

**Annexure A**

**(A) Client's funds/liquid overnight funds/FDR made out of clients' funds are not upstreamed/pledged/lien marked by member or creation of BG out of clients' funds:**

Details of contravention	Disciplinary Action/Charges		Repeat violation
	Value of Violation	Penalty	
<ul style="list-style-type: none"> <li>• Clients' funds received before cut-off are not upstreamed to Clearing Corporation and lying with member in any of its bank account*</li> <li>• Unit of Mutual fund overnight schemes/ FDR made out of clients' funds are not pledged/ lien marked as case may be to Clearing Corporation*</li> <li>• Non-compliance with respect to tenure of FDR made out of clients' funds*</li> <li>• Non-compliance with respect to debit freeze of funds received after upstreaming cut off time</li> <li>• Transfer of funds to client from other than DSCNB account</li> <li>• Receipt of funds from client in other than USCNB account</li> <li>• Non permissible transfer of funds between USCNB, DSCNB and any</li> </ul>	Up to 5 Lakh	Rs.5000	<ul style="list-style-type: none"> <li>• 2nd time in the same month - 50% escalation</li> <li>• 3rd time in the same month - 100% escalation. In addition to penalty, the relevant authority may decide to disable / suspend the trading terminals of the member in all segments for 1 day in case of 3rd time repeat violation on case-to-case basis and based on the gravity of the violation.</li> <li>• Subsequent violations shall be placed before the Member Committee.</li> </ul>
	> 5 to 10 Lakhs	Rs.10000	
	> 10 to 50 Lakhs	Rs. 15000	
	> 50 Lakhs to 1 Crore	Rs. 25000	
	> 1 Crore to 2 Crore	Rs. 50000	
	> 2 Crore to 5 Crore	Rs. 1 Lakh	
	> 5 Crore to 10 Crore	Rs. 2 lakhs	
	> 10 Crore	Rs. 5 lakhs	

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<b>Details of contravention</b>	<b>Disciplinary Action/Charges</b>	<b>Repeat violation</b>
other bank account of member • BG created out of clients' funds on or after May 01,2023 or Existing BG created out of clients' funds is not wound down by September 30,2023		

\* Along with penalty, direction to take corrective actions and report the same within 7 days shall be issued.

**(B) Funds received after upstreaming cut off time and lying in bank account are not for legitimate purpose**

<b>Details of contravention</b>	<b>Disciplinary Action/Charges</b>	<b>Repeat violation</b>										
Funds received after upstreaming cut off time and lying-in bank account are not for legitimate purpose	Penalty shall be as under	<ul style="list-style-type: none"> <li>• 2nd time in the same month- 50% escalation</li> <li>• 3rd time in the same month - 100% escalation.</li> </ul> In addition to penalty, the relevant authority may decide to disable / suspend the trading terminals of the member in all segments for 1 day in case of 3rd time repeat violation on case-to-case basis and based on the gravity of the violation.  Subsequent violations shall be placed before the Member Committee.										
	<table border="1"> <thead> <tr> <th><b>Violation observed during the period from the effective date of circular</b></th> <th><b>Penalty per day (Rs.)</b></th> </tr> </thead> <tbody> <tr> <td>First 30 days</td> <td>5000</td> </tr> <tr> <td>Next 31-60 days</td> <td>10000</td> </tr> <tr> <td>Next 61-90 days</td> <td>15000</td> </tr> <tr> <td>Next 91-120 days</td> <td>20000</td> </tr> </tbody> </table>		<b>Violation observed during the period from the effective date of circular</b>	<b>Penalty per day (Rs.)</b>	First 30 days	5000	Next 31-60 days	10000	Next 61-90 days	15000	Next 91-120 days	20000
	<b>Violation observed during the period from the effective date of circular</b>		<b>Penalty per day (Rs.)</b>									
	First 30 days		5000									
	Next 31-60 days		10000									
	Next 61-90 days		15000									
Next 91-120 days	20000											
	Rs. 50000 per day if violation is observed after 120 days from the effective date of circular											

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Penalty prescribed in point number (B) mentioned above shall be applicable if value of such funds (i.e received after upstreaming cut off time and lying-in bank account are not for legitimate purpose) exceeds below mentioned threshold:

<b>Value of Total Creditors (i.e. client payables)</b>	<b>Thresholds</b>
Member with total creditors value up to 100 crores	Higher of 1% of total creditors and 10 Lakhs
Member with total creditors value more than 100 crores up to 500 crores	1 crore plus 0.5% of incremental value of creditors above 100 crores
Member with total creditors value more than 500 crores	3 crores plus 0.25% of incremental value of creditors above 500 crores