000/- whichever is lower.

   iii. The member has to ensure reduction in position and to bring it within the prescribed limit (s) by the next trading day after the day of violation. In case such violation continues, the Exchange would square-off the excess position without any further notice to the member by putting the orders on behalf of the member in that client code and will not be responsible for the consequences of such action.

2. In case, the instance at 1 (a) above is observed for more than 3 times in a month across the market, the Exchange would suspend the concerned member for a period of one week.

3. The monetary penalty as stated (1) above, will be credited to the Investor Protection Fund of the Exchange.**]**

4. [2][No Pay-out of corresponding financial gains, made through violations of restriction on creating fresh position during last 5 days in Seller / Both option contracts by defaulting client / proprietary position taken by any member will be made (liable to subsequent recovery if credited) and also liable for a penalty of Rs. 2500/- per day.]

5. [3][The financial gains made by taking fresh position during last 5 trading days in violation of the direction of the Commission in respect of sellers option contract

[1] Inserted as per Circular No.MCX/300/2006 dated 1/8/2006 w.e.f. 1/8/2006 issued pursuant to the directions issued by the FMC in its letter dated 24/7/2006.
[2] Inserted as per Circular No.MCX/517/2006 dated 29/11/2006.
[3] Inserted as per Circular No.MCX/546/2006 dated 8/12/2006 issued pursuant to the directions issued by the FMC in its letter dated 27/11/2006.

or both option contract is not payable to the violator but will instead be deposited in the Investor Protection Fund of the Exchange.]

6. In respect of international referenceable commodities, viz. Zic, Copper, Aluminium, Lead, Tin, Nickel, Crude Oil, and Natural Gas, the Commission has permitted taking fresh positions during last five days of expiry of the said contracts within permissible open position limits.]

7. [1][Non-compliance Charges for delay in timely execution of delivery related documents/procedure.

Sr. No.	Violations	Non-Compliance Charges	Other Charges
1	Failure of the Buyer Member to submit details of registered buyer in the favour of whom the Invoice needs to be issued within 4 working days after settlement (payout) of the contract.	The Exchange will levy charges of Rs.1000 per instance. Additional Rs.100 per day will be charged till the receipt of details by the Exchange.	Over and above the monetary charges If the buyer member fails to submit the details, it will be deemed that delivery is for the buyer member. Accordingly, the Invoice will be issued in favour of the buyer member. Subsequent modification of the invoice will not be entertained.

[1] Inserted as per Circular No.MCX/C&S/219/2008 dated 27/6/2008. Earlier amended vide Circular No.MCX/C&S/261/ 2007 dated 24/7/2007.

2	Failure of the Seller Member to arrange for Invoice in favour of the Buyer member/client and to send the same to the Buyer member/client under intimation to the Exchange within 3 working days from the date of receipt of the buyer details. Invoice can be raised by any of the following: 1) Registered Seller member 1) Registered Seller client 2) In case of unregistered Seller, through C&F Agent.	Rs. 1000 per day for each day of default after 3 working days from receipt date of buyer details to the date of receipt of invoice by the Buyer / Exchange.	Over and above the monetary charges 1. The sales tax / VAT amount, based on the contract, may be refunded to the Buyer and the Seller member/client may not be given the credit of the same. In case such amount is already credited, the same may be debited to the seller member. 1. Any statutory action/s, fines or penalties that may be levied by the Tax authority.
Sr. No.	**Violations**	**Non-Compliance Charges**	**Other Charges**
3	Request from the Buyer member for modification or change in the Invoice already issued		Any request related to modification/ change in the details of the Invoice may be treated as request case and the Exchange will not be obliged to entertain such requests and will act as facilitator only. Any request for modification/cha

			nge of the invoice raised on the Buyer member for non-compliance in providing the Buyer details as mentioned in point 1 above, will not be accepted by the Exchange.

Additionally, the Exchange may also consider such other disciplinary action against the defaulting members, as it may deem fit. These actions are initiated as a disciplinary action against errant members, in order that the delivery process is streamlined. This cannot however, be taken as a reason by the affected counter parties to claim compensation for a delay.

Payment of charges, for the delay, levied by the Exchange will in no case act as a substitute for non-fulfillment of statutory compliances by the members.

The penalties, fines and/or interest or any other charges, levied by any authority shall be payable by the defaulting members in addition to the charges mentioned above.

The decision of the Exchange shall be final and binding to all members.]

[1][Further, the Exchange reserves the right to square-off the outstanding position of such defaulting member(s) and/or suspension of the said member(s). The Exchange may also consider other disciplinary action against the defaulting member(s) as it may deem fit and proper in terms of the provisions of its Bye-laws, Rules and Business Rules.]

[2]{**8. Penalty structure for delivery default:**

[1] Inserted as per Exchange Circular No. MCX/029/2006 dated 21/1/2006 w.e.f. 23/1/06.

[2] Inserted as per Exchange Circular No. MCX/C&S/068/2009 dated 11 February, 2009 the clause read as under:

*" **8. Penalty structure for delivery default:***

i. The total amount of the penalty on the seller, in case of delivery default will be equal to 3.0 % + the difference between the Final Settlement Price (FSP) and the average of the three highest of the last spot prices of the 5 (five) succeeding days after the expiry of the contract (E + 1 to E + 5 days), if the average price so determined is higher than FSP; else this component will be zero.

ii. The revised 3.0% penalty collected as mentioned above shall be utilized as follows:

a. 1.75% component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;

b. 1.0% component of the penalty shall go to the buyer who was entitled to receive delivery; and

c. Balance 0.25% component of the penalty shall be retained by the Exchange towards administrative expenses.

Explanation:

1. Incase of the delivery default by buyer, the Exchange will have the freedom to introduce the auction mechanism to deal with the buyer's default

2. The above revised penalty structure will be applicable to all the contracts of Agri Commodities having compulsory delivery option (excluding Cardamom), launched on or after issuance of the circular."

[1][***I. Seller Default:***

a. *If a seller member, having open position on expiry of the contract, fails to deliver the goods, as specified in the contract specifications, along with valid quality certificate/s, on or before the scheduled delivery pay-in time, it shall be deemed as seller's failure to fulfill the delivery obligation.*

b. *Penalty at rate of 3% of DDR and difference between the DDR and average of the three highest last spot prices of the five succeeding days after expiry of the contract (E1 to E5 days), if the average price so determined is higher than DDR shall be imposed on the defaulting seller.*

c. *Out of the penalty of 3% the buyer (counter party to such defaulting seller) will get 1% and the full difference amount, if any, determined as "difference between DDR and average of three highest last spot prices…" (referred in B above). While 1.75% will go to SGF and the balance 0.25% to the Exchange*

A seller who has got requisite stocks in the Exchange designated warehouses is not allowed to default and any such delivery default by seller would be viewed seriously and the Exchange shall take suitable penal/disciplinary action against such members over and above the prescribed penalty as enumerated above.

II. Buyer Default:

A. *The buyer shall have to compulsorily take delivery of the goods allocated on expiry of the contract and, the amount due from the buyer for delivery obligation shall be sent for debit as funds pay-in on scheduled pay-in day.*

B. *Failure to discharge the pay-in amount on scheduled pay-in day will be treated as pay-in default of the buyer, which shall lead to deactivation of the trading terminal/s of the buyer member.*

C. *The Exchange, as deems appropriate, shall have the right to sell/dispose the goods through online auction (or*

[1] Substituted vide Exchange Circular No. MCX/T&S/132/2015 dated 28 April, 2015. Prior to its substitution the Clause read as under:

i. The total amount of the penalty on the seller, in case of delivery default will be equal to 3.0 % + the difference between the Final Settlement Price (FSP) and the average of the three highest of the last spot prices of the 5 (five) succeeding days after the expiry of the contract (E + 1 to E + 5 days), if the average price so determined is higher than FSP; else this component will be zero.

ii. The revised 3.0% penalty collected as mentioned above shall be utilized as follows:

a. 1.75% component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;

b. 1.0% component of the penalty shall go to the buyer who was entitled to receive delivery; and

c. Balance 0.25% component of the penalty shall be retained by the Exchange towards administrative expenses.

through any other appropriate mechanism as and when required) on account of such defaulting buyer in one or more tranches, and the buyer shall be liable for all outstanding dues and/or financial losses arising out of auction/disposal, including any costs, charges, close out charges, penalties etc. as provided in relevant Rules, Bye-laws, and Business Rules of the Exchange from time to time and also other disciplinary measures]

Explanation:

[1](1. ***)

2. The above revised penalty structure will be applicable to all the contracts of [2][Agri commodities] having compulsory delivery option (excluding Cardamom), launched on or after issuance of the circular i.e. 11.2.2009.}

[3][3. The above revised penalty structure also made applicable to Cardamom w.e.f September, 2010 contract expiry vide FMC letter No. 6/3/2007-MKT-II dated August 10, 2010 and notified vide Circular No. MCX/C&S/286/2010 dated August 11, 2010.]

[4][**8A.** ***Penalty Structure on Delivery Default in Rape/ Mustard Seed, ChanaDel and Pepper Contracts:***

The penalty structure on delivery default by sellers in case of Rape/ Mustard Seed, ChanaDel and Pepper Contracts and appropriation of the said penalty amounts is mentioned as under:

1. *Total amount of penalty to be imposed = 1.5% + the difference between the Due Date Rate (Final Settlement Price) and the average of the three highest of the last spot prices of 5 (five) succeeding days after the expiry of the contract (E+1 to E+5 days), if the average price so determined is higher than DDR; else this component will be zero.*

2. *The revised 1.5% penalty collected as mentioned in point no. 1 shall be used as follows:-*

[1] Omitted vide Exchange Circular No. MCX/T&S/132/2015 dated 28 April, 2015. Prior to its omission Explanation 1. read as under:
"1. Incase of the delivery default by buyer, the Exchange will have the freedom to introduce the auction mechanism to deal with the buyer's default"

[2] Vide Exchange Circular No. MCX/C&S/178/2012 dated 2 May, 2012, Penalty Structure on Delivery Default separately specified for Agri Commodities namely Rape/Mustard Seed, ChanaDel and Pepper Contracts.

[3] Please see relevant clause on revised Penalty Structure on Delivery Default in Cardamom w.e.f 30 July, 2012 vide Exchange Circular No. MCX/C&S/275/2012 dated 30 July, 2012.

[4] Inserted vide Exchange Circular No. MCX/C&S/178/2012 dated 2 May, 2012.

a) 0.75% component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;
b) 0.50% component of the penalty shall go to the Buyer who was entitled to receive delivery; and
c) Balance 0.25% component of penalty shall be retained by the Exchange towards administration expenses.

3. *Members may please note that Buyers defaults are not permitted. Exchange shall have right to sell the goods on account of such Buyer to recover the dues. However, in case of buyer's default, the Exchange has the freedom to conduct the auction mechanism to deal with the Buyer's default. The amount due from the Buyers shall be recovered from the buyer as Pay in shortage together with prescribed charges if the sale proceeds are insufficient.*

4. *A seller having requisite stocks in the Exchange accredited warehouses is not allowed to default and any such delivery default by seller would be viewed seriously and the Exchange shall take suitable penal/ disciplinary action against such members over and above the prescribed penalty as enumerated above.*

The revised penalty structure as stated above shall be applicable to all contracts of ChanaDel, expiring in the month of May 2012 and thereafter]

[1][**8B.** ***Penalty Structure on Delivery Default in Cardamom Contracts:***

The penalty structure on delivery default by sellers in case of Cardamom Contracts is mentioned as under:

1. *The total amount of penalty on the seller, in case of delivery default will be equal to 6.0% plus the difference between the Due Date Rate (Final Settlement Price) and the average of the three highest of the last spot prices of 5 (five) succeeding days after the expiry of the contract (E+1 to E+5 days), if the average price so determined is higher than DDR (FSP); else this component will be zero.*

2. *The revised 6.0% penalty collected as mentioned in point no. 1 above shall be used as follows:-*

   a) *4.75% component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;*

   b) *1% component of the penalty shall go to the Buyer who was entitled to receive delivery; and*

   c) *Balance 0.25 % component of penalty shall be retained by the Exchange towards administration expenses.*

[1] Inserted new clause for Penalty Structure on Delivery Default in Cardamom Contracts w.e.f. 30 July, 2012 vide Exchange Circular No. MCX/C&S/275/2012 dated 30 July, 2012

3. *The above revised penalty structure shall be applicable to all running contracts of Cardamom and contracts yet to be launched*]

[1][**8C 1. *Penalty Structure for Silver 1000, Gold Guinea, Gold Petal & Gold Petal (New Delhi) Contracts:***

The penalty structure on delivery default by sellers and buyers in case of Silver 1000, Gold Guinea, Gold Petal & Gold Petal (New Delhi) Contracts is mentioned as under:

I - Seller Default:

A penalty of 3% of DDR shall be imposed on such defaulting Seller. Out of which 1.75% will be deposited to SGF, 1% of penalty will be credited to the Buyer & balance 0.25% will be retained by the Exchange as administrative expenses.

Additionally, the difference between DDR and Spot price on the date of default by the Seller shall be charged to the Seller and credited to the Buyer, if Spot price is higher than DDR.

II - Buyer Default:

The buyer will have to compulsorily take the delivery of goods. Default on taking delivery by the buyer is not permitted and therefore, the amount due from the buyer for delivery obligation shall be recovered from the buyer as pay-in of funds on stipulated pay-in day. Failure to discharge the pay-in amount will be treated as pay-in default which may lead to deactivation of the trading terminal/s of the member and will also be liable for such other actions as Exchange deems appropriate.

Exchange, as deemed appropriate, shall have the right to sell/dispose the goods through auction (or through other appropriate mechanism as and when required) on account of such defaulting buyer to recover the dues.

Penalties & charges to be debited to defaulting Buyer:

S. No	***Where Auction is fully conducted***	***Where Auction is partly conducted***	***Where no Auction is conducted***
1	*A penalty of 3.00% of DDR, out of which 1.75% will be credited to SGF, 1.00% will be credited to Seller and 0.25% will be retained by the Exchange as*	*A penalty of 3.00% of DDR, out of which 1.75% will be credited to SGF, 1.00% will be credited to Seller and 0.25% will be retained by the Exchange as*	*A penalty of 3.00% of DDR, out of which 1.75% will be credited to SGF, 1.00% will be credited to Seller and 0.25% will be retained by the Exchange as*

[1] Inserted vide Exchange Circulars No. MCX/T&S/308/2014 dated 29 September, 2014, MCX/T&S/313/2014 dated 29 September, 2014, MCX/T&S/314/2014 dated 29 September, 2014 & MCX/T&S/315/2014 dated 29 September, 2014 respectively.

	administrative expenses. ***AND***	*administrative expenses.* ***AND***	*administrative expenses.* ***AND***
2	*Difference between DDR & Auction price if Auction price is lower than DDR (including proportionate quality and quantity differences)* ***AND***	*Difference between DDR & Auction price if Auction price is lower than DDR to the tune of auctioned quantity (including proportionate quality and quantity differences)* ***AND***	*NA* ***AND***
3	*NA*	*For unauctioned quantity, Difference between DDR and Spot price on the date of default by the Buyer shall be credited to the Seller, if spot price is lower than DDR.*	*For unauctioned quantity, Difference between DDR and Spot price on the date of default by the Buyer shall be credited to the Seller, if spot price is lower than DDR.*

[1]{**2.** ***Penalty Structure for Odd Lot for Gold Petal and Gold Petal (New Delhi)***

The penalty structure for Odd Lot in case of Gold Petal and Gold Petal (New Delhi) is mentioned as under:

a. *If buyer is in odd lot, it will be treated as buyer default, and norms as per 'buyer default' detailed at Penal provision above under this clause shall be applicable, however, no auction shall be conducted in such case.*

b. *If seller is in odd lot, it will be treated as seller default, and norms as per "seller default' detailed at Penal provision above under this clause shall be applicable.*

c. *If both the buyer and seller have odd lot position, then the outstanding position shall be closed out at Due Date Rate (DDR) and a penalty of 3% of DDR shall be imposed on both such buyer and seller. Out of the penalty of 3% of DDR, 2.75% shall be deposited in SGF and balance 0.25% shall be retained by the Exchange towards administrative expenses.*}]

[1] Inserted vide Exchange Circulars No. MCX/T&S/314/2014 dated 29 September, 2014 & MCX/T&S/315/2014 dated 29 September, 2014.

[1][**8D** ***Penalty Structure for Silver, Gold and Gold Mini Contracts:***

The penalty structure on delivery default by sellers and buyers in case of Silver, Gold and Gold Mini Contracts is mentioned as under:

I - Seller Default:

A penalty of 3% of DOR shall be imposed on such defaulting Seller. Out of which 1.75% will be deposited to SGF, 1% of penalty will be credited to the Buyer & balance 0.25% will be retained by the Exchange as administrative expenses.

Additionally, the difference between DOR and Spot price on the date of default by the Seller shall be charged to the Seller and credited to the Buyer, if Spot price is higher than DOR.

II - Buyer Default:

The buyer will have to compulsorily take the delivery of goods. Default on taking delivery by the buyer is not permitted and therefore, the amount due from the buyer for delivery obligation shall be recovered from the buyer as pay-in of funds on stipulated pay-in day. Failure to discharge the pay-in amount will be treated as pay-in default which may lead to deactivation of the trading terminal/s of the member and will also be liable for such other actions as Exchange deems appropriate.

Exchange, as deemed appropriate, shall have the right to sell/dispose the goods through auction (or through other appropriate mechanism as and when required) on account of such defaulting buyer to recover the dues.

Penalties & charges to be debited to defaulting Buyer:

S. No	***Where Auction is fully conducted***	***Where Auction is partly conducted***	***Where no Auction is conducted***
1	*A penalty of 3.00% of DOR, out of which 1.75% will be credited to SGF, 1.00% will be credited to Seller and 0.25% will be retained by the Exchange as administrative expenses.*	*A penalty of 3.00% of DOR, out of which 1.75% will be credited to SGF, 1.00% will be credited to Seller and 0.25% will be retained by the Exchange as administrative expenses.*	*A penalty of 3.00% of DOR, out of which 1.75% will be credited to SGF, 1.00% will be credited to Seller and 0.25% will be retained by the Exchange as administrative expenses.*

[1] Inserted vide Exchange Circulars No. MCX/T&S/309/2014 dated 29 September, 2014, MCX/T&S/312/2014 dated 29 September, 2014 & MCX/T&S/321/2014 dated 01 October, 2014 respectively.

	AND	***AND***	***AND***
2	*Difference between DOR & Auction price if Auction price is lower than DOR (including proportionate quality and quantity differences)* ***AND***	*Difference between DOR & Auction price if Auction price is lower than DOR to the tune of auctioned quantity (including proportionate quality and quantity differences)* ***AND***	*NA* ***AND***
3	*NA*	*For unauctioned quantity, Difference between DOR and Spot price on the date of default by the Buyer shall be credited to the Seller, if spot price is lower than DOR.*	*For unauctioned quantity, Difference between DOR and Spot price on the date of default by the Buyer shall be credited to the Seller, if spot price is lower than DOR.*

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[1]**[8E]** [2]**[*Penalty Structure for Odd Lot for Cotton (29mm)*:** *All Members shall square up their outstanding odd lots open positions before contract expiry. Delivery will be*

[1] Earlier sub clause 21 (ga) under Chapter II- Market Operations is renumbered as (8E).

[2] Substituted vide Exchange Circular No. MCX/T&S/132/2015 dated 28 April, 2015.

- Prior to its substitution, the clause read as under (Ref. vide Exchange Circular No. MCX/C&S/288/2014 dated 8 September, 2014).

"***Odd Lot Treatment for Cotton Bales:*** *The Contracts traded at MCX are deliverable in such lots as may be specified in contract specification of respective commodities. Members with a short open position willing to tender deliveries shall be permitted to issue Delivery only in deliverable lots. Any member with an open position not in deliverable lots shall be required to square-up such outstanding 'odd lot' before expiry of the contract so as to make the total deliverable quantity in a deliverable lot. In case any member fails to square-up outstanding odd lot till the contract expires on the final day resulting into odd lot position at the end of the contract expiry day, the delivery upto the nearest deliverable lot will happen in the usual manner, while the residual odd lot will be settled in the following manner.*

a. *If the buyer has an odd lot position, while the total sale position of the seller member is in deliverable lot, the buyer shall be obliged to take delivery from the place notified by the Exchange or at the designated delivery center and the buyer shall bear all transport expenses relating to such odd lot delivery. In case of splitting of warehouse receipts, the commodity pay out will be declared on or after E+3 basis instead of E+2 basis.*
b. *If the seller has an odd lot position, the penal provisions as applicable to the seller default as specified in the delivery and settlement provisions of the contract shall apply.*
c. *If both the buyer and seller have odd lot position, then the outstanding position shall be closed out at Due Date Rate (DDR) and a penalty of 3% of DDR shall be imposed on both such buyer and seller. Out of the penalty of 3% of DDR, 2.75% shall be deposited in IPF and balance 0.25% shall be retained by the Exchange towards administrative expenses"*

- Prior to Exchange Circular No. MCX/C&S/288/2014 dated 8 September, 2014, the clause read as under (Ref. vide Exchange Circular No. MCX/C&S/470/2011 dated 23 December, 2011).

" ***(gg) Odd Lot Treatment for Cotton Bales:*** *The Contracts traded at MCX are deliverable in such lots as may be specified in contract specification of respective commodities. Members with a short open position willing to tender deliveries shall be permitted to issue Delivery only in deliverable lots. Any member with an open position not in deliverable lots shall be required to square-up such outstanding 'odd lot' before expiry of the contract so as to make the total deliverable quantity in a deliverable lot. In case any member fails to square-up outstanding odd lot till the contract expires on the final day resulting into odd lot position at the end of the contract expiry day, the delivery upto the nearest deliverable lot will happen in the usual manner, while the residual odd lot will be settled in the following manner*

a. *If the buyer has an odd lot position, while the total sale position of the seller member is in deliverable lot, the buyer shall be obliged to take delivery from the place notified by the Exchange or at the designated delivery center and the buyer shall bear all transport expenses relating to such odd lot delivery. In case of splitting of warehouse receipts, the commodity pay out will be declared on or after E+3 basis instead of E+2 basis.*
b. *If the seller has an odd lot position, the penal provisions as applicable to the seller default as specified in the delivery and settlement provisions of the contract shall apply.*

marked and issued in multiples of delivery lot only. In case any member fails to square-up outstanding odd lot till the contract expires on the final day resulting into odd lot position at the end of the contract expiry day, the delivery upto the nearest deliverable lot will be considered, while the residual odd lot will be settled in the following manner:

a. If the buyer has an odd lot position, the buyer would be penalized as follows:-

1. *Total amount of penalty to be imposed = 3% on Due Date Rate (DDR) for odd lot + the difference between the DDR and the average of three lowest last spot prices of the five succeeding days after the expiry of contract (E+1 to E+5 days), if the average price so determined is lower than DDR; else this component will be zero.*

2. *The 3% penalty collected as mentioned in point 1 shall be used as follows:*
   - *i. 1.75 % component of the penalty shall be deposited in the Settlement Guarantee Fund (SGF).*
   - *ii. 1.00 % component of the penalty shall go to the Seller*
   - *iii. Balance 0.25 % component of penalty shall be retained by the Exchange towards administrative expenses.*

b. If the seller has an odd lot position, the penal provisions as applicable to the seller default are mentioned hereunder:

A. If a seller member, having open position on expiry of the contract, fails to deliver the goods, as specified in the contract specifications, along with valid quality certificate/s, on or before the scheduled delivery pay-in time, it shall be deemed as seller's failure to fulfill the delivery obligation.

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c. If both the buyer and seller have odd lot position, then the outstanding position shall be closed out at Due Date Rate (DDR) and penal provisions as applicable to the buyer and seller applicable for odd lot shall be applicable

Provided that irrespective of the settlement procedure relating to outstanding odd lot position as stated above, MCX shall be at liberty to impose fine on the members for their failure to square off their odd lot position before maturity of the contract.

Provided further that the place of delivery, which may be opted by the respective seller and buyer above, shall be permitted only at the designated delivery centers approved by the Exchange.

Provided further that in case settlement of the outstanding odd lot, as referred in the relevant contract of the commodity, considers it as delivery default and provides its settlement by way of penal provisions, the close out amount will not be less than 10% but not exceeding 20% of the Due Date Rate (DDR) of the relevant contract expiry. Out of the penalty levied 1.75% will go to IPF, 0.25% will be exchange administration and rest amount shall be passed on to the counter party.

Provided further that irrespective of the procedure relating to settlement of outstanding odd lot position as stated above, the procedure, if any, as specified in delivery and settlement procedure applicable for the relevant contract shall be final and MCX shall have liberty to amend, modify or alter the same as deemed appropriate from time to time."

- Prior Exchange Circular No. MCX/C&S/470/2011 dated 23 December, 2011 the clause read as under (Ref. vide Exchange Circular No. MCX/T&S/347/2011 dated 01 October, 2011).

  " Delivery will be marked and issued in multiples of delivery lot only. Hence, in case of any net odd lot position outstanding (after adjusting deliverable delivery lots), of either buyer or seller, it shall be treated as delivery default and penal provisions as mentioned in Rules, Bye-laws and Business Rules shall be applicable"

B. *Penalty at rate of 3% of DDR and difference between the DDR and average of the three highest last spot prices of the five succeeding days after expiry of the contract (E1 to E5 days), if the average price so determined is higher than DDR shall be imposed on the defaulting seller.*

C. *Out of the penalty of 3% the buyer (counter party to such defaulting seller) will get 1% and the full difference amount, if any, determined as "difference between DDR and average of three highest last spot prices…" (referred in B above). While 1.75% will go to SGF and the balance 0.25% to the Exchange*

c. *If both the buyer and seller have odd lot position, then the outstanding position shall be closed out at Due Date Rate (DDR) and a penalty of 3% of DDR shall be imposed on both such buyer and seller. Out of the penalty of 3% of DDR, 2.75% shall be deposited in SGF and balance 0.25% shall be retained by the Exchange towards administrative expenses.*]

[1][***
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***]

9. *[2].**

10. [3]Fines/ penalties prescribed for various violations/ non-compliances observed in the inspection of books of accounts of the member.

[1] Omitted vide Exchange Circular No. MCX/C&S/288/2014 dated 8 September, 2014. Prior to its omission the proviso clauses read as under:
"Provided that irrespective of the settlement procedure relating to outstanding odd lot position as stated above, MCX shall be at liberty to impose fine on the members for their failure to square off their odd lot position before maturity of the contract.
Provided further that the place of delivery, which may be opted by the respective seller and buyer above, shall be permitted only at the designated delivery centers approved by the Exchange.
Provided further that in case settlement of the outstanding odd lot, as referred in the relevant contract of the commodity, considers it as delivery default and provides its settlement by way of penal provisions, the close out amount will not be less than 10% but not exceeding 20% of the Due Date Rate (DDR) of the relevant contract expiry. Out of the penalty levied 1.75% will go to IPF, 0.25% will be exchange administration and rest amount shall be passed on to the counter party."
Provided further that irrespective of the procedure relating to settlement of outstanding odd lot position as stated above, the procedure, if any, as specified in delivery and settlement procedure applicable for the relevant contract shall be final and MCX shall have liberty to amend, modify or alter the same as deemed appropriate from time to time."

[2] Inserted vide Exchange Circular no. MCX/COMP/250/2009 dated June 09, 2009 Amended vide Exchange Circular No. MCX/COMP/401/2009 dated 01/10/2009 and omitted vide Exchange circular no. Circular no. Exchange Circular No. MCX/COMP/082/2014 dated March 15, 2014. Prior to omission the same was read as under:
"Cash dealings: Non-compliance charges for cash dealings by the members shall be 0.5% of the total value of cash transactions"

[3] Inserted as per Exchange Circular No. MCX/357/2006 dated 02/09/2006.

Rule/Byelaw /Regulation / Circular No.	Violations Observed	One or Few Instances	Multiple Instances
	Books of Accounts		
Bye-laws 11.5	Not maintained	5000/-	N.A
	Not maintained properly	2500/-	N.A
	Not maintained for branch/ Sub-broker/ franchise	2500/- Per Office	N.A
	Not maintained properly for branch/ Sub-broker/ franchise	1500/- Per Office	N.A
	Segregation of Exchange wise client ledgers not maintained	5000/- Per Office	N.A
	Non-maintenance of vouchers (entries being directly posted to ledgers)	Advice	Warning
	Non-maintenance of upto date bank reconciliation statements	Advice	Warning
	Registers and Documents		
Bye-laws 11.5	Non-maintenance of registers (Register of Transaction / Register of Commodities/ Register of Complaints / Register of Margin Deposit)	Rs 1000/-per register per office	Rs 2500/ - Per register per office
	Non-availability of prescribed information in Registers. Non-availability of register of commodities	Advice	Warning
Rule/Byelaw /Regulation / Circular No.	**Violations Observed**	**One or Few Instances**	**Multiple Instances**
Business rule 26	Non-maintenance of Trading (TWS)reports	Advice	1000/

Business Rules 27(a)	Non-execution of Member/sub-broker – constituents agreements Execution of member/sub-broker -constituent agreement otherwise than in the prescribed format	Rs 500/- Per default (Maximum 5000/ -) Advice	Rs 1000/ - Per repeated default (Maximum Rs 10000/) Rs 500/Per default (Maximum of Rs.5000/ -)
Business Rules 27 (b)	Non-obtainment of Client registration form (KYC form) Client registration form not completed or not supported by documents (KYC Form)	Rs 250/- per case Advice	Rs 500 per Case (Maximum of Rs.5000/ -) Rs 100/- Per case
Business Rules 27(c)	Risk Disclosure Document not signed with client.	Rs 250/- per default	Rs 500/-Per default (Maximum of Rs.10000)
	Risk Disclosure Document in the prescribed format not signed with client	Advice	Rs 250/- (Maximum of Rs.5000)
Business Rules 27 (b)	Non-obtainment of board resolution permitting trading in derivatives, from non-individual constituents	Advice	Rs 500/-Per default (maximum of Rs.5000/ -)
Business Rules 27 (P)	Non-maintenance of duplicates / copies of contract notes	Advice	Rs 500/ Per client Maximum Rs 10000/
	Banking Operations		
Business Rules 19(c)	Non maintenance of Client a/c	Rs 10000/-	Rs 15000/
Business Rules 27(q)	Non-segregation of own and client transactions in separate bank accounts	Warning	Rs 10000/
	Use of Client bank account for purposes other than specified	Warning	Rs 5000/
Rule/Byelaw /Regulation / Circular No.	**Violations Observed**	**One or Few Instances**	**Multiple Instances**
	Dealings with Clients		

Circular No.MCX/012 /2006, dated 10/01/2006	Commodities due to constituents transferred to Member's beneficiary account without authorization Delay in payment of funds to constituents Use of clients' funds for own purposes/misuse of client's funds/unauthorized transfer of funds from one clients' account to another client's account	Rs 500/ -per default (Maximum of Rs.5000)	Rs 1000/ - Per default (Maximum of Rs.10000)
	Commodities due to one client transferred to other clients	2500/ -	5000/
	Delay in delivery of commodities and payments to the clients Use of constituents beneficiary demat account for purposes other than specified	Rs 500/- per day per client subject to maximum 25000/(After expiry of scheduled pay - out date) Warning	Rs 1000/ - Per day per Repetative Default Rs.5,000
Bye-laws 5.21	Non-maintenance of client code / Non maintenance of mapping of the trading codes to client codes	Rs 2500/-	Rs 5000/
Business Rules 27 (f)	Quarterly statement of accounts for settlements and margins not sent to constituents Partial compliance for issue of statement of accounts for funds and commodities	Rs 2500/-	Rs 5000/ -
Rule/Byelaw /Regulation / Circular No.	**Violations Observed**	**One or Few Instances**	**Multiple Instances**

	Dealings with intermediaries		
Circular No. MCX/012/2006, dated 10/01/2006	Sharing of brokerage with - another member	Rs.2500/	Rs.5000/
	-an employee of another member or a person for or with whom members are forbidden to do business		
	-Persons who are not approved user		
	Dealing with unregistered intermediaries		
	Brokerage charged at a rate higher than the		
	permissible maximum limit Doing business with or for the trading members who are prohibited to transact, including suspended/expelled/defaulter trading member; defaulting constituents and employees of other trading members		

Rule/Byelaw /Regulation / Circular No.	Violations Observed	One or Few Instances	Multiple Instances
Bye-laws 4.7 Business Rules 27 (p)	**Contract Notes**		
	Non-issue of contract notes Issue of contract notes otherwise than in the prescribed format /issue of contract notes without the signature of authorized signatory or which do not bear a running serial number or bear a serial number which is not initiated at the beginning of each financial year Issue of MCX contract notes for transactions not executed on the exchange/for fictious transaction	Rs 2500/ -	Rs 5000/
	Difference in trade rate as per the TWS system and the rate charged	Excess amount to be returned to the client and fine equal to twice the excess amount charged or Rs. 25,000/ -, whichever is higher, to be levied on the member.	
	Adopting a procedure (like use of PRO code for clients' trades) to evade margin	0.5% of the margin amount or Rs 10,000/ whichever is higher	
	Membership Requirements		
Rule 26(b)	Shareholding pattern	Rs 5000/-	
Circular No. MCX/204/2005, dated 27/05/2005	not verifiable due to incomplete / absence of records		
Rule/Byelaw /Regulation / Circular No.	**Violations Observed**	**One or Few Instances**	**Multiple Instances**

	Any change in the shareholding pattern / profit sharing ratio without the prior approval of the Exchange involving dilution not below the minimum prescribed shareholding of the dominant promoter group	Rs 10000	
	Any other change in the shareholding pattern / profit sharing ratio of the Trading Member without the approval of the Exchange	Rs 2500/	
	Change in the shareholding pattern without the approval of the Exchange which has resulted in the dilution of the shareholding / profit sharing ratio of the dominant group below 51%	Rs 25000/-	Rs 50000/
	Change in the designated directors without the prior approval of the exchange	Rs 2000/ - per instance	
Circular NO. MCX/003/2006, dated 03/01/2006	Violation of the Advertisement Code of the Exchange.	Rs 2500/ - per instance	
Circular NO.MCX/012/2006, 10/01/2006	Member acting through or on behalf of another member for trading on the Exchange without the prior approval of the Exchange in writing	Rs 2500/ - per instance	Rs.5,000 per instance.
Rule/Byelaw /Regulation / Circular No.	**Violations Observed**	**One or Few Instances**	**Multiple Instances**

	Dealing with one member of another exchange for proprietary trading without intimating the name of such member to MCX Dealing with more than one member/sub-broker of another exchange for proprietary trading Dealing with a member of another exchange on behalf of constituents without necessary registration		
Circular No. MCX/195/2006, dated 13/05/2006	Non-compliance of Networth requirements as per the exchange.	Rs.1000/	Rs.5000/
Circular No. MCX/259/2006, dated 29/06/2006	Non completion of MCCP certification Examination	Rs.1000/	
	Office Management		
Business Rules (30)	Usage and operation of a trading terminal by a person (an employee of the trading member) other than an approved user	First time advice then 250/ -per trading terminal. (Maximum of Rs.2500)	
Business Rules 29 (b)	Trading terminals provided to unregistered intermediaries or unauthorised extension of trading network / non submission of required details of terminals to the Exchange	For each unauthorised / non-approved USER ID, a fine of Rs 1000/ - per USER ID be levied for the first five USER ID's and the fine amount be stepped up by Rs 5000/ -per USER ID in successive batches of five terminals each thereafter.	
	Terminals for which information has been uploaded but with minor errors		
Rule/Byelaw /Regulation / Circular No.	**Violations Observed**	**One or Few Instances**	**Multiple Instances**

Circular No. MCX/295/2006, dated 28th July 2006	Non-display of Notice Board	Rs.500/- per Office	
	Non-display of FMC/MCX Registration certificate	Advice	
Circular No. MCX 207/2006, dated 19th may 2006	Non-appointment of compliance officer	Rs 1000/	
Circular No. MCX/324/2006, dated 17th August 2006	Non-submission/ delayed submission of Annual compliance report on or before the due date	Non submission/Delayed submission of Annual Compliance Report on or before the due date in the prescribed format , penalty will be levied Rs.250/- per week.	
	Books of Accounts		
Bye-laws 11.5	Not maintained	Rs.5000/-	N.A.
	Not-maintained properly	Rs.2500/-	N.A.
	Not maintained for branch		

Notes: -

2. The Exchange, looking to the number of violations observed during the latest inspection as compared to the previous inspection finds gross indifference of the member to ratify and/or to improve on compliance requirements, may levy any further fine and /or other disciplinary measures in the interest of the healthy development of the market.

3. The Exchange reserves the right to increase the amount of penalty/penalty structure in addition to prescribed above which shall be final & binding to all the Members.

4. The Exchange, based on the time expended, costs incurred, of its own resources or utside agencies, may recoversuch costs in addition to the penalties prescribed above whenever any special investigation or inspection, either of its own findings or due to FMC, is carried out.]

11. [1]Uniform penalties prescribed by the Forward Markets Commission for various violations/ non-compliances of members are as under.

Sr. No.	**Violation**	**Uniform Penalties as prescribed by Forward Markets Commission**

[1] Inserted as per Exchange Circular No.MCX/COMP/113/2010 dated 05/04/2010 w.e.f. 01/04/2010

1	a) Non-Maintenance of following Books of Accounts / Records / Registers: (i) Sauda Book (ii) Client Ledger (iii) General Ledger (iv) Journals (v) Cash Book (vi) Bank Pass Book b) Non-Maintenance of the above mentioned books/ledgers properly.	Minimum of Rs. 25,000/- and Maximum of Rs. 50,000/- per register or / and deactivation of trading terminals till compliance is done. Minimum of Rs. 10,000/- and Maximum of Rs. 25,000/- per register.
2	KYC Forms formalities – not maintained or /and not maintained properly	Rs. 10,000/- per client.
3	(a) Non-execution of 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 issued to clients/incomplete	Rs. 5,000/- per client.
5	Non-segregation of clients money	Rs. 25,000/- or 1% on the non segregated client money, whichever 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.
Sr. No.	**Violation**	**Uniform Penalties as prescribed by Forward Markets Commission**
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	Rs. 50,000/- or 1% of the value of the amounts /

	Commodities to Clients beyond 15 days from the date of receipt of request from Clients	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	Contract Note – non-issued	Rs. 10,000/- per client
12	Belated issue/no proof of receipt of contract note.	Rs. 5,000/- per client
13	Non-maintenance of duplicate copies of contract note sent	Rs. 5,000/- per client
14	Non-maintenance of Grievance/Complaints Register	Rs. 10,000/- per Register per office
15	Margin Collection: Non collection / partial collection	0.1% of the margin not collected.
16	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
17	Net worth certificate – non-production/improper	Rs. 200/- per day.
18	Non-display of Information Board including details of Registration details as prescribed by the Exchange.	Rs. 10,000/- per office.
Sr. No.	**Violation**	**Uniform Penalties as prescribed by Forward Markets Commission**
19	Unauthorized or Illegal Trading activities / Fictitious Transactions	Minimum of Rs. 1 lakh per case and Max. Rs. 5 lakh. Offences like wash trades will be investigated by the exchange and other penalty provisions such as

		termination / suspension of members will be imposed.
20	Violation of the Advertisement Code of the Exchange	Rs. 5,000/- per instance
21	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.
22	Non-payment of statutory dues/duties/fees etc.	Appropriate action by the Exchange. However, such additional action by the Exchange will in no way interfere with the penal provisions in the respective acts.

Notes:

1. In addition to the financial penalties as prescribed in the above clause, if any serious violations are noticed then, the Exchange shall deactivate trading terminal(s) of such members and initiate disciplinary proceedings which may culminate in suspension of membership of the Exchange.

2. Non-compliance pertaining to statutory requirements by members will lead to disciplinary proceedings.

3. Members may note that non-compliance charges/penalties for certain other violations which are not covered under this clause 11, continue to remain the same as prescribed in clause (10) above.

12. [1][**Uploading of UCC data by the member prior to commencing trading on behalf of a client:**

a. Penalty at the rate of 1% will be imposed on the value of every trade that has been carried out by the member without uploading the UCC details of the clients.

[1] Inserted vide Exchange Circular No.MCX/T&S/355/2011 dated 10/10/2011 w.e.f.17/10/2011 pursuant to the directions issued by the FMC vide its letter No.7/3/2011-MKT-I dated 04/10/2011.

b. If the client details are not uploaded within a month of the trade, the member is liable to be suspended.

c. The penalty applicable for non-submission of UCC details will be charged on a daily basis.]

13. Client Code Modification:

[1][*i. Modification of client codes of non-institutional trades allowed only to rectify a genuine error in entry of client code at the time of placing/ modifying the related order.*

ii. The client code modification facility will be available as follows:

[1] Substituted vide Exchange Circulars Ref. MCX/T&S/108/2016 dated April 08, 2016 and MCX/S&I/199/2016 dated July 13, 2016 (Ref. SEBI Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/43 dated March 29, 2016). Prior to its substitution the clause read as under:

i. *The client code modification facility is allowed only for carrying out correction of genuine punching error(s) in the client code.*

ii. *The facility will be extended only during 5.00 P.M. to 5.15 P.M. in respect of contracts traded upto 5.00 P.M. and during 11.30 P.M. to 11.45 P.M. for contracts traded upto 11.30 P.M. on all trading days except Saturdays. In respect of the trading days when the trading takes place up to 11.55 P.M. the client code modifications will be allowed only from 11.45 P.M. upto 11.59 P.M. On Saturdays, the same will be allowed between 2.00 P.M. to 2.15 P.M. In no circumstances, changes in the client codes will be permitted on the next trading day or thereafter.*

iii. *Intra-day modifications of client codes other than as above will not be allowed.*

iv. *Proprietary trades will not be allowed to be modified as client trade and vice-versa. Any violation of this provision will lead to disciplinary action against the Member by the Exchange.*

v. *In order to ensure that client codes are entered with alertness and care, and this facility is not misused, a penalty on the client code changes shall be imposed by the Exchanges as per the following structure*

'a' as % of 'b'	*Penalty as % of 'a'*
< 5%	*1 % (subject to a minimum of ` 5,000/-)*
> 5%	*2 % (subject to a minimum of ` 5,000/-)*

Where
a = *Value (turnover) of trades in respect of which client codes have been modified by a trading member during a day.*
b = *Value (turnover) of trades of the trading member during that day.*

vi. *The criteria for determining genuineness of client code modifications are as follows:*

a) *The difference in the Original Client Code and the Modified Client Code is such that most of the alphabets and numeric values are generally in the same sequence and are mostly identical. Only then, the same will be construed as a genuine punching error.*
Example:
Client code FA 1234 wrongly entered as MN5678 would be construed as intentionally committed whereas FA1234 entered as AF1234 or FA1243 may be a genuine punching error.

b) *Client codes modified by the same Member for the same client only once in a fortnight will be construed as genuine, subject to the above requirement.*

c) *The value of Client codes modification by the same Member is insignificant in comparison to the total value of such trades executed on the Exchange*

vii. *Members are required to inform the Exchange on a daily basis in case of genuine punching error(s). The Exchange will decide on the genuineness of the client code modifications based on the aforesaid criteria.*

viii. *The conditions stipulated at (a), (b) and (c) are not mutually exclusive and shall be read together to determine the genuineness of Client Code Modification.*

ix. *The facility of Client Code Modification is to be resorted to by members only in the rarest of rare cases where genuine data entry errors have taken place. The Exchange shall take disciplinary action against the Members who resort to client code modifications without any genuine reason.*

Sr. No	*Commodity - Trading Timing*	*Client Code Modification Timing #*
1	*10.00 am to 5.00 pm*	*5.00 pm to 5.15 pm*
2	*10.00 am to 9.00 pm/ 9.30 pm**	*9.00 pm to 9.15 pm/ 9.30 pm to 9.45 pm**
3	*10.00 am to 11.30 pm/ 11.55 pm**	*11.30 pm to 11.45 pm/ 11.45 pm to 11.59 pm**

** During US daylight saving period.*

 # Relevant authority may reduce/extend or otherwise alter the client code modification timing mentioned above for any particular trading day.

iii. *Proprietary trades shall not be allowed to be modified as client trade and vice versa.*

iv. *The following penalty shall be levied to trading members:*

'a' as % of 'b'	*Penalty as % of 'a'*
< 5%	*1 %*
> 5%	*2 %*

Where

a = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a month.

b = Value (turnover) of non-institutional trades of the trading member in the segment during the month.

v.

a) *The Exchange may waive penalty for a client code modification where stock broker is able to produce evidence to the satisfaction of the Exchange to establish that the modification was on account of a genuine error.*

b) *Not more than one such waiver per quarter per quarter may be given to the broker/ member for modification in a client code. Explanation: If penalty waiver has been given with regard to a genuine client code modification from client code AB to client code BA, no more penalty waivers to be allowed to the broker/ member in the quarter for modifications related to client code AB and BA.*

vi. *The following would constitute genuine errors with regard to client code modifications:*

a) *Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are almost similar to each other.*

b) *Modification within relatives ('Relative' for this purpose would mean "Relative" as defined under the Companies Act, 2013 and the rules framed thereunder).*

vii. *Shifting of any trade (institutional or non-institutional) to the error account of the trading member shall not be treated as modification of client code as per SEBI circular dated July 05, 2011, provided the positions arising out of trades in error account are subsequently liquidated/closed out in the market and not shifted to some other client code.*

viii. *Trading members would be required to disclose the client codes which are classified as 'Error Accounts' to the Exchange at the time of UCC upload. The Trading members should ensure that UCC details of 'Error Accounts' is uploaded to the Exchange with Client Code as 'ERROR' and in Client Name field, Name of the Trading Member Exactly as per Income Tax records (PAN Database) is entered.*

ix. *The Trading members should have well documented error policy to handle client code modifications, approved by their board/ management.*]