
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No : NCDEX/MEMBER INSPECTION-009/2026

Date : April 17, 2026

Subject : Ease of Doing Business - Rationalization and Standardization of penalties levied on Trading Members

1. This is with reference to Exchange Circular No. NCDEX/COMPLIANCE-56/2025 dated October 10, 2025, wherein disciplinary actions under NCDEX Rule-6 viz. “*Disciplinary proceedings, penalties, suspension and expulsion*” were prescribed for various regulatory non-compliances. The said disciplinary actions were based on the recommendations of the Working Group constituted by SEBI, which comprised of members from all Exchanges and Stock broker associations viz. ANMI, BBF & CPAI and approved by SEBI.
2. In continuation to the said objective of standardizing the disciplinary framework applicable to Trading Members across exchanges, the Working Group, after detailed deliberations, has proposed actions for additional set of violations where actions were not prescribed in the previous Circular No. NCDEX/COMPLIANCE-56/2025 dated October 10, 2025, along with modifications to certain existing violations.
3. The revised consolidated list of violations / non-compliances, their classification and the corresponding prescribed actions, approved by SEBI are available in the downloads section on the Exchange website https://ncdex.com/quick_links/download as “**Annexure A- Uniform Penalty Structure**”
4. The provisions of this circular shall be applicable with immediate effect as under:
 - i. On all cases under process / all non-compliances identified or determined after the date of the circular where penalty is being reduced.
 - ii. On all other cases where the date of violation falls after the date of the Circular.
 - iii. On all submission-based compliances where due date falls after the date of the Circular.
5. Further, Trading Members are requested to note the following:
 - i. Relevant Authority/Committee shall have the discretion to levy any additional penalties or take any necessary actions such as imposing embargo on onboarding new clients / AP for any period of time as deemed necessary, disablement of terminals, suspension, expulsion, declaration of member as defaulter or such other action.
 - ii. In case of monetary penalty/ financial disincentive for any of the observed non-compliance is less than Rs. 1000/-, Exchange shall 'Advise' the member instead of levying such monetary penalty/ financial disincentive.
 - iii. In case of escalations, maximum capped penalty wherever applicable shall also be escalated in accordance with mentioned escalation slab.
 - iv. If the cumulative amount of penalty/ financial disincentive arising out of inspection observations (i.e. emanating out of on-site/off-site or joint inspections) in a financial year exceeds Rs. 1 Crore or 20% of Member's latest reported networth, whichever is lower, then such inspection matters of those members will be referred to Relevant Authority/ Committee, for necessary action as deem fit.
 - v. Any procedural / non-critical violations (i.e. which do not impact the eligibility of the entity as a Trading Member, and do not pose any risk to client funds or securities) that are not covered under the prescribed penalty structure in this Circular or any SEBI/Exchange Circulars issued introducing any compliance provisions after the date of this Circular, shall

attract “Advice” followed by “Warning” and “Rs. 5,000 (Financial Disincentive)” for 2nd and 3rd repeat instances respectively till the issuance of prescribed structure for the said non-compliance. All other cases shall continue to be placed before Relevant Authority/Committee, and the decisions thereon shall be communicated to Trading Members by way of Action Letters / Orders.

6. The existing process of placing matters before Relevant Authority/Committee will continue to be followed for observations involving disciplinary action like the prohibition of onboarding of new clients, restriction on the onboarding of Authorized Persons or any action like disablement of terminals, suspension, expulsion, declaration of default and any other critical violations deemed fit by the Relevant Authority/Committee. In such cases, the Exchange shall issue an Intimation of Observation (IO) to seek Trading Member response. Thereafter, based on the response received on the IO, if the observation persists, the Exchange shall issue Show Cause Notice (SCN). An opportunity of personal hearing before Relevant Authority/Committee may be provided. However, the actions like disablement of the trading terminals, prohibition of onboarding of new clients, blocking collateral etc. shall continue as specified under relevant Annexure/Circular mentioned below, without placing the matter before Relevant Authority/ Committee:
 - i. Violations mentioned in Annexure A - Uniform Penalty Structure
 - ii. Monitoring corrective actions taken by Trading Member pursuant to SEBI inspection (NCDEX Circular No. NCDEX/COMPLIANCE-035/2025 dated June 27, 2025 and other circulars issued from time to time)
 - iii. Under SEBI SOP Circular SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020, regarding Trading Member / Clearing Member leading to default.
7. Trading Members must take note of the violations / non-compliances notified in the Letter of Observations (LO), Intimation of Observation (IO) and Show Cause Notice (SCN) along with the indicative penalties / penal actions / financial disincentives. It is in the interest of the Trading Members to submit complete, accurate and correct information in response to Exchange communications along with complete documentary evidence to substantiate their response within the timelines specified in the LO / IO / SCN. Upon receipt of Trading Members’ response to LO / SCN, the Exchange shall consider the same as final and complete the enforcement actions by issuing an Action Letter / Orders. Failure to submit a response to the LO / SCN within the prescribed timelines would be construed as "No additional information is available", and the Exchange shall proceed to complete the enforcement action based on the available documents. It is brought to the notice of the Trading Members that any failure to adhere to the timelines, unless extended by the Exchange as specified in Exchange Communications, may be treated as non-cooperation, and appropriate disciplinary proceedings may be initiated as mentioned in Annexure to this circular.
8. The amount collected in the form of penalty and financial disincentives is credited to Investor Protection Fund Trust (IPFT) of the Exchange.
9. The provisions of the current circular supersede the earlier penalty circulars except mentioned in point 6 above.
10. New violations items added are marked as “*”, and modified items are marked as “#” in Annexures for easy reference of trading members

Members are advised to take note of the same and put in place systems and procedures so as to ensure adherence to the compliance requirements.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Senior Vice President – Inspection & Enforcement

For further information/clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : askus@ncdex.com