

Department: Investor Services Department	Segment: All
Circular No: MSE/ISC/14538/2023	Date: December 04, 2023

Subject: Revised Penalty Structure w.r.t. Unauthorised trades executed in the clients' account

To All Members,

This is furtherance to the Exchange Circular No. MSE/INSP/5753/2017, dated November 13, 2017 and Circular No. MSE/ISC/13913/2023, dated August 03, 2023, regarding penalty to be levied on the cases of unauthorized trading and amendment to the penalty structure.

As per SEBI circular dated July 31, 2023, new online Dispute Redressal (ODR) has been introduced by SEBI wherein the existing mechanism of complaint redressal through IGRC has been discontinued and a conciliation process through the conciliator has been introduced with effect from August 16, 2023.

The Exchange has now reviewed the said penalty norms and revised the same as follows:

Details of contravention	Penalty
<p>a) Unauthorized trading** observed by Arbitrators while finalizing Arbitration award under old mechanism, even if trading member settles the claim.</p> <p>b) Unauthorized trading** as being observed by Conciliator/ Arbitration under Online Dispute Resolution (ODR) mechanism introduced w.e.f. August 16, 2023, even if trading member settles the claim.</p> <p>** (induced trades or trades executed by the trading member using any unfair means i.e. obtaining user ID and password of the client to execute trades etc., without the consent of the client).</p>	<p>I. Monetary Penalty per case shall be Rs.50,000/- or 3% of the admissible amount whichever is higher as determined in the conciliatory mechanism / Arbitration award.</p> <p>II. In addition to above penalty,</p> <p>a. Member will be debarred from taking new clients for a period of one month, in case 25% of all the complaints (not less than 05) placed before conciliatory mechanism / Arbitration in the immediately preceding calendar quarter are determined by it to be unauthorized trading cases.</p> <p>b. Where the number of unauthorized trading cases as per the numbers indicated at (II)(a) persist for three consecutive quarters, the Member concerned will be debarred from taking new clients and Authorized Persons (APs) if any, for a period of three months.</p> <p>c. The number of unauthorized trading cases as per numbers indicated at (II)(a) persists beyond three consecutive quarters, the matter be placed before the relevant Committee, for action.</p> <p>d. Member will be referred for special purpose inspection in case any of the above instances i.e., (II) (a, b, c) is triggered.</p>



The revised penalty structure shall be applicable for all the cases placed before conciliator/s or Arbitrator/s from the date of issue of this notice.

Trading Members are advised to take note of the same.

**For and on behalf of
Metropolitan Stock Exchange of India Limited**

**Khaja Mohideen
AVP - Investor Services Department**