



**UNITED STOCK EXCHANGE OF INDIA LIMITED  
CURRENCY DERIVATIVES SEGMENT  
CIRCULAR**

Circular No: USE/ CMPL /33/2010

Date: September 28, 2010

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**Sub: Penalty Norms for non-compliance**

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In terms of the provisions of Rules, Bye-Laws and Regulations of the Exchange , Members of the Exchange are notified as under.

An indicative penalty structure in respect of non-adherence to various compliance requirements, as observed during inspection or otherwise, is attached as **Annexure**. The Annexure contains list of violations in column with the corresponding amount up to which the Exchange can levy penalty. It may be noted that there may be moderation, as decided by the relevant authority, depending on frequency and nature of violations. In respect of other violations which are not included in the Annexure, penalty will be decided by relevant authority on a case to case basis as per Rules, Bye-Laws and Regulations of Exchange, taking into account the gravity and the impact of such violations.

Members are advised to set systems and procedures in place to ensure compliance with the various requirements.

For any clarifications, members are advised to contact the following officials:

<b>Name of the Official</b>	<b>Telephone No.</b>	<b>Email Id</b>
Ms. Nikita Mehta	022- 22728909 022-42444936	<a href="mailto:nikita.mehta@useindia.com">nikita.mehta@useindia.com</a>
Mr. Piyush Chourasia	022- 42444955	<a href="mailto:piyushchourasia@useindia.com">piyushchourasia@useindia.com</a>

For and on behalf of  
**United Stock Exchange of India Ltd.**

**P. K. Ramesh**  
**Chief Regulatory Officer**

**Annexure**  
**Penalty Norms**

No	Details of contravention	Penalty (Fine in rupees)
<b>A - Dealings with clients</b>		
a.	<b>Client registration documents</b>	
	(i) non-execution of client registration documents	₹ 10000/- per client
	(ii) inclusion of contravening clauses / omission of material details	₹ 10000/-
	(iii) otherwise not in the prescribed format	Advice
	(iv) Client registration documents not provided	₹ 10000/- per client
	(v) Record of in person verification of clients at the time of client registration not maintained	₹ 500/- per client
	(vi) Discrepancies in carrying out in person verification	Warning
	(vii) Copy of client registration documents not delivered / Trading Code, UCC and mail id not communicated in writing	Advice
b.	Constituent-wise accounts for funds / securities not maintained	₹ 50000/-
c.	Bank and demat account operations	
	(i) Separate client bank or depository account not maintained	₹ 10000/-
	(ii) Payin / payout not received from / delivered to respective constituents	If number of instances of violations exceed 2%, fine of ₹ 10000/- Otherwise, advice
	(iii) Non-segregation of own and constituents' funds or securities	If number of instances of violations exceed 2%, fine of ₹ 10000/- Otherwise, advice
	(iv) Delay in release of payout of funds	If number of instances of violations exceed 2%, fine of ₹ 10000/- Otherwise, advice
	(v) Delayed / non-payment of dividend (delay in excess of 3 months)	0.5 % of the amount (₹ 10000/- if amount not known)
d.	Excess brokerage collected	Member to be advised to refund the excess brokerage collected, to the constituents and  Fine of the excess brokerage or ₹ 5000/- whichever is higher
e.	Use of multiple codes for a constituent or proprietary account	Advice
f.	Contract notes related violations	
	(i) Issued with material discrepancies (such as difference in trade price) (ii) Non maintenance of duplicates / copies proof of dispatch	₹ 10000/-
	(iii) Non issue of Contract Notes	₹ 50,000/-
	(iv) Consent of client not obtained for sending ECN/ Not issued within 24 hours of trade execution	₹ 10,000/-
	(v) ECN Log report not maintained in case of bounced back mails, ECN not displayed on website, ECN's sent to Email accounts other than those created / provided by clients	₹ 5,000/-

No	Details of contravention	Penalty (Fine in rupees)
	(iv) other contraventions	Advice
g.	Quarterly statement of accounts for funds and /or securities not sent	In excess of 2% of number of clients, fine of ₹ 10000/-
	Other contraventions	Advice
h.	Cash dealings with constituents	0.1% of the value in excess of ₹ 10 lakhs Otherwise – Advice
i.	(i) Non-disclosure of proprietary trading to clients (ii) Exclusive e-mail id for investors' complaints not created / not displayed	Advice
j.	Daily Margin statement not sent	In excess of 2% of number of clients, fine of ₹ 5000/- Other discrepancies – Advice
k.	Funding to clients (includes activity whereby member is charging interest and allowing further exposure to clients in spite of debit balances)	Few Instances: Advice, Otherwise ₹ 50,000/-
l.	Errors at the time of order entry	In excess of 2% of number of orders executed, fine of 0.1% of value of trades transferred
m.	Improper use of funds raised by placing of clients securities with bank / any other financial institutions viz. funds not used for respective client obligation / margins	₹ 1,00,000/- or 0.1% of the value of misuse whichever is higher
n.	Client Ledgers	
	(i) Non-maintenance of client ledger	₹ 50,000/-
	(ii) Segregation of Exchange wise client ledgers not maintained	₹ 25,000/-
	(iii) Client ledger not maintained properly	₹ 25,000/-
	(iv) Books (except Client Ledger) not maintained	₹ 10,000/- per book
	(v) Books (except Client Ledger) not maintained properly	₹ 5,000/- per book
<b>B - Dealings with intermediaries</b>		
a.	Dealings with intermediaries	₹ 100000/- per intermediary  Members to be advised to ensure that the entities stopped dealing as intermediaries and directed to withdraw the terminal(s), if any, allotted to such entities, immediately.  In addition to monetary fine, membership may also be suspended, depending upon the gravity of the violation.
b.	Doing business for / through other Members without prior approval of the Exchange  For dealing with Members of other exchanges	₹ 10000/- for dealing with member of same exchange.  Advice
c.	(i) Inspection of branches not done	

No	Details of contravention	Penalty (Fine in rupees)
	(ii) Sharing of Brokerage / Commission, except as permitted under the Bye-Laws of the Exchange	Advice
d.	Inspection of Authorised Persons not done/ Inspection report not made available to the inspecting team	Advice
<b>C - Trading system &amp; office management</b>		
a.	Operation of terminals by persons other than an approved user / person	₹ 1,000/- per terminal
b.	Allowing trading terminals to be operated by persons without approved certification.	₹ 1000/- per terminal
c.	(i) Unauthorised extension of TWS terminal / Non-upload of CTCL details to the Exchange / Upload of CTCL details with incorrect terminal location	₹ 50000/- per terminal In cases where non-upload of details of more than 5 CTCL terminals are observed and such CTCL terminals are operated by entities acting as intermediaries and / or such terminals are used for carrying out illegal trading activity, suspension of the membership may also be considered, depending upon the gravity of the violation.
	(ii) Errors in upload of CTCL details	In excess of 5 terminals, ₹ 5000/- per terminal
d.	Non-display of Name Board, Notice Board or SEBI registration certificate	₹ 10000/-
e.	Non-appointment of compliance officer	₹ 10000/-
f.	Execution of proprietary trades from locations other than those permitted by the Exchange	₹ 10000/-
g.	Evasion of margin	0.3% of the value of trades or ₹ 25000/- whichever is higher
h.	Non-compliance with the advertisement code of the Exchange	₹ 5000/-
i.	Books of accounts, registers, records & documents not in prescribed format / not maintained properly	Advice
j.	Follow-up Inspection	
	Violations observed in follow-up inspection also and in respect of which, fine has been levied.	Fines prescribed for respective violations increased by 50%
<b>D - Margin reporting requirement</b>		
	(i) If percentage of factual wrong reporting of margin collected from constituents to total margin reported as collected is :	
	Upto 5%	Warning
	> 5% and upto 10%	0.5% of wrongly reported amount
	> 10% and upto 25%	2% of the wrongly reported amount
	> 25% and upto 50%	2% of the wrongly reported amount and suspension from trading for 1 day
	> 50%	2% of the wrongly reported amount and suspension from trading for 5 days
	(ii) if percentage of (margin available but not properly accounted for / margin received from third parties) to total margin reported as collected is :	
	Upto 5%	Advice
	> 5% and upto 10%	0.5% of the wrongly reported amount, subject to a maximum of ₹ 25000/-
	> 10% and upto 25%	0.75% of the wrongly reported amount, subject to a maximum of ₹ 50,000

No	Details of contravention	Penalty (Fine in rupees)
	> 25% and upto 50%	1% of the wrongly reported amount, subject to a maximum of ₹ 75,000/-
	> 50%	1.25% of the wrongly reported amount, subject to a maximum of ₹ 1,00,000/-
<b>E - PMLA Discrepancies</b>		
a	Non maintenance of Written procedures relating to PMLA	₹ 10,000/-
b	Non Appointment of Principal Officer/ Non Intimation of 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	
d	Non Adoption of customer due diligence	Advice
e	Non Maintenance of records of transactions and on going training to staff members	Advice