

Derivative Segments

Ref. No.: MCCIL/MEM/1484/2019

December 20, 2019

Subject: Rationalization of imposition of fines for false reporting of margins by Clearing Members in Derivatives Segments

In terms of the provisions of the Rules, Bye-Laws and Regulations of the Metropolitan Clearing Corporation of India Ltd. ("MCCIL"), Clearing Members of MCCIL in derivative segments are notified as follows-

The existing penalty structure for disciplinary action in case of false reporting of margin collection has been reviewed and revised in consultation with all the Stock Exchanges/ Clearing Corporations and SEBI. The revised penalty structure is enclosed at **Annexure**.

The revised penalty structure will be applicable for all instances of false reporting of margin from September 01, 2019 onwards. For all prior instances of false/incorrect reporting upto August 31, 2019, the penalty structure as prescribed under SEBI Circular Ref.no. CIR/DNPD/7/2011 dated August 10, 2011 will continue to be applicable.

The aforementioned structure is indicative in nature and the relevant Authority of the Clearing Corporation may, on case to case basis and based on the gravity of the violation, deal with such violation.

All Members are advised to take note of the above.

For clarifications, members may contact Member Compliance team on 022 -61129000 (Ext. No.- 9121/9072/9073/ 9298) or send an email to membercompliance@mcclear.in

For and on behalf of

Metropolitan Clearing Corporation of India Limited

**Ganesh Kanaujiya
Senior Manager**

Encl: As Above

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Penalty Structure for Margin False Reporting

% of the violation in the current inspection (Proportion of the instances with false reporting to the Total sample instances verified)	PENALTY AS A PERCENTAGE (%) OF THE FALSE REPORTING			
	Observed only current Inspection	Observed only in 1 out of 3 Last Inspections	Observed in 2 out of 3 Last Inspections	Observed in all the Last 3 Inspections
Above 50%	50%	60%	75%	100%
25%-50%	25%	50%	60%	75%
10%-25%	10%	25%	50%	60%
Less than 10%	5%	10%	25%	50%

Based on the above slabs, the penalty amount levied on a Clearing Member for false reporting of margin, will be capped at Rs. 25,00,000/-.

Along with the monetary penalty, the Member may also be subjected to suspension for one day in the respective segment in case of material instances. The false reporting shall be treated as material for the purpose of suspension of the clearing member, if all the following broad criteria are met:-

1. Number of instances of false reporting is more than 5% of the instances verified (minimum 3 instances) during inspection
2. Percentage of value of false reporting is more than 5% of total margin required to be collected for the instances verified during inspection
3. Value of false reporting of margin is more than Rs. 15 lakhs.

The aforementioned structure is indicative in nature and the relevant authority of the Clearing Corporation may, on case to case basis and based on the gravity of the violation, deal with such violation.