

Before the
MEMBER AND CORE SETTLEMENT GUARANTEE FUND COMMITTEE
Of
NSE Clearing Limited

Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051

In the matter of Clearing Member

M/s Globe Capital Markets Ltd.

CORAM:

Mrs. Bhagyam Ramani	-	Chairperson of the Committee
Mr. N.K.Maini	-	Committee Member
Mr. Harun R Khan	-	Committee Member
Mr. Vikram Kothari, (MD)	-	Committee Member

Also Present:

Ms. Hima Bindu Vakkalanka – Vice President, NSE Clearing Ltd.

Mr. Amit Mahesh Pujara – Compliance Officer, NSE Clearing Ltd.

Ms. Shivani Dalvi- Inspection, NSE Clearing Ltd.

Ms. Jinal Shah- Compliance, NSE Clearing Ltd.

Ms. Divya Potdar- Compliance, NSE Clearing Ltd.

Ms. Vaibhavi Bane- Compliance, NSE Clearing Ltd.

Meetings of the Committee were held on January 19, 2022 through Video Conferencing due to the COVID Pandemic

I. BACKGROUND

1. Globe Capital Markets Ltd. ("Noticee"), having its registered office at 609, Ansal Bhawan, 16, Kasturba Gandhi Marg New Delhi-110001, is registered as a Trading cum Clearing Member (TMCM) with NSE Clearing Limited ("NCL") (SEBI Registration No. INZ000177137).
2. NCL conducted a Limited Purpose Inspection ("**LPI**") of the Noticee's books, registers, records and other relevant documents in Futures & Options (F&O) and Currency Derivatives (CD) segment with respect to M/s C. M. Goenka Stock Brokers Pvt. Ltd. (Goenka) for the period March 01, 2021 to August 06, 2021.
3. A Show Cause Notice dated September 21, 2021 ("**SCN**") was issued to the Noticee as to why appropriate disciplinary action in terms of Rule 1 and Rule 2 of Chapter V of Rules of NCL (F&O) should not be initiated for the non-compliances / violations mentioned in the SCN. The said SCN referred to the contents of the aforesaid LPI and observed that the Noticee has not complied with and violated the provisions of NCL circulars.

4. In terms of the SCN and NCL letter dated January 12, 2022, the Noticee was provided an opportunity of personal hearing before the Member and Core Settlement Guarantee Fund Committee of NCL (“**Committee**”) on January 19, 2022. The Noticee had earlier furnished its reply to SCN, vide its letter dated October 12, 2021.
5. At the personal hearing before the Committee held on January 19, 2022, the Noticee was represented by Mr. Yash Pal Mendiratta, Managing Director- Globe Capital Markets Ltd. and Mr. Kapil Marwah-Compliance Officer- Globe Capital Markets Ltd.
6. The Committee is hereinbelow summarizing the details of the violations, Noticee’s submissions on each violation and its findings on the same.
7. **Violation 1-Non implementation of NCL circular no. NCL/CMPL/48236 dated May 10, 2021**
 - i. As per NCL circular no. NCL/CMPL/48236 dated May 10, 2021, clearing members were informed that trading members are required to report details of ‘Client Level Cash & Cash Equivalent Balances’ to their Clearing Members on weekly basis and advised the Clearing Members to take note of the same and incorporate required changes in their monitoring and risk management framework.

- ii. Based on the discussion with the Noticee, during inspection and system walk through, it was observed that Noticee has not implemented the requirement of the above-mentioned circular.
- iii. It was thus observed that the Noticee has violated the NCL circular dated May 10, 2021, NCL/CMPL/48236 on reporting of 'Client Level Cash & Cash Equivalent Balances' by the Trading Members to the Clearing Members.

8. Noticee's submissions on non-implementation of NCL circular no. NCL/CMPL/48236 dated May 10, 2021

- i. Noticee has stated that it has implemented the NCL circular NCL/CMPL/48236 dated May 10, 2021 regarding reporting of client level cash and cash equivalent balance by the Trading members to the Clearing members.
- ii. Noticee has submitted that the back-office portal for uploading the said reports has been provided by it to all its trading members (TMs).
- iii. Noticee has provided screen shots of the back-office portal and sample files uploaded by a few members.

- iv. Noticee has submitted that some of the sample files as uploaded by Goenka were provided by it to Exchange/Inspecting officials during inspection.

9. Findings of the Committee in respect of non-implementation of NCL circular no. NCL/CMPL/48236 dated May 10, 2021

- i. The Committee notes that as per NCL circular NCL/CMPL/48236 dated May 10, 2021, addressed to all Professional Clearing Members and Clearing Members clearing for other Trading Members, trading members are required to report details of 'Client Level Cash & Cash Equivalent Balances' to their Clearing Members. The first submission as per the format was required to be made by the Trading Members for the week ending on June 19, 2021, due date of which was June 24, 2021. The circular further states that the Clearing Members are required to take note of the same and incorporate required changes in their monitoring and risk management framework.
- ii. The Committee notes that the Noticee has provided systems to its trading members whereby they can submit the reports as required by the aforesaid circular to the Noticee. The Noticee, however, has failed to demonstrate the monitoring that is being carried out by it based on the receipt of the data.

- iii. The Committee further notes that the NCL circular dated May 10, 2021 does not elaborate the details as to how the risk management may be carried out by the Clearing Members (CMs). The CMs, based on their risk management practices, are required to monitor the data submitted by their TMs.
- iv. The Committee further notes that Noticee, being a large clearing member, providing clearing services to huge number of trading members, needs to have adequate monitoring over its trading members.
- v. **The Committee, therefore, advises the Noticee to monitor the data received from its trading members in terms of the circular dated May 10, 2021 using appropriate risk management practices.**

10. Violation 2-Shortfall of margin on consolidated crystallised obligation

- a) Noticee has not collected margin on consolidated crystallised obligation amounting to around Rs. 2.50 Crores in Futures & Options (F&O) and Currency Derivative (CD) segment, in the form of cash, from its TM Goenka on a certain date during the inspection period.
- b) In view of the non-collection of margin on consolidated crystallised obligation in F&O and CD segment in cash by Noticee, it appears that

Noticee has funded the transaction of Goenka. Details of the instance are as under: -

Date	Total Margin to be collected in cash/non cash (Span + ELM (T day)+Del Margin T-1 day (A)	Total Margin collected in cash/non-cash (B)	Free balance (C) = (B-A)	Fund Balance (D)	Min. of (C and D) Fund Balance and Free Balance E	Margin on consolidated crystallized obligation T day (F)	Margin on consolidated crystallized obligation T day (G) recovered on T day	Margin on consolidated crystallized obligation T day (H) recovered on T+1 day	Shortfall (F-G-H)
14-May-21	464,876,235	930,186,461	465,310,226	117,101,953	117,101,953	142,848,223	117,101,953	750,000	24,996,270

- c) The Noticee has, therefore, violated NCL circular NSE/CMPT/5385 dated August 27, 2004 on collection of mark to market settlement and NCL/CMPL/44977 dated July 10, 2020 on Guidelines/clarifications on margin collection & reporting.

11. Noticee's submission that there is no shortfall on consolidated crystallized obligation

- a) Noticee has submitted that there is no shortfall on consolidated crystallized obligation on May 14, 2021.
- b) Trading member Goenka has intimated the Noticee to premature the Fixed Deposit Receipts (FDRs) amounting to Rs. 2.25 Crores on May 12, 2021. The Noticee has provided the request letter received from Goenka. On the basis of

Goenka's request, Noticee has done the same, however the entry was posted in the ledger on May 18, 2021 by Noticee's Accounts team due to holidays in between.

- c) The Noticee has provided revised calculation of collection of consolidated crystallized obligation from Goenka after considering the FDR amount as cash collateral.

12. Findings of the Committee for shortfall of margin on consolidated crystallised obligation

- a) The Committee notes that NCL circular dated August 27, 2004 on Collection of mark to market settlement states that "Clearing Members shall not fund the mark to market settlement amounts of the trading members and/or the clients"
- b) The Committee further notes that NCL circular dated July 10, 2020 on Guidelines/clarifications on margin collection & reporting states that "The CMs are required to collect margins on Consolidated Crystallised Obligation (COBG) from its respective TMs/CPs only in the form of Cash (and not in the form of FDRs/BGs or any other form of collateral) in the F&O and Currency Segment (except for physical settlement component on expiry of the contract, as may be specified by the Clearing Corporation)."

- c) The Committee notes that as per the SCN, the Noticee has failed to collect margin on COBG in cash amounting to Rs.2,49,96,270 on May 14, 2021. The Committee notes that the Noticee has provided detailed working in response to the SCN, considering the premature FDR amount of Rs.2.25 Crores.
- d) It is further noted that the shortfall in COBG arrived at by NCL for the purpose of SCN is after considering the margins on COBG as appearing in the margin files (MG18) payable by Goenka to the Noticee. Margin on Consolidated Crystallised Obligation is blocked from Clearing member's collateral by Clearing Corporation on the T day and reversed on T+1 before start of market hours and upon completion of settlement i.e. upon Clearing member making pay-in obligation to the Clearing Corporation. In view of the above, upon checking the collection of net pay in obligation by the Noticee from Goenka, no shortfall was observed.
- e) **The Committee, therefore, notes that this observation is to be dropped.**

13. Violation 3- Non-adherence to its own Risk Management Policy

a. Performance evaluation of trading members

- i. As per the Risk Management System (RMS) Policy of the Noticee, it has been stated that they do performance evaluation of the trading members. However, Noticee has not provided documentary evidence for the sample 5 trading members, including trading member Goenka, for conducting performance evaluation during the period January-21 to August-21.

- ii. As per NCL circular NCL/CMPL/44977 dated July 10, 2020, Noticee is required to mention the aspect of periodicity for conducting performance evaluation in its RMS Policy; however, the same is not incorporated in the RMS policy of Noticee. Noticee has also not provided any comment on the aspect of periodicity for conducting performance evaluation.

Sample TMs selected:

Sr. No.	TM Code	TM name
1	13302	Achintya Securities Private Limited
2	10798	Share India Securities Limited
3	12348	Reliance Securities Limited
4	8538	Adroit Financial Services Private Limited
5	12550	C. M. Goenka Stock Brokers Pvt. Ltd.

b. Inspection of trading members

- i. Risk Management Policy (RMS) policy maintained by Noticee does not contain periodicity to conduct inspection of the trading members along with the details of area/scope to be covered for inspection.
- ii. Noticee has not conducted inspection of sample 5 TMs selected during period August-20 to August-21.

Sample TMs selected:

Sr. No.	TM Code	TM name
1	13302	Achintya Securities Private Limited
2	10798	Share India Securities Limited
3	12348	Reliance Securities Limited

Sr. No.	TM Code	TM name
4	8538	Adroit Financial Services Private Limited
5	12550	C. M. Goenka Stock Brokers Pvt. Ltd.

- iii. As per para 7 of TM-CM agreement which states “The Clearing Member shall be entitled to receive from the Trading Member a statement containing (i) the details in respect of margin amount, due and paid by the Trading Member to the Clearing Member on his own account, which the Clearing Member had paid to the Clearing Corporation for the purpose of meeting margin requirements and (ii) a list of client codes, names of the clients, client-wise margin amount, collected by the Trading Member from his clients and paid to the Clearing Member, which the Clearing Member had paid to the Clearing Corporation for the purpose of meeting margin requirements. Such statements to be furnished by the Trading Members to the Clearing Member periodically as may be specified by the Clearing Corporation providing the amounts paid by the Trading Member on it /his own account and on behalf of it / his clients shall be conclusive and binding on itself / himself, his Clearing Member and all his clients unless the contrary is proved to the satisfaction of the Clearing Corporation.

c. Upper Cap for acceptance of securities

- i. As per the RMS policy of Noticee on upper cap for acceptance of securities from members, Noticee has stated in its policy that if the trading member deposits securities more than 50% of the total collateral and

value of more than Rs.50 Crores, review shall be done by the RMS and placed before the management.

- ii. It was observed that Noticee has failed to follow the above requirement of policy in the instances highlighted in the SCN (Annexure 1). Noticee has accepted securities from trading member Goenka which was more than 50% of the total collateral and value of securities was more than Rs.50 Crores.

d. Ratio of cash and non-cash component of collateral (50-50) w.r.t. RMS policy

- i. Noticee in its RMS policy has stated that ratio of cash and non-cash component of collateral is 50%-50%. Further, if non-cash component of collateral is more than 50%, then the same will be decided on a case-to-case basis after consulting the management.
- ii. It was observed that Noticee has failed to follow the requirement of the said policy and Noticee has not maintained the ratio of 50-50 of funds and securities deposited by the trading member to meet margin requirements in the instances highlighted in the SCN (Annexure 2) and no documents have been submitted by Noticee for review done by them for these instances.

It is, therefore ,observed that the Noticee has violated NCL circular dated July 10, 2020 on Guidelines/clarifications on margin collection & reporting, by not adhering to its own Risk Management Policy.

14. Noticee's submission that it has adhered to its Risk Management Policy

a. Performance evaluation

- i. Noticee has submitted that it does performance evaluation of members and seeks information like financial statements, networth, enhanced reports etc.
- ii. Noticee has submitted that due diligence was carried out by it for non-compliance observed for one member, namely Kripa Securities and compliance was ensured by the Noticee from Kripa Securities by seeking such information.

b. Inspection of trading members

- i. The Noticee has submitted that it is not mandatory to specify the minimum periodicity and the scope of inspection in the RMS Policy. The Noticee has further submitted that RMS Policy states that inspection is to be done by management if it finds it necessary or if non-compliance/default is observed. No such adverse instance was observed since the implementation of the RMS Policy.

- ii. During COVID where office was working with less staff, no inspection was conducted. This was put before the Board of the Noticee and noted by the Board.
- iii. The Noticee has further stated that Para 7 of the CM-TM Agreement, as quoted by NCL, has no relevance to the fact and circumstance of the present issue, if any. The quoted para just entitles the clearing member to receive the statement from the trading member as may be specified by the Clearing Corporation. It is incorrect to observe that Noticee has not obtained any such information from Goenka as it is not related to inspection and Clearing Corporation (CC) has not asked the Noticee to collect any such statement.

c. . Upper cap for acceptance of securities

- i. Noticee has submitted that acceptance of securities is with respect to acceptance of securities as collaterals from TMs. Due to introduction of pledge/ repledge, benefit for securities is given directly to clients by CCs. Hence, RMS policy is applicable to each individual client whose securities are pledged.
- ii. The clause of RMS policy is applicable only when pledged securities are actually utilised as margins. In the pledge/repledge system, trading

members can pledge the securities as much as they want. Noticee's RMS will apply only when the securities are actually utilized towards margin.

- iii. CC accepts pledged securities as much as the trading member wants, however, benefit is provided on 50-50 principle of use.
- iv. In the instances pointed by NCL, there is no single instance where securities utilized towards margin is more than 50% and value of securities is more than Rs. 50 Crores.
- v. Noticee has provided detailed working for all the instances in terms of percentage of value of pledged securities utilized vis a vis total margin utilized.

d. Ratio of cash and non-cash component of collateral

- i. The Noticee has submitted that its RMS policy states that ratio of cash and non-cash component of collateral is 50%-50%. Further, if non-cash component of collateral is more than 50%, then the same will be decided on a case-to-case basis after consulting the management.
- ii. In the instances pointed by NCL, collaterals were accepted based on verbal discussions and approvals of the Management.

15. Findings of the Committee with regard to non-adherence to Noticee's Risk Management Policy

a. Performance evaluation

- i. The Committee notes that NCL circular dated July 10, 2020 states that every Clearing Member shall be required to have a Risk Management Policy (RMP) in place. The circular further states that the RMP should be duly approved by the Board / Board Approved Authority / Committee (for corporate members) and by the managing partners in case of partnership firm and shall, inter alia, include certain aspects, one of which is, performance evaluation process of TMs/CPs registered with the CMs including its periodicity.
- ii. In terms of the aforesaid circular, the Noticee has formulated its RMP. As per its RMS policy, the following has been stated with regards to performance evaluation.

Performance evaluation of TMs/CPs registered with the CMs including its periodicity

Performance of TMs or CPs shall be evaluated based on payin payout, turnover, non-compliance, default and any other criteria as the management may deem appropriate and report shall be prepared if required.

- iii. While the Committee notes the Noticee's submission for due diligence carried out by it for non-compliance observed by it for one member, namely Kripa Securities and compliance ensured by Noticee from Kripa Securities

by seeking certain information, it may be noted that the Noticee failed to demonstrate performance evaluation carried out by it for a given sample of 5 trading members by NCL during the course of inspection.

- iv. There was no laid down process by the Noticee in terms of its RMS policy for carrying out performance evaluation of its trading members.
- v. **The Committee, therefore, notes that the Noticee has violated its RMS policy.**

b. Inspection of trading members

- i. The Committee notes that NCL circular dated July 10, 2020 states that every Clearing Member shall be required to have a Risk Management Policy (RMP) in place. The circular further states that the RMP should be duly approved by the Board / Board Approved Authority / Committee (for corporate members) and by the managing partners in case of partnership firm and shall, inter alia, include certain aspects, one of which is, inspection of trading members.
- ii. In terms of the aforesaid circular, the Noticee has formulated its RMP. As per its RMS policy, the following has been stated with regards to inspection of trading members.

Inspection of TMs

Inspection of TMs may be conducted with appropriate notice to the trading member, if the management finds it necessary

in the interest of compliance.

- iii. The Committee notes that the Noticee failed to demonstrate inspection carried out by it for a sample of 5 trading members given by NCL during the course of inspection.
- iv. Further, as per clause 2(7) of the Clearing Member Trading Member agreement (F&O segment), entered into by the Noticee with Goenka, dated July 7, 2017: -

The Clearing Member shall be entitled to receive from the Trading Member a statement containing (i) the details in respect of margin amount, due and paid by the Trading Member to the Clearing Member on his own account, which the Clearing Member had paid to the Clearing Corporation for the purpose of meeting margin requirements and (ii) a list of client codes, names of the clients, client-wise margin amount, collected by the Trading Member from his clients and paid to the Clearing Member, which the Clearing Member had paid to the Clearing Corporation for the purpose of meeting margin requirements. Such statements to be furnished by the Trading Member to the Clearing Member periodically as may be specified by the Clearing Corporation providing the amounts paid by the Trading Member on it /his own account and on behalf of it / his clients shall be conclusive and binding on itself / himself, his Clearing Member and all his clients unless the contrary is proved to the satisfaction of the Clearing Corporation”

Therefore, the Noticee was contractually enabled to call for and get the details.

- v. The Committee notes Noticee’s submission that no adverse instance of non-compliance/default was observed by the Noticee with respect to its

trading members since the implementation of the RMS Policy. Further, during the COVID pandemic, due to less staff working from office, no inspection was conducted by the Noticee and the same was put before the Board of the Noticee and noted by the Board.

- vi. The Committee observes that the Noticee failed to demonstrate inspections carried out by it; however, the Committee has taken into consideration the submission of the Noticee that because of COVID pandemic and due to less staff working from office, no inspection was conducted by the Noticee during the inspection period. The Committee further noted that the Noticee had placed the same before its Board.
- vii. **In view of the above, though this observation is dropped, the Committee has advised the Noticee to adhere to the aforesaid NCL circular and carry out inspection of its trading members.**

c. Upper cap for acceptance of securities

- i. The Committee notes that NCL circular dated July 10, 2020 states that every Clearing Member shall be required to have a Risk Management Policy (RMP) in place. The circular further states that the RMP should be duly approved by the Board / Board Approved Authority / Committee (for corporate members) and by the managing partners in case of partnership firm and shall, inter alia, include certain aspects, one of

which is, Upper Cap for acceptance of securities from a member and / or across all members in absolute terms and / or on an overall basis to avoid concentration risk.

- ii. In terms of the aforesaid circular, the Noticee has formulated its RMP. As per its RMS policy, the following has been stated with regards to upper cap for acceptance of securities;

Upper Cap for acceptance of securities from a member and / or across all members in absolute terms and / or on an overall basis to avoid concentration risk

In case a trading member deposits securities more than 50% of the total collateral and value of more than 50 crores, then the review shall be done by the RMS and placed before the management. The management shall take the decisions from case to case basis.

- iii. The Committee notes that the Noticee has provided detailed working for all the instances in terms of percentage of value of pledged securities utilized vis a vis total margin utilized. The Committee notes that, in all the instances the value of pledged securities utilized as a percentage of margins utilized, there is no single instance where securities utilized towards margin is more than 50% and value of securities is more than Rs.50 crores.

- iv. The Committee, after taking into consideration the submissions of the Noticee, noted that although the Noticee has accepted securities from trading member Goenka breaching the threshold defined in its RMS

policy, there is no instance where margin benefit was given on the excess securities.

- v. **The Committee, therefore, notes that this observation is dropped.**

d. Ratio of cash and non-cash component of collateral

- i. The Committee notes that NCL circular dated July 10, 2020 states that every Clearing Member shall be required to have a Risk Management Policy (RMP) in place. The circular further states that the RMP should be duly approved by the Board / Board Approved Authority / Committee (for corporate members) and by the managing partners in case of partnership firm and shall, inter alia, include certain aspects, one of which is, ratio of cash and non-cash component of collateral.
- ii. In terms of the aforesaid circular, the Noticee has formulated its RMP. As per its RMS policy, the following has been stated with regards to ratio of cash and non-cash component of collateral;

Ratio of cash and non-cash component of collateral

Ratio of cash and non-cash component of collateral is 50- 50%. Further if non cash component collateral is more than 50 %, then the case will be decided on case to case basis with consultant with the management.

- iii. The Committee notes that in the instances pointed by NCL in the SCN, Noticee has not maintained the ratio of 50-50 of cash and non-cash collateral to meet margin requirements.

- iv. The Committee observes that the Noticee should have well documented procedures in place for such instances rather than relying on approvals based on verbal communication.
- v. **The Committee, therefore, notes that the Noticee has violated its RMS policy.**

16. Violation 4- Reporting of trading member-wise, client-wise collateral details by clearing members

- i. Clearing member has to report member wise, client wise collateral to NCL on weekly basis.
- ii. During inspection, collateral data was submitted by the Noticee to NCL. This collateral data was compared with the weekly reporting data submitted by Noticee to NCL and it was observed that there are differences in collateral data reported by Noticee on weekly basis to NCL and the data submitted to NCL during the period of inspection (Annexure 3).
- iii. The Noticee has, therefore, violated NCL circulars NCL/COMP/41068 dated May 20, 2019, NCL/COMP/41500 dated July 3, 2019, NCL/COMP/41725 dated July 26, 2019,

NCL/CMPL/43201 dated January 10, 2020 and NCL/CMPL/46450 dated November 25, 2020.

17. Noticee's submission on Reporting of trading member-wise, client-wise collateral details by clearing members

- i. The Noticee has submitted that the differences in reporting are due to deposit of Interest Free Security Deposit (IFSD) by the trading member, bank reconciliation done by the Noticee on the next day, interest/clearing charges posted in the ledger on the next day and difference in haircut of securities. The Noticee has provided clarification for each instance highlighted in the SCN.

18. Findings of the Committee in respect of Reporting of trading member-wise, client-wise collateral details by clearing members

- i. The Committee notes that clearing members are required to submit weekly collateral details to NCL giving trading member-wise details of cash & cash equivalent collateral in terms of NCL circular dated May 20, 2019 NCL/COMP/41068, NCL circular dated July 3, 2019, NCL/COMP/41500 and NCL circular dated January 10, 2020, NCL/COMP/43201. The said circular requires clearing members to upload on a weekly basis details of collaterals collected by them from

their constituents in the form of ledger balance, fixed deposits, bank guarantees, securities (with breakup of GSec, Equities and Mutual Funds) etc.

- ii. The Committee further notes that as pointed in the SCN there were differences in the information of collaterals (ledger balance, bank guarantee, securities) provided by the Noticee during inspection and the collaterals (ledger balance, bank guarantee, securities) uploaded by the Noticee to NCL as a part of weekly upload of information in terms of the aforesaid circular.
- iii. In so far as the differences in the value of securities is concerned, the Committee notes that as per NCL circular dated July 26, 2019, NCL/COMP/41725, it has been clarified that value of securities for the purposes of weekly upload of collateral information should be the value based on which the exposure has been provided to the trading members/clients. It may be noted that the said exposure is always after considering haircut. It is noted that the Noticee has been reporting the securities value in the weekly upload to NCL without considering haircut and has, therefore, failed to follow the guidelines prescribed by the aforesaid circular. As far as the values of other collaterals like financial ledger balances, bank guarantees are concerned, the Committee notes that the information provided by the Noticee to NCL should be the same at all points in time, irrespective

of whether the same is provided through an upload to NCL or whether it is provided during the course of inspection.

DECISION

The Committee, in light of the observations made in the aforesaid paras, concludes its decision as under: -

Sr. No.	Violations	Decision of the Committee
1	Non implementation of NCL circular no. NCL/CMPL/48236 dated May 10, 2021 (Not in accordance with circular no. NCL/CMPL/48236 dated May 10, 2021)	Noticee is advised to monitor the data received from its trading members in terms of the circular dated May 10, 2021 using appropriate risk management practices
2	Non-adherence to its own Risk Management Policy in view of the NCL circular no. NCL/CMPL/44977 dated July 10, 2020- Performance Evaluation	As per the NCL circular dated August 13, 2021 on uniform penalty structure for clearing members, following is the penalty structure for: - 1. Non adoption / Maintenance of policies - Rs. 25,000/- 2. Per line item not followed – Rs. 2500/- subject to maximum of 25000/- In this case, penalty of Rs.2,500/- is applicable and the Noticee is advised to have laid down methodology/procedure to carry out performance evaluation of its trading members.
3	Non-adherence to its own Risk Management	Noticee is advised to adhere to NCL circular dated

	<p>Policy in view of the NCL circular no. NCL/CMPL/44977 dated July 10, 2020-</p> <p>Inspection of trading members</p>	<p>July 10, 2020 and carry out inspection of its trading members.</p>
4	<p>Non-adherence to its own Risk Management Policy in view of the NCL circular no. NCL/CMPL/44977 dated July 10, 2020-</p> <p>Ratio of cash and non-cash component of collateral (50-50) w.r.t. RMS policy</p>	<p>As per the NCL circular dated August 13, 2021 on uniform penalty structure for clearing members, following is the penalty structure for: -</p> <ol style="list-style-type: none"> 1. Non adoption / Maintenance of policies - Rs. 25,000/- 2. Per line item not followed – Rs. 2500/- subject to maximum of 25000/- <p>In this case, penalty of Rs.2,500/- is applicable and Noticee is advised to have documentary proof in place for any deviation from its RMS policy.</p>
5	<p>Reporting of trading member-wise, client-wise collateral details by clearing members (Not in accordance with NCL circular NCL/COMP/41068 dated May 20, 2019, NCL circular NCL/COMP/41500 dated July 03, 2019, NCL/COMP/41725 dated July 26, 2019, NCL circular NCL/CMPL/43201</p>	<p>Noticee is advised to follow the guidelines prescribed by NCL circulars in this regard and strengthen the backoffice software and ensure consistency in the data that is reported to CC at various points of time</p>

	dated January 10, 2020 and NCL/CMPL/46450 dated November 25, 2020)	
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Sd/-

Sd/-

Sd/-

Sd/-

Bhagyam Ramani

Harun R Khan

N K Maini

Vikram Kothari

(Chairperson)

(Committee Member)

(Committee Member)

(Committee Member)

Due to COVID situation, the Committee has given confirmation on email instead of physical signatures

Date: February 11, 2022