

Frequently Asked Questions on Penalties

Q. Is AMC Repo Clearing Limited (ARCL) empowered to levy penalties on its Clearing Members (CMs)/Participants (Ps)?

- A. Yes. Chapter V of ARCL Rules “Disciplinary Proceedings, Penalties, Suspension and Expulsion, AMC Repo Clearing Limited (ARCL) is authorized to levy monetary and non-monetary penalties and/or initiate action for violations by CMs/Ps.

The Securities Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) also have the power to initiate enforcement actions like issuing administrative warnings and imposing penalties.

Q. What are the various causes based on which ARCL can levy penalties on its CMs/Ps?

- A. ARCL can levy penalties on its CMs/Ps in case of any violation, non-compliance with regulations and guidelines issued by SEBI, RBI and ARCL such as delays in complying with ongoing submissions, shortages in margins payable and settlement obligations, non-payment of dues etc.

Q. What is the nature of non-financial penalties levied by ARCL?

- A. The non-financial penalties levied by ARCL may be in the nature of advisories, warnings, withdrawal of trading facility etc.

Q. From where can the penalties levied by ARCL be noted?

- A. ARCL has issued a circular bearing ref no. ARCL/Compliance/2024-25/126 dated March 05, 2025, on “Uniform Penalty Structure for Clearing Members and Participants”.

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

The above circular provides details about the reasons for the penalty/violations, the amount of penalty/disciplinary action for first time violations and a higher penalty/disciplinary action in case of repeat violations/contraventions.

Q. Are there any penalties for non-appointment/ intimation of Compliance officer to ARCL by a CM/P?

- A. Yes. Penalties are levied for the first instance. Further, escalated penalties are also levied for repeat violations / non-compliance.

Q. Are penalties levied for delays or failure to furnish “Net worth Certificate” (Asset Under Management in case of Mutual Funds) or submissions with discrepancy in computation of Net worth?

A. Monetary as well non-monetary penalties, including removal of exposure limits are leviable for delays or failure to furnish Net worth certificate or submissions with discrepancy in computation of Net worth. Net worth certificates submissions with the correct computations and within the timelines prescribed by ARCL are applicable to both CMs and Ps.

Q. Are penalties also levied for delays in submission of Internal Audit certificate, Annual Returns and non-submission of certification in NISM Series IIIA of the Compliance Officer of a CM?

A. Yes. Monetary as well non-monetary penalties are leviable for delays in submission of Internal Audit Certificate and Annual Returns by CMs.

Q. What are the other ongoing Membership related compliances on which penalties are leviable?

A. Penalties are leviable for other ongoing Membership related non-compliances and non / delayed or incorrect data submissions for inspections, non-maintenance of policies / books / ledgers / journals / cash and bank book / margin deposit details / register of transactions / register of complaints, display of entity name and SEBI registration certificate and various others compliances as listed in the [Member Compliance Calendar](#) on ARCL website.

Q. Are penalties also applicable for any other violation / non-compliance with the Rules, Bye laws, Regulations of ARCL and circulars and / or directions issued by SEBI / RBI / ARCL.

A. Yes. The Clearing Members and Participants are advised to be guided by the Rules, Bye laws, Regulations of ARCL and the circulars and directions issued by SEBI / RBI / ARCL from time to time.

Q. Are any penalties levied for shortage in settlement amount?

A. A penal charge will be levied on the amount in default as per the Byelaws/Rules of ARCL relating to failure to meet obligations by any CM/P within the time specified by ARCL.

Q. What happens when a Clearing member/Participant fails to honour their settlement commitments?

A. In the event of a Clearing member/Participant failing to honour settlement commitments the concerned CM/P will attract prescribed penalties/action for failing to honour its settlement commitment.

Q. Are any penalties levied for Non-payment of statutory dues/duties/fees related to clearing & settlement related activities?

A. Yes. Penalties as per the ARCL Circular No. ARCL/Compliance/2024-25/126, dated March 05, 2025 for Penalty Norms and directions issued by ARCL from time to time will be levied to Members and Participants in case of Non-payment of statutory dues/duties/fees etc. related to clearing & settlement related activities.

Q. Are any penal charges levied for Mark to Market Shortage?

A. Yes. Penalties as per the Byelaws, Rules and Regulations and circulars and directions issued by ARCL from time to time will be levied to Members and Participants in case of MTM shortages.

Q. What is the process for payment of penalties by CMs/Ps?

A. The penalties, if any, for non-compliances get intimated to the CMs/Ps on their registered email ids with ARCL along with the invoice for the same on a periodic basis. The CMs/Ps need to make the payment basis the information on the invoice.

Q. What is the procedure for representing the review of penalties?

A. In case a review of the penalties is required, the CM/P may make a representation to ARCL which may be considered basis the extant regulations, guidelines and circulars issued by SEBI, RBI and ARCL from time to time.