

Department: Inspection	Segment: All
Circular No: MSE/INSP/13849/2023	Date : July 21, 2023

Subject: Penalty proposal towards disincentives / non-compliance in Cyber Security Audit, System Audit, Cyber Incident Reporting & Technical Glitch related violations by Members

To All Members,

In order to ensure strict adherence to the regulatory requirements by Members with the prescribed framework applicable for System Audit & Cyber Security and Cyber Security resilience audit reports, Technical Glitch and Incident reporting, penalty structure has been prescribed in **Annexure A** and shall be applicable for late submission/Non-Compliances reported in preliminary audit report submissions made for the half year ended September 2023 and onwards as provided. Further, penalty for Technical Glitch and Incident reporting prescribed in the attached penalty structure would be applicable from the date of circular.

All Members are advised to take note of the same and strictly comply.

For and on behalf of
Metropolitan Stock Exchange of India Limited

Mahendra Choudhari
AVP – Inspection and Membership Department

In case of any query kindly contact Inspection Department on (022) 6112 9000 or mail on compliancemsx@msei.in

Annexure A - Cyber Security Audit, System Audit, Cyber Incident Reporting, Technical Glitch related violations

Sl.No.	Particulars	Penalty/disciplinary action	
1	Penalties /disciplinary actions for Delayed non submission of System/Cyber audit		
A	Non-submission of system audit report within the due date	<p><u>Penalty/disciplinary action</u></p> <ol style="list-style-type: none"> For 1st week after due date, Charges of Rs. 2,500/- per day Charges of Rs. 5000/- per day from second week after due date In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report. 	<p><u>Penalty/disciplinary action in case of Repeat violation/contravention.</u></p> <ul style="list-style-type: none"> ➤ In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%. ➤ In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. ➤ In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.
B	Non-submission of cyber audit report within the due date	<p><u>Penalty/disciplinary action</u></p> <ol style="list-style-type: none"> For 1st week after due date, Charges of Rs. 2,500/- per day Charges of Rs. 5000/- per day from second week after due date In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report. 	<p><u>Penalty/disciplinary action in case of Repeat violation/contravention.</u></p> <ul style="list-style-type: none"> ➤ In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%. ➤ In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. ➤ In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.
C	Delay or non-submission of ATR/Follow-on audit report as recommended by the auditor in case of system audit report/cyber security and cyber resilience audit report	<p><u>Penalty/disciplinary actions</u></p> <ol style="list-style-type: none"> For 1st week after due date, Charges of Rs. 2,500/- per day Charges of Rs. 5000/- per day from second week after due date In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report. 	<p><u>Penalty/disciplinary action in case of Repeat violation/contravention.</u></p> <ul style="list-style-type: none"> ➤ In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%. ➤ In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. ➤ In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.
D	Penalties/disciplinary action(s)/charges for non-compliances/non-closure reported in System Audit Report of Trading Members	<p><u>Applicable Penalty for each High/Medium/Low risk Non-Compliance reported</u></p> <p>High Risk ₹ 15,000/- Medium Risk ₹ 7,500/- Low Risk ₹ 2,500/-</p> <p><u>Non-compliance which has not been closed in ATR (i.e., within three months of submission of due date of preliminary audit report)</u></p> <p>High Risk ₹ 30,000/- Medium Risk ₹ 15,000/- Low Risk ₹ 5,000/-</p> <p>In case observations are not closed by member within three weeks from the due date for submission of Action Taken Report (ATR), new client registration to be prohibited and notice of 7 days for disablement of trading facility till closure of observation(s).</p> <p>The disablement notice issued to the member shall be shared with all the Exchanges for information. In case of non-closure of observation(s) within four weeks from the due date of submission of ATR, Member shall be disabled in all segments till closure of observations(s).</p>	<p align="center">-</p>

Annexure A - Cyber Security Audit, System Audit, Cyber Incident Reporting, Technical Glitch related violations

Sl.No.	Particulars	Penalty/disciplinary action	
E	Penalties/disciplinary action(s)/charges for non-compliances/non-closure reported in Cyber Security and Cyber Resilience Audit Report of Trading Members.	<p><u>Applicable Penalty for each High/Medium/Low risk</u> <u>Non-Compliance reported</u></p> <p>High Risk ₹ 50,000/- Medium Risk ₹ 25,000/- Low Risk ₹ 5,000/-</p> <p><u>Non-compliance which has not been closed in ATR (i.e., within three months of submission of due date of preliminary audit report)</u></p> <p>High Risk ₹ 1,00,000/- Medium Risk ₹ 50,000/- Low Risk ₹ 10,000/-</p> <p>In case observations are not closed by member within three weeks from the due date for submission of Action Taken Report (ATR), new client registration to be prohibited and notice of 7 days for disablement of trading facility till closure of observation(s).</p> <p>The disablement notice issued to the member shall be shared with all the Exchanges for information. In case of non-closure of observation(s) within four weeks from the due date of submission of ATR, Member shall be disabled in all segments till closure of observations(s).</p>	<p align="center">-</p>

Annexure A - Cyber Security Audit, System Audit, Cyber Incident Reporting, Technical Glitch related violations

SI.No.	Particulars	Penalty/disciplinary action	
2	Penalties /disciplinary actions for Technical Glitches to prevent business disruptions - Failure to report the incident to the Exchange (non-submission of preliminary report and/or RCA), failure to move to DR and failure to take remedial measures.		
A	Technical Glitch continuing for more than 15 minutes:	<p><u>For Specified Members</u> > First instance - Observation Letter > Second instance - Administrative warning > Third instance onwards - For every instance Rs. 50,000/-</p> <p>It will progressively increase by Rs.25,000/- for subsequent instances.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of noncompliance shall decide on additional disciplinary actions.</p> <p><u>For Other members</u> > First instance - Observation Letter > Second instance - Administrative warning > Third instance onwards - For every instance Rs. 20,000/-</p> <p>It will progressively increase by Rs.5,000/- for subsequent instances.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of noncompliance shall decide on additional disciplinary actions.</p>	-
B	More than 5 Technical Glitch Incidents during the financial year. (Incidents lasting more than 15 minutes)	<p><u>For Specified Members</u> In addition to the penalty already levied as per the above provisions, no on-boarding of new clients till stock exchange analysis RCA and satisfies itself about corrective measures taken or, 15 days from glitch whichever is higher.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p> <p><u>For Other Member</u> The relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on the disciplinary actions.</p>	-
C	Failure to restore operations by moving to DR site within Recovery Time Objective.	<p><u>For Specified Members</u> Rs.2 lakh</p> <p><u>For Other Members</u> Rs. 20,000/-</p>	-
D	Failure to inform Exchange about the incident/glitch within 1 hour	<p><u>For Specified Members</u> Rs.50,000/-, plus Rs. 25,000/- per day till failure continues.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p> <p><u>For Other Members</u> Rs. 20,000/-, plus Rs. 5,000/- per day till failure continues.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of noncompliance shall decide on additional disciplinary actions.</p>	-
E	Failure to submit the preliminary incident report to the Exchange by T+1 day	<p><u>For Specified Members</u> Rs.50,000/-, plus Rs. 25,000/- per day till failure continues.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p> <p><u>For Other Members</u> Rs. 20,000/-, plus Rs. 5,000/- per day till failure continues.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of noncompliance shall decide on additional disciplinary actions.</p>	-

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Sl.No.	Particulars	Penalty/disciplinary action	
F	Failure to timely submit RCA within 14 days	<p>For Specified Members Rs.50,000/-, plus Rs. 25,000/- per day till failure continues.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p> <p>For Other Members Rs. 20,000/-, plus Rs. 5,000/- per day till failure continues.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p>	-
G	Failure to conduct DR drill/live trading from DR site as per the provisions	<p>For Specified Members Rs. 2 lakh, plus Rs. 1 lakh for every month during which failure continues.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p> <p>For other Members NA</p>	-

Annexure A - Cyber Security Audit, System Audit, Cyber Incident Reporting, Technical Glitch related violations

Sl.No.	Particulars	Penalty/disciplinary action	
3	Penalties /disciplinary actions for Incident reporting		
A	Non-submission of Cyber Incident reporting (Immediate Submission) within the time (with in 24 hours) specified by the Exchange.	<u>Penalty/disciplinary actions</u> > If the incident not reported within 24 hours. Rs. 20,000/- per day till the incident is reported subject to a maximum of Rs.2 lakhs per incident.	<u>Penalty/disciplinary action in case of Repeat violation/contravention</u> > In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%.
B	Non-submission of Cyber Incident reporting (Quarterly Submission) within the time specified by the Exchange.	<u>Penalty/disciplinary actions</u> 1. For 1st week after due date, Charges of Rs. 2,500/- per day 2. Charges of Rs. 5000/- per day from second week after due date 3. In case of non-submission within three weeks from the due date of submission, New client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. 4. In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.	<u>Penalty/disciplinary action in case of Repeat violation/contravention.</u> > In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%. > In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. > In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.