BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/AN/SM/2024-25/31034

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of

Peerless Securities Limited
(*PAN: AABCP5069Q / SEBI Registration Number: INZ000263738*)

In the matter of Peerless Securities Limited

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as 'SEBI') conducted a thematic inspection (Theme: Authorized persons) of books of account and other documents of Peerless Securities Limited, Stock Broker, (hereinafter also referred to as 'Stock Broker' / 'Noticee' / 'entity') SEBI Registration No. INZ000263738 on February 06, 2024 for the inspection period from April 01, 2022 to January 31, 2024 (hereinafter also referred to as 'Inspection Period' / 'IP'). The findings of Inspection Report were communicated to the Noticee vide letter dated February 21, 2024. The Noticee submitted its reply to the findings on February 27, 2024. The findings of the inspection report vis-à-vis reply of the RTA have been analysed and thereafter Post Inspection Analysis (PIA) was carried out.

2. Pursuant to the inspection, SEBI observed certain violations and inter alia initiated Adjudication Proceedings under Section 15 I of the SEBI Act, 1992 (hereinafter also referred as 'SEBI Act') in respect of Peerless Securities Limited (hereinafter also referred to as 'Noticee' / 'Stock Broker/ 'SB'/ 'TM') in the subject matter for the alleged violations of Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause

A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992 (SB Regulations) NEAT-(Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184). CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02). NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

B. APPOINTMENT OF ADJUDICATING OFFICER

3. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violations by the Noticee, as stated above and therefore, in exercise of the powers conferred under Section 19 read with Section 15 I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as "Adjudication Rules"), the Competent Authority appointed the undersigned as Adjudicating Officer ("AO") vide order dated July 15, 2024 to inquire into and adjudicate under Section 15HB of the SEBI Act, 1992 for the alleged violations by the Noticee. The said proceeding of appointment was communicated to the undersigned vide Communique dated July 18, 2024.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice No. SEBI/EAD5/P/OW/2024/26742/1-2 dated August 23, 2024 (hereinafter also referred to as 'SCN' / 'SCN dated August 23, 2024 in short) was served upon the Noticee in terms of Section 15-I of the SEBI Act, 1992, Rule 4 of SEBI Adjudication Rules, 1995 inter alia to show cause as to why an inquiry should not be held against them and why penalty be not imposed under Section 15HB of SEBI Act, 1992 for the aforesaid alleged violations. The SCN was duly served upon the Noticee through Digitally Signed Email dated August 23, 2024 and also through Speed Post Acknowledge Due (SPAD). In this regard, copy of the India Post Tracking Details and email delivery receipt have been placed in file.

5. Following was inter alia alleged in the SCN in respect of the Noticee:

"….

Findings and Observations of SEBI pursuant to Inspection and alleged violations:

Pursuant to Inspection by SEBI, the following was inter-alia observed and/or alleged in respect of the Noticee:

5.1. *Ms Chanchal Purohit- Authorised Person (AP of Broker)*

5.1.1. *Ms Chanchal Purohit is having two terminals registered with two users namely Shri Vijay Purohit and herself.*

5.1.2. *Trading terminals exists at the given location viz 1, Peerless Mansion, 2nd Floor, Chowranghee Square, Esplanade, Kolkata-700069, but are being used by unauthorized persons.*

5.1.3. *It was observed that Ms Chanchal Purohit was not present at the office at the time of inspection. Instead she had employed two employees (Ms Divya Kamat and Shri Parveen khanna) as telecallers who were receiving calls and placing orders on behalf of clients of Ms Chanchal Purohit. Both employees viz Ms Divya Kamat and Shri Parveen khanna were receiving salary from Ms Chanchal Purohit.*

5.1.4. *On seeking clarification from AP regarding unauthorized use of terminal, the AP has vide email dated February 07, 2024 accepted the observation of inspection team and assured to rectify the same.*

5.1.5. *The broker does not have sufficient control over its AP and has allowed the AP to operate her terminal by unauthorized persons within the office premises of the broker itself.*

5.1.6. *Even though the broker has informed they have inspected the AP on October 31, 2023 the deficiencies observed by the inspection team has not been identified by the broker in the AP inspection report and no corrective measures taken.*

5.1.7. *In this regard Noticee in its response to the findings of the Inspection submitted the following:*

"On the date of inspection, the AP did not attend the office, allowed the trading terminal allotted to her to be used by her own employees. Unfortunately, we did not notice the same. Post-inspection, we have further strengthened our vigilance mechanism, to control over AP activities, including verifying the IN and OUT time of every AP, its employees and clients. The copy of the same is also annexed as Annexure-I. We also ensure that only authorized users access the trading terminal.

We do visit twice or thrice a day to each AP desk every day to ensure the compliances. However, on date of the inspection, the inspection team checked even before first visit to their desk, hence irregularities were noticed.

Upon our inspection conducted on October 31st, 2023, AP was present and there was no discrepancy at that time.

However, on the date of SEBI inspection, AP was not present in the office and had allowed her employees to operate the trading terminal in her absence. However, we acknowledge our oversight in this matter on *the inspection day. Post Inspection, we are increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible."*

5.1.8. *In this regard, SEBI observed that on verification of data submitted by TM, it was observed that TM had accepted the violations and had rectified the data only post communication by the exchange during inspection. Hence, the reply of the Noticee was accepted by SEBI.*

In view of the above, it is alleged that Noticee has violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT-(Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184)

CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02)
NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013,
CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013,
SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

5.2. *Ms Simran Gupta -Authorised Person (AP of Broker)*

5.2.1. *Terminal was not available at given location viz, 1, Peerless Mansion, 2nd Floor, Chowranghee Square, Esplanade, Kolkata-700069.*

5.2.2. *It was observed that orders were placed from CTCL id of Ms. Simran Gupta from a different location viz 31, Panchanantala Road, Bally, Howrah-711201.*

5.2.3. *The dealer has changed terminal location without informing/updating the same to the Exchange. On seeking clarification on the same, it was informed that the dealer has been using this location which is their residence address since F. Y 2021-22, i.e. Post Covid. Email received from the Broker in this regard is enclosed as Annexure 5 of IR*

5.2.4. *Calls received on the mobile of AP are not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection.*

5.2.5. *The broker informed they have inspected the AP on October 31, 2023. However, the deficiencies observed by the inspection team has not been identified by the broker in the AP inspection report and no corrective measures taken.*

5.2.6. *The broker does not have sufficient control over its AP.*

5.2.7. *In this regard Noticee in its response to the findings of the Inspection submitted the following:*

"In response to the regulatory guidelines issued during the COVID-19 pandemic, we adapted our operations to allow the operation of trading terminals from alternate locations to ensure the health and safety of our personnel while maintaining business continuity. Among those availing themselves of this provision were Mr. Deepak Gupta, an employee of Ms Simran Gupta who operated their trading terminals from alternate locations during this period.
Following the post-COVID-19 normalization and the withdrawal of the temporary relaxations by exchanges/SEBI, we reverted to standard operational procedures, mandating that all trading terminal operations return to their designated main locations. This update was duly communicated to the exchange, and to all our terminal users to ensure compliance with this directive.
Despite these communications, it has come to our attention that Mr. Gupta have not transitioned their order placement activities back to their main office locations. Instead, they have continued to operate from their alternate locations generally in the morning trade and in the afternoon from registered locations, contrary to our directives and the updated regulatory guidelines.
We acknowledge that this oversight represents a failure on our part to ensure full compliance with post-pandemic operational standards. To address this issue and prevent future occurrences, we have implemented several corrective measures post-inspection. These include the installation of static IP addresses in user terminals to ensure that trading activities are conducted securely and from authorized locations only. The screenshot of the both user's terminal are also attached herewith as Annexure-II and Annexure-III.
Further, we are also increasing our vigilance of APs through more frequent inspections and real-time

monitoring of their activities where feasible."

First and foremost, we wish to express our sincere commitment to compliance with all regulatory requirements set forth by SEBI and the importance we place on maintaining the highest standards of integrity and transparency in all our operations

With regard to observation noted by the inspection team, we would like to comment that we have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. The company maintains a proactive approach in educating and reminding APs about such requirement and other regulatory compliances.

We strictly mandate all our terminal users to dedicatedly follow the above recording system only for all trade-related communications and confirmations. Regular sample checks are also conducted to ensure compliance of the same, and immediate actions are taken against non-compliance.

However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side. Although we shall not overlook our responsibility towards the above violation and immediately increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible.

Upon receiving your inspection findings, we conducted an immediate and thorough internal review of our inspection processes and protocols as they relate to the oversight of our APs. This introspection has led us to acknowledge certain shortcomings in our inspection methodology in terms of technical aspects like monitoring of IP from where trades are actually executed. Accordingly, we have instructed our inspection team to take assistance from IT for the effective audit henceforth and non-recurrence of such instances again in any inspection.

It would be unfair to say that we do not have sufficient control over AP as we do maintain a high level of control over the activities of AP by conducting regular checks and monitoring their activities closely in case of all our Authorized Persons (AP).

However, we have noted the findings in some of our AP's namely, Ms. Simran Gupta, Shri Pankaj Roy and M/s Analysis Consultants and ensure you a better and efficient monitoring of the AP's henceforth. We assure you that such an incident will not recur in the future. We would request you to condone the matter and take a lenient view.

In response to your findings, we are implementing the following measures to address the gaps identified and to ensure compliance with all regulatory requirements:

- *Enhanced Inspection Protocols: We are revising our inspection checklist and procedures to include more rigorous and comprehensive criteria including technical aspects that will help identify any deficiencies more effectively. This will ensure that our inspection process is more aligned with regulatory expectations and industry best practices.*

- *Training and Development: We are initiating additional training sessions for our compliance and inspection teams to deepen their understanding of regulatory requirements and the nuances of identifying potential compliance issues. This training will be ongoing to ensure that our team remains current with evolving regulatory standards.*

- *Enhanced Oversight of APs: We are increasing our oversight of APs through more frequent inspections and real-time monitoring of their activities where feasible. This will include implementing additional checks and balances to prevent any unauthorized activities.*

We sincerely regret the oversight and are committed to upholding the highest standards of regulatory compliance moving forward. We believe that the measures outlined above will significantly enhance our oversight and control mechanisms to prevent the recurrence of such issues.

We request your guidance and feedback on our proposed corrective measures.

5.2.8. *In this regard, SEBI observed that on verification of data submitted by TM, it was observed that TM had accepted the violations and had rectified the data only post communication by the exchange during inspection. Hence, the reply of the Noticee was not accepted.*

In view of the above, it is alleged that Noticee has violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT-(Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184)

CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02)

NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013,

CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013,

SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

5.3. *Shri Pankaj Roy - Authorised Person (AP of Broker)*

5.3.1. *Terminal was not available at given location viz, 1, Peerless Mansion, 2nd Floor, Chowranghee Square, Esplanade, Kolkata-700069.*

5.3.2. *It was observed that orders were placed from the said CTCL id from different location viz 83/5, B.T. Road, Noapara, Kolkata – 700090.*

5.3.3. *The dealer has changed terminal location without informing/updating the Exchange. On seeking clarification on the same, it was informed that the dealer has been using this location which is their residence address since F. Y 2021-22, i.e. Post Covid.*

5.3.4. *Calls received on the mobile of AP are not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection.*

5.3.5. *Even though the broker has informed they have inspected the AP on January 28, 2023 the deficiencies observed by the inspection team has not been identified by the broker in the AP inspection report and no corrective measures taken.*

5.3.6. *The broker does not have sufficient control over its AP*

5.3.7. *In this regard Noticee in its response to the findings of the Inspection submitted the following:*

"In response to the regulatory guidelines issued during the COVID-19 pandemic, we adapted our operations to allow the operation of trading terminals from alternate locations to ensure the health and safety of our personnel while maintaining business continuity. Among those availing themselves of this provision were Mr. Deepak Gupta, an employee of Ms Simran Gupta who operated their trading terminals from alternate locations during this period.

Following the post-COVID-19 normalization and the withdrawal of the temporary relaxations by exchanges/SEBI, we reverted to standard operational procedures, mandating that all trading terminal operations return to their designated main locations. This update was duly communicated to the exchange, and to all our terminal users to ensure compliance with this directive.

Despite these communications, it has come to our attention that Mr. Gupta have not transitioned their order placement activities back to their main office locations. Instead, they have continued to operate from their alternate locations generally in the morning trade and in the afternoon from registered locations, contrary to our directives and the updated regulatory guidelines.

We acknowledge that this oversight represents a failure on our part to ensure full compliance with post-pandemic operational standards. To address this issue and prevent future occurrences, we have implemented several corrective measures post-inspection. These include the installation of static IP addresses in user terminals to ensure that trading activities are conducted securely and from authorized locations only. The screenshot of the both user's terminal are also attached herewith as Annexure-II and Annexure-III.

Further, we are also increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible.

First and foremost, we wish to express our sincere commitment to compliance with all regulatory requirements set forth by SEBI and the importance we place on maintaining the highest standards of integrity and transparency in all our operations

With regard to observation noted by the inspection team, we would like to comment that we have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. The company maintains a proactive approach in educating and reminding APs about such requirement and other regulatory compliances.

We strictly mandate all our terminal users to dedicatedly follow the above recording system only for all trade-related communications and confirmations. Regular sample checks are also conducted to ensure compliance of the same, and immediate actions are taken against non-compliance.

However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side. Although we shall not overlook our responsibility towards the above violation and immediately increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible.

Upon receiving your inspection findings, we conducted an immediate and thorough internal review of our inspection processes and protocols as they relate to the oversight of our APs. This introspection has led us to acknowledge certain shortcomings in our inspection methodology in terms of technical aspects like monitoring of IP from where trades are actually executed. Accordingly, we have instructed our inspection team to take assistance from IT for the effective audit henceforth and non-recurrence of such instances again in any inspection.

It would be unfair to say that we do not have sufficient control over AP as we do maintain a high level of control over the activities of AP by conducting regular checks and monitoring their activities closely in case of all our Authorized Persons (AP).

However, we have noted the findings in some of our AP's namely, Ms. Simran Gupta, Shri Pankaj Roy and M/s Analysis Consultants and ensure you a better and efficient monitoring of the AP's henceforth. We assure you that such an incident will not recur in the future. We would request you to condone the matter and take a lenient view.

In response to your findings, we are implementing the following measures to address the gaps identified and to ensure compliance with all regulatory requirements:

- *Enhanced Inspection Protocols: We are revising our inspection checklist and procedures to include more rigorous and comprehensive criteria including technical aspects that will help identify any deficiencies more effectively. This will ensure that our inspection process is more aligned with regulatory expectations and industry best practices.*

- *Training and Development: We are initiating additional training sessions for our compliance and inspection teams to deepen their understanding of regulatory requirements and the nuances of identifying potential compliance issues. This training will be ongoing to ensure that our team remains current with evolving regulatory standards.*

- *Enhanced Oversight of APs: We are increasing our oversight of APs through more frequent inspections and real-time monitoring of their activities where feasible. This will include implementing additional checks and balances to prevent any unauthorized activities.*

We sincerely regret the oversight and are committed to upholding the highest standards of regulatory compliance moving forward. We believe that the measures outlined above will significantly enhance our oversight and control mechanisms to prevent the recurrence of such issues.

We request your guidance and feedback on our proposed corrective measures."

5.3.8. *In this regard, SEBI observed that on verification of data submitted by TM, it was observed that TM had accepted the violations and had rectified the data only post communication by the exchange during inspection. Hence, the reply of the Noticee was not accepted.*

In view of the above, Noticee has violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR-1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184)

CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02)

NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013,

CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

5.4. *M/s Analysis consultants- - Authorised Person (AP of Broker)*

5.4.1. *Trading terminal exists at the given location viz, 190, Ground Floor, Satyen Roy Road, Behala, Kolkata-700034*

5.4.2. *It was observed that approved user Shri Bapan Baidya was not present at the office at the time of inspection. Instead his partner Shri Suvra Jyoti Acharya, who was not a registered user, was operating the terminal and receiving clients' orders.*

5.4.3. *The broker does not have sufficient control over its AP and has allowed the AP to operate his terminal by unauthorized persons.*

5.4.4. *Calls received on the mobile of AP are not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection.*

5.4.5. *The Broker has done inspection of the instant AP on May 13, 2023 and September 24, 2022. However, the deficiency w.r.t call recording observed by the inspection team has not been identified by the broker in the AP inspection report and no corrective measures taken.*

5.4.6. *The broker does not have sufficient control over its AP*

5.4.7. *In this regard Noticee in its response to the findings of the Inspection submitted the following:*

"Shri Bapan Baidya operates the terminal at all times. In practice, we do call upon terminal users to verify their physical presence in the terminal. Further post trade, we also verify the user call recordings to ensure that the orders were indeed received by him only.
However, on the inspection day, as per information received from the aforesaid user, he had gone out of the office due to some personal reason and left the terminal to his registered partner. We were mostly involved with the inspection team and, in the process the irregularities remain unnoticed. However, post inspection, we have advised the aforesaid user to strictly follow the guidelines and never leave the terminal to any other unregistered user. To avoid any such future recurrence, we are keeping stringent monitoring on the AP.
First and foremost, we wish to express our sincere commitment to compliance with all regulatory requirements set forth by SEBI and the importance we place on maintaining the highest standards of integrity and transparency in all our operations
With regard to observation noted by the inspection team, we would like to comment that we have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. The company maintains a proactive approach in educating and reminding APs about such requirement and other regulatory compliances.
We strictly mandate all our terminal users to dedicatedly follow the above recording system only for all trade-related communications and confirmations. Regular sample checks are also conducted to ensure compliance of the same, and immediate actions are taken against non-compliance.
However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side. Although we shall not overlook our responsibility towards the above violation and immediately increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible.
Upon receiving your inspection findings, we conducted an immediate and thorough internal review of our inspection processes and protocols as they relate to the oversight of our APs. This introspection has led us to acknowledge certain shortcomings in our inspection methodology in terms of technical aspects like monitoring of IP from where trades are actually executed. Accordingly, we have instructed our inspection team to take assistance from IT for the effective audit henceforth and non-recurrence of such instances again in any inspection.
It would be unfair to say that we do not have sufficient control over AP as we do maintain a high level of control over the activities of AP by conducting regular checks and monitoring their activities closely in case of all our Authorized Persons (AP).
However, we have noted the findings in some of our AP's namely, Ms. Simran Gupta, Shri Pankaj Roy and M/s Analysis Consultants and ensure you a better and efficient monitoring of the AP's henceforth. We assure you that such an incident will not recur in the future. We would request you to condone the matter and take a lenient view.
In response to your findings, we are implementing the following measures to address the gaps identified and to ensure compliance with all regulatory requirements:

- *Enhanced Inspection Protocols: We are revising our inspection checklist and procedures to include more rigorous and comprehensive criteria including technical aspects that will help identify any deficiencies more effectively. This will ensure that our inspection process is more aligned with regulatory expectations and industry best practices.*

- *Training and Development: We are initiating additional training sessions for our compliance and inspection teams to deepen their understanding of regulatory requirements and the nuances of identifying potential compliance issues. This training will be ongoing to ensure that our team remains current with evolving regulatory standards.*

- *Enhanced Oversight of APs: We are increasing our oversight of APs through more frequent inspections and real-time monitoring of their activities where feasible. This will include implementing additional checks and balances to prevent any unauthorized activities.*

We sincerely regret the oversight and are committed to upholding the highest standards of regulatory compliance moving forward. We believe that the measures outlined above will significantly enhance our oversight and control mechanisms to prevent the recurrence of such issues.
We request your guidance and feedback on our proposed corrective measures."

5.4.8. *In this regard, it was observed by SEBI that on verification of data submitted by TM, it was observed that TM had accepted the violations and had rectified the data only post communication by the exchange during inspection. Hence, the reply of the Noticee was not accepted.*

In view of the above, Noticee has violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR-1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184)
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CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013,
SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

(Note: for detailed/ complete text of the provisions, relevant Acts, Regulation, Circular etc., may please be referred.)

5.5. *Shri Sumit Chatterjee- - Authorised Person (AP of Broker)*

5.5.1. *Calls received on the mobile of AP are not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection.*

5.5.2. *The Broker has done inspection of the instant AP on January 20, 2024. However, the deficiency observed by the inspection team has not been identified by the broker in the AP inspection report and no corrective measures taken.*

5.5.3. *In this regard Noticee in its response to the findings of the Inspection submitted the following:*

"First and foremost, we wish to express our sincere commitment to compliance with all regulatory requirements set forth by SEBI and the importance we place on maintaining the highest standards of integrity and transparency in all our operations
With regard to observation noted by the inspection team, we would like to comment that we have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. The company maintains a proactive approach in educating and reminding APs about such requirement and other regulatory compliances.
We strictly mandate all our terminal users to dedicatedly follow the above recording system only for all trade-related communications and confirmations. Regular sample checks are also conducted to ensure compliance of the same, and immediate actions are taken against non-compliance.
However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side. Although we shall not overlook our responsibility towards the above violation and immediately increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible.
Upon receiving your inspection findings, we conducted an immediate and thorough internal review of our inspection processes and protocols as they relate to the oversight of our APs. This introspection has led us to acknowledge certain shortcomings in our inspection methodology in terms of technical aspects like monitoring of IP from where trades are actually executed. Accordingly, we have instructed our inspection team to take assistance from IT for the effective audit henceforth and non-recurrence of such instances again in any inspection."

5.5.4. *In this regard, it was observed by SEBI that on verification of data submitted by TM, it was observed that TM had accepted the violations and had rectified the data only post communication by the exchange during inspection. Hence, the reply of the Noticee was not accepted.*

5.5.5. *In view of the above, Noticee has violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR-1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184)*

CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02)
NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013,
CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013,
SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

…"

6. Noticee submitted its reply to the SCN vide its letter dated September 19, 2024. Key submissions of the Noticee as reply to the SCN are as under:

"…

We acknowledge the receipt of the Show Cause Notice (SCN) issued on August 23, 2024, regarding the adjudication proceedings initiated under Section 15 I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, concerning the alleged violations by Peerless Securities Limited (PSL) under various SEBI regulations.

First and foremost, we wish to reaffirm our commitment to full compliance with SEBI's regulatory framework and our dedication to maintaining high standards of operational integrity.

Peerless Securities Ltd. has been a registered entity with various exchanges since 1995. Over nearly three decades, we have consistently adhered to regulatory requirements, as evidenced by our spotless inspection history. Throughout our operation, we have not received any show cause notices or qualifications, underscoring our unwavering commitment to due diligence and regulatory compliance.

Our track record in investor relations further affirms our dedication. In the past 30 years, we have received a very few complaints from investors, a testament to our focus on maintaining high standards of conduct and service. We take pride in the fact that no financial loss or damage has been caused to any investor as a result of our operations. Protecting our investors is, and always has been, our foremost priority.

In these specific instances, we would like to highlight that despite the observations noted; no investor has suffered any financial harm. The measures taken by the team were generally preventive in nature to ensure clients do not suffer any financial losses, particularly in situations where the designated dealer or partner was unavailable.

Considering the scope of our operations, with nearly 50 AP terminals and around 100 registered Authorized Persons (APs), the noted observations on only five APs represent a minimal fraction of our operations. This small percentage reflects our overall compliance with regulatory standards and suggests that the instances in question were isolated and prompted by the urgency of the moment.

We would like to address the observations made during the thematic inspection on February 6, 2024, covering the period from April 1, 2022, to January 31, 2024.

1. AP Chanchal Purohit:

Terminal access was managed by employees of AP, and we have already provided all relevant documents to substantiate this, which you have reviewed and confirmed. These individuals (Ms Divya Kamat and Ms Parveen Khanam) were employed to assist the AP. Ms Parveen Khanam is a qualified certificate holder of NISM Series VII examination. Their involvement in placing orders on behalf of clients was due to a lapse on the part of the AP as she was gone to other places due to marriage function in the family (copy of the marriage card attached as Annexure-1) and misunderstanding of the regulatory requirements on the part of her employees who assuming client does not suffer any trading lost opportunity, accessed the trading terminals in absence of Ms. Chanchal Purohit. Ms. Chanchal Purohit, being an active participant in her trading activities, did not intend to delegate any trading responsibilities without due authorization.

We sincerely regret this lapse and want to assure SEBI that the concerned employees were not intentionally engaging in unauthorized access of the trading terminal. This incident occurred due to a lack of clarity regarding the extent of permissible activities for support staff.

Corrective Actions Taken:

Upon receiving SEBI's findings on the inspection day and understanding the gravity of the situation, we have immediately implemented corrective measures including strengthening our internal controls and monitoring procedures:

1. Revocation of Access: The access of Ms. Divya Kamat and Ms. Parveen Khanam to the trading terminals has been revoked immediately. Only Ms. Chanchal Purohit and Shri Vijay Purohit will operate the terminals henceforth. Ms. Parveen Khanam is now having terminal in her own name in cash segment as employee of AP and passed the NISM Series VII examination.

2. Training and Compliance: A comprehensive training session on compliance with SEBI regulations has been conducted for Ms. Chanchal Purohit and her employees to ensure that such incidents do not occur in the future. Clear guidelines have been established to delineate the roles and responsibilities of all staff members.

3. Enhanced Monitoring: We have strengthened our internal monitoring mechanisms and introduced a comprehensive surveillance system to ensure that trading terminals are operated only by authorized personnel. Regular audits will be conducted to ensure ongoing compliance with SEBI norms. Static IP is also implemented in the terminal.

2. AP Analysis Consultants:

The partner of the firm (AP) personally handled the terminal. The approved user and partner, Shri Bapan Baidya, of the partnership firm was not present at the time of inspection. Instead, the other partner of the firm, Shri Suvra Jyoti Acharya, was operating the terminal and receiving client orders.

We acknowledge the lapse in compliance in this regard, being a partner in the firm, Shri Suvra Jyoti Acharya was assisting clients during Shri Baidya's temporary absence, but we understand that only approved users are permitted to operate the trading terminal. Shri Baidya reportedly was feeling unwell on the inspection day and therefore, he was not able to handle the client queries. Although the AP is registered in the name of Partnership firm but the terminal can be in the name of individual only and in emergency Shri Acharya operates the terminal in absence of Shri Baidya. This was an unintentional breach, and there was no intent to violate SEBI guidelines.

Corrective Actions:

- *Restricted Access: We have immediately advised the AP and restricted the operation of the terminal to only to the registered user, Shri Bapan Baidya. No other individual, including Mr. Acharya, is permitted to access or operate the terminal.*

- *AP Training: The AP and its partners have been re-trained on SEBI's compliance requirements, specifically regarding terminal usage and the prohibition against unauthorized access.*

- *Order Documentation: A system for maintaining verifiable records of all preorder confirmations has already been put in place, and all APs have been instructed to ensure compliance with this process.*

3. AP Simran Gupta and AP Pankaj Roy:

Both accessed their terminals from their AP registered address in exchange records, with matching IP addresses confirming this. The different location is also available with exchange since these APs are registered its AP business with this address in exchange. Due to operational challenges during the COVID-19 pandemic, the operations of the trading terminals were temporarily relocated to a different address (in these cases AP registered address in exchange records) to maintain business continuity as per regulatory guidelines. On withdrawal of this temporary relaxation, we have shifted back all the terminal address to its main locations and updated the exchange record as well. However, the concerned AP's for its own convenience, they continue to operate from their AP registered address generally in the morning trade and then in the afternoon from registered terminal locations. The IP track details of the AP registered location were also available with SEBI during inspection. AP Pankaj Roy is having a prolonged health issues and find difficulties in attending office during morning session. Copy of Medical documents is attached as Annexure-2 herewith for your perusal.
Further, we have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side. Although we shall not overlook our responsibility towards the above violation and immediately increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible. We sincerely regret the occurrence of the same and have taken corrective actions post inspection.

Corrective Actions Taken:

1. Installation of static IP in the terminal: We have installed static IP addresses in user terminals to ensure that trading activities are conducted securely and from authorised locations only. Going forward, on implementation of the above system no user can operate terminal from any other locations even if it wants to.

2. Enhanced Monitoring and Controls: We have established internal procedures to ensure compliance with SEBI regulations. A monitoring system has been set up to track any location changes of our terminals and call recordings for the trades executed, ensuring all necessary regulatory requirements are fulfilled in a timely manner.

4. AP Sumit Chatterjee:

We already have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side. Although we shall not overlook our responsibility towards the above violation and immediately increasing our vigilance of APs through more frequent inspections and real-time monitoring of their activities where feasible. We sincerely regret the occurrence of the same and have taken corrective actions post inspection. A monitoring system has been set up to track call recordings for the trades executed, ensuring all necessary regulatory requirements are fulfilled in a timely manner.

Conclusion

We understand that there was a lapse in oversight on our part, leading to the unauthorized use of the trading terminals. However, we would like to assure SEBI that they were isolated occurrences that do not reflect our overall compliance practices. We have now implemented stricter controls and enhanced oversight mechanisms to ensure that the AP adheres strictly to SEBI regulations.
Further, no clients of these AP's have been made any complaints on the trade done during the time of inspection.
We respectfully request SEBI not to initiate an inquiry against us in terms of Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15-1 of the SEBI Act, 1992 and impose penalty under Section 15HB of SEBI Act, 1992 for the aforesaid alleged violations.
We have taken immediate corrective action to prevent any recurrence. We sincerely regret the non-compliance and respectfully request SEBI to consider our prompt and comprehensive response in addressing the issues raised.
We are a medium sized broking firm and categorically, fall in a bottom of the community but remain committed to complying with SEBI's regulations and maintaining the highest level of corporate governance. We further request you to take lenient view of the situation as these are first time occurrences and ensuring that such incidents do not recur in future.
As per requirement mentioned in the SCN, we are enclosing the copy of PAN card and copy of a Telephone bill as Annexure-3 and Annexure-4 respectively.

Thank you for your attention to this matter. We look forward to SEBI's guidance and feedback on our response.

…"

7. Having regard to the principles of Natural Justice, vide Hearing Notice dated September 20, 2024, an opportunity of personal hearing was provided to the Noticee on September 25, 2024.

8. On the Scheduled date of hearing, Noticee appeared through its Authorised Representatives (ARs) viz. Santanu Roy (Compliance Officer of Noticee) and Mrinal Kumar Basak (Principal Officer of Noticee) for the hearing held through online mode viz., video conferencing. During the hearing, ARs of the Noticee relied upon and reiterated the submissions made by Noticee vide letter dated September 19, 2024. Further, the ARs sought time till September 30, 2024 to make additional submissions as final and complete submissions in the matter.

Noticee vide email/letter dated September 30, 2024 made its additional submissions as final and complete submissions in the matter.

Noticee's Reply dated September 30, 2024

> *"…*
> *We refer to the Show Cause Notice (SCN) SEBI/EAD5/P/OW/2024/26742/1 issued on August 23, 2024 and our subsequent response submitted on September 19, 2024. Further in reference to the minutes of the Hearing dated September 25, 2024, we would like to provide an additional submission in response.*
>
> *We would like to bring to your kind attention that the National Stock Exchange (NSE) has conducted an inspection in CM, FO and CD segments during May 2024 also includes the terminal operations covered by SEBI in its inspection, and gladly no adverse observations were found in such area. The NSE inspection covered the terminals including AP sitting at HO location. The terminals of AP-Chanchal Purohit, Simran Gupta and Pankaj Roy were covered in the NSE inspection and no deficiency was observed. This further confirms our continued efforts towards maintaining compliance with all applicable regulations.*
>
> *Moreover, we want to emphasize that there was absolutely no intention on our part to commit any non-compliance. The few isolated lapses that were observed during SEBI's inspection have been carefully reviewed and promptly addressed. All necessary corrective actions have been implemented to ensure such issues do not arise in the future. Furthermore, there was no such observations found in any of exchanges and SEBI's earlier inspections, the instances were first time occurrence and not repetitive in nature.*
>
> *In light of the above, we sincerely request you to take a lenient view of the matter. We remain committed to adhering to all regulatory requirements and will continue to strive for the highest standards of compliance going forward.*
>
> *…"*

D. CONSIDERATION OF ISSUES AND FINDINGS

9. The issues that arise for consideration in the instant matter are as following:

Issue No. I: Whether the Noticee has violated the provisions of SEBI Stock-Brokers Regulations and cited Circulars as alleged?

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15HB of SEBI Act, 1992?

Issue No. III: If yes, what should be the monetary penalty that can be

imposed upon the Noticee?

10. I now proceed to deal with the matter on merit with respect to the allegations made against the Noticee in the SCN.

Issue No. I: Whether the Noticee has violated the provisions of SEBI Stock-Brokers Regulations and cited Circulars as alleged?

I note that the alleged violations inter alia pertain to Noticee not having sufficient control over its APs and Noticee having allowed certain APs to operate their terminal by unauthorized persons and that the Calls received on the mobile of respective APs were not recorded. In this regard, the instant matter pertains to five APs of the Noticee which is dealt as under:

10.1. **Ms Chanchal Purohit- Authorised Person (AP of Noticee)**

10.1.1. In this regard, it was inter alia observed and alleged by SEBI that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

10.1.2. In this regard, it was inter alia observed and alleged by SEBI that Ms Chanchal Purohit who was one of the APs of Noticee during the relevant time was having two terminals registered with two users namely Shri Vijay Purohit and herself. The said trading terminals existed at the given location viz 1, Peerless Mansion, 2nd Floor, Chowranghee Square, Esplanade, Kolkata-700069, but were being used by unauthorized persons. I note from material available on record that SEBI observed that Ms Chanchal Purohit was not present at the office at the time of inspection instead she had employed two employees (Ms Divya Kamat and Shri Parveen khanna) as telecallers who were receiving calls and placing orders on behalf of clients of Ms Chanchal Purohit. Both employees viz Ms Divya Kamat and Shri Parveen khanna were receiving salary from Ms Chanchal Purohit. On seeking clarification from AP regarding unauthorized use of terminal, the AP had vide email dated February 07, 2024 accepted the observation of inspection team and assured to rectify the same.

10.1.3. The relevant text of provisions alleged to have been violated are reproduced below:

Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009

"…

5. Conditions of Appointment

The following are the conditions of appointment of an authorised person:

a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.

…”.

NSE/MA/22732 dated February 13, 2013

“…

b) Control: The trading terminals are required to be under the direct control of the trading member and be managed either by…approved Authorised Person of the trading member

…”

10.1.4. In this regard, I note from material available on record that Noticee has neither denied nor disputed the alleged violation and instead Noticee’s response to SEBI earlier wrt the finding of inspection and its submissions as reply to the SCN during the instant proceedings are in nature of admission save for being differently worded as detailed hereunder.

10.1.5. Noticee response dated February 27,2024 to SEBI earlier:

“*On the date of inspection, the AP did not attend the office, allowed the trading terminal allotted to her to be used by her own employees. Unfortunately, we did not notice the same. Post-inspection, we have further strengthened our vigilance mechanism, to control over AP activities, including verifying the IN and OUT time of every AP, its employees and clients”*

10.1.6. Noticee’s reply dated September 19, 2024 to the SCN during the instant proceedings:

“….These individuals (Ms Divya Kamat and Ms Parveen Khanam) were employed to assist the AP…..Their involvement in placing orders on behalf of clients was due to a lapse on the part of the AP as she was gone to other places due to marriage function in the

family…We sincerely regret this lapse and want to assure SEBI that the concerned employees were not intentionally engaging in unauthorized access of the trading terminal.…Upon receiving SEBI's findings on the inspection day and understanding the gravity of the situation, we have immediately implemented corrective measures including strengthening our internal controls and monitoring procedures…."

10.1.7. I note that as per NSE circular dated February 13, 2013, the trading terminal was required to be managed by approved Authorised Person of the trading member viz., Ms Chanchal Purohit in the instant matter.

10.1.8. In this regard, I note that as per Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Noticee being Stock broker of authorized person in the instant matter shall be responsible for all acts of omission and commission of the authorized person.

In view thereof, the violation as regards Noticee stands established and therefore, I hold that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT-(Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL - (Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

10.2. **Ms Simran Gupta -Authorised Person (AP of Noticee)**

10.2.1. In this regard, it was inter alia alleged by SEBI that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT-(Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

10.2.2. In this regard, it was inter alia observed and alleged by SEBI that terminal was not available at given location viz, 1, Peerless Mansion, 2nd Floor, Chowranghee Square, Esplanade, Kolkata-700069. It was observed that orders were placed from CTCL id of Ms. Simran Gupta from a different location viz 31, Panchanantala Road, Bally, Howrah-711201. The dealer had changed terminal location without informing/updating the same to the Exchange. On seeking clarification on the same, it was informed that the dealer had been using this location which was their residence address since F. Y 2021-22, i.e. Post Covid. Further, it was also observed that Calls received on the mobile of AP were not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection.

10.2.3. The relevant text of provisions alleged to have been violated are reproduced below:

Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009

"…

5. Conditions of Appointment
The following are the conditions of appointment of an authorised person:
a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.

…".

NSE/MA/22732 dated February 13, 2013

"…

a) Location: The location of the trading terminal is required to be only in the main/branch offices or in the office of the registered Sub-broker (only in CM segment) / approved Authorised Person (CM / FNO / CD Segment) of the trading member…"

Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

Prevention of Unauthorised Trading by Stock Brokers

"…

III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:
a.Physical record written & signed by client,

b.Telephone recording,
c.Email from authorized email id,
d.Log for internet transactions,
e.Record of messagesthrough mobile phones,
f.Any other legally verifiable record.

…"

10.2.4. In this regard, I note from material available on record that Noticee has neither denied nor disputed the alleged violation and instead Noticee's response to SEBI earlier wrt the finding of inspection and its submissions as reply to the SCN during the instant proceedings are in nature of admission save for being differently worded as detailed hereunder.

10.2.5. Noticee response dated February 27,2024 to SEBI earlier:

"Following the post-COVID-19 normalization and the withdrawal of the temporary relaxations by exchanges/SEBI, we reverted to standard operational procedures, mandating that all trading terminal operations return to their designated main locations. This update was duly communicated to….all our terminal users to ensure compliance with this directive. Despite these communications, it has come to our attention that Mr. Gupta have not transitioned their order placement activities back to their main office locations. Instead, they have continued to operate from their alternate locations generally in the morning trade and in the afternoon from registered locations, contrary to our directives and the updated regulatory guidelines…we have a dedicated call recording system *for APs' and other dealers, requiring them to make client calls from the recorded system only. We strictly mandate all our terminal users to dedicatedly follow the above recording system only for all trade-related communications and*

confirmations….However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution *on the same call is naturally remained lower from our side…"*

10.2.6. Noticee's reply dated September 19, 2024 to the SCN during the instant proceedings:

"Due to operational challenges during the COVID-19 pandemic, the operations of the trading terminals were temporarily relocated to a different address (in these cases AP registered address in exchange records) to maintain business continuity as per regulatory guidelines. On withdrawal of this temporary relaxation, we have shifted back all the terminal address to its main locations and updated the exchange record as well. However, the concerned AP's for its own convenience, they continue to operate from their AP registered address generally in the morning trade and then in the afternoon from registered terminal locations…the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side…"

10.2.7. In this regard, I note from NSE Circular dated February 13, 2013 that the location of the trading terminal is inter alia required to be…in the main/branch offices or in the office of… approved Authorised Person of the trading member.

10.2.8. Wrt the allegation that Calls received on the mobile of AP were not recorded, I note that as per SEBI Circular dated March 22, 2018, Noticee was required to execute trades of clients only after keeping evidence of the client placing such order in the form of either a.Physical record written & signed by client, b.Telephone recording, c.Email from authorized email id, d.Log for internet transactions, e.Record of messages through mobile phones, f.Any other legally verifiable record.

10.2.9. In this regard, I note that as per Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Noticee being Stock broker of authorized person in the instant matter shall be responsible for all acts of omission and commission of the authorized person.

10.2.10. In view thereof, the violation as regards Noticee stands established and therefore, I hold that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184) , CTCL - (Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL-Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

10.3. **Shri Pankaj Roy - Authorised Person (AP of Noticee)**

10.3.1. In this regard, it was inter alia alleged by SEBI that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD /

DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

10.3.2. In this regard, it was inter alia observed and alleged by SEBI that terminal was not available at given location viz, 1, Peerless Mansion, 2nd Floor, Chowranghee Square, Esplanade, Kolkata-700069. It was observed that orders were placed from the said CTCL id from different location viz 83/5, B.T. Road, Noapara, Kolkata – 700090. The dealer had changed terminal location without informing/updating the Exchange. On seeking clarification on the same, it was informed that the dealer had been using this location which is their residence address since F. Y 2021-22, i.e. Post Covid. Calls received on the mobile of AP are not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection. Even though the broker had informed they had inspected the AP on January 28, 2023 the deficiencies observed by the inspection team had not been identified by the broker in the AP inspection report.

10.3.3. The relevant text of provisions alleged to have been violated are reproduced below:

Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009

"…

5. Conditions of Appointment
The following are the conditions of appointment of an authorised person:
a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.

…".

NSE/MA/22732 dated February 13, 2013

"…

a) Location: The location of the trading terminal is required to be only in the main/branch offices or in the office of the registered Sub-broker (only in CM segment) / approved Authorised Person (CM / FNO / CD Segment) of the trading member…"

Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

Prevention of Unauthorised Trading by Stock Brokers

"…

III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:
a.Physical record written & signed by client,
b.Telephone recording,
c.Email from authorized email id,
d.Log for internet transactions,
e.Record of messagesthrough mobile phones,
f.Any other legally verifiable record.

…"

10.3.4. In this regard, I note from material available on record that Noticee has neither denied nor disputed the alleged violation and instead Noticee's response to SEBI earlier wrt the finding of inspection and its submissions as reply to the SCN during the instant proceedings are in nature of admission save for being differently worded as detailed hereunder.

10.3.5. Noticee response dated February 27,2024 to SEBI earlier:

"Following the post-COVID-19 normalization and the withdrawal of the temporary relaxations by exchanges/SEBI, we reverted to standard operational procedures, mandating that all trading terminal operations return to their designated main locations. This update was duly communicated to….all our terminal users to ensure compliance with this directive….Despite these communications, it has come to our attention that Mr. Gupta have not transitioned their order placement activities back to their main office locations. Instead, they have continued to operate from their alternate locations generally in the morning trade and in the afternoon from registered locations, contrary to our directives and the updated regulatory guidelines…we have a dedicated call recording system *for APs' and other dealers, requiring them to make client calls from the recorded system only. We strictly mandate all our terminal users to dedicatedly follow the above recording system only for all trade-related communications and confirmations….However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade* execution *on the same call is naturally remained lower from our side…"*

10.3.6. Noticee's reply dated September 19, 2024 to the SCN during the instant proceedings:

"Due to operational challenges during the COVID-19 pandemic, the operations of the trading terminals were temporarily relocated to a different address (in these cases AP registered address in exchange records) to maintain business continuity as per regulatory guidelines. On withdrawal of this temporary relaxation, we have shifted back all the terminal address to its main locations and updated the exchange record as well. However, the concerned AP's for its own convenience, they continue to operate from their AP registered address generally in the morning trade and then in the afternoon from registered terminal locations…we have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side… We sincerely regret the occurrence of the same and have taken corrective actions post inspection…"

10.3.7. In this regard, I note from NSE Circular dated February 13, 2013 that the location of the trading terminal is inter alia required to be in the main/branch offices or in the office of approved Authorised Person of the trading member.

10.3.8. Further, wrt the allegation that Calls received on the mobile of AP were not recorded, I note that as per SEBI Circular dated March 22, 2018 Noticee was required to execute trades of clients only after keeping evidence of the client placing such order in the form of either a.Physical record written & signed by client, b.Telephone recording, c.Email from authorized email id, d.Log for internet transactions, e.Record of messages through mobile phones, f.Any other legally verifiable record.

10.3.9. In this regard, I note that as per Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Noticee being Stock broker of authorized person in the instant matter shall be responsible for all acts of omission and commission of the authorized person.

10.3.10. In view thereof, the violation as regards Noticee stands established and therefore, I hold that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL - (Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

10.4. **M/s Analysis consultants- - Authorised Person (AP of Noticee)**

10.4.1. In this regard, it was inter alia alleged by SEBI that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and

A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT-(Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02) NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

10.4.2. In this regard, it was inter alia observed and alleged by SEBI that approved user of M/s Analysis consultants viz., Shri Bapan Baidya was not present at the office at the time of inspection. Instead his partner Shri Suvra Jyoti Acharya, who was not a registered user, was operating the terminal and receiving clients' orders. Further, Calls received on the mobile of AP were not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection. It was further observed by SEBI that the Broker had done inspection of the instant AP on May 13, 2023 and September 24, 2022. However, the deficiency w.r.t call recording observed by the inspection team was not identified by the broker in the AP inspection report.

10.4.3. The relevant text of provisions alleged to have been violated are reproduced below:

Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009

"…

5. Conditions of Appointment
The following are the conditions of appointment of an authorised person:
a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.

…".

NSE/MA/22732 dated 13-Feb-2013

"…

b) Control: The trading terminals are required to be under the direct control of the trading member and be managed either by an authorized employee or by a registered Sub-broker / approved Authorised Person of the trading member

…"

10.4.4. In this regard, I note from material available on record that Noticee has neither denied nor disputed the alleged violation and instead Noticee's response to SEBI earlier wrt the finding of inspection and its submissions as reply to the SCN during the instant proceedings are inter alia in nature of admission save for being differently worded as detailed hereunder.

10.4.5. Noticee response dated February 27,2024 to SEBI earlier:

"Shri Baidya operates the terminal at all times. In practice, we do call upon terminal users to verify their physical presence in the terminal. Further post trade, we also verify the user call recordings to ensure that the orders were indeed received by him only. However, on the inspection day, as per information received from the aforesaid user, he had gone out of the office due to some personal reason and left the terminal to his registered partner. We were mostly involved with the inspection team and, in the process the irregularities remain unnoticed. However, post inspection, we have advised the

aforesaid user to strictly follow the guidelines and never leave the terminal to any other unregistered user, to avoid any such future recurrence, we are keeping stringent monitoring on the AP."

10.4.6. Noticee's reply dated September 19, 2024 to the SCN during the instant proceedings:

"…The approved user and partner, Shri Bapan Baidya, of the partnership firm was not present at the time of inspection. Instead, the other partner of the firm, Shri Suvra Jyoti Acharya, was operating the terminal and receiving client orders… We acknowledge the lapse in compliance in this regard, being a partner in the firm, Shri Suvra Jyoti Acharya was assisting clients during Shri Baidya's temporary absence, but we understand that only approved users are permitted to operate the trading terminal…"

10.4.7. I note that as per NSE circular dated February 13, 2013, the trading terminal was required to be managed by approved Authorised Person of the trading member viz., Shri Bapan Baidya in the instant matter.

10.4.8. In this regard, I note that as per Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Noticee being Stock broker of authorized person in the instant matter shall be responsible for all acts of omission and commission of the authorized person.

10.4.9. In view thereof, the violation as regards Noticee stands established and therefore, I hold that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL-Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

10.5. **Shri Sumit Chatterjee- - Authorised Person (AP of Noticee)**

10.5.1. In this regard, it was inter alia alleged by SEBI that Noticee had violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT-(Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated

25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

10.5.2. In this regard, it was inter alia observed and alleged by SEBI that calls received on the mobile of AP were not recorded and AP was not able to provide any evidence of preorder confirmation by clients on the day of inspection.

10.5.3. The relevant text of provisions alleged to have been violated are reproduced below:

Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009

"…

5. Conditions of Appointment
The following are the conditions of appointment of an authorised person:
a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.

…".

Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

Prevention of Unauthorised Trading by Stock Brokers

"…

III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:
a.Physical record written & signed by client,
b.Telephone recording,
c.Email from authorized email id,
d.Log for internet transactions,
e.Record of messagesthrough mobile phones,
f.Any other legally verifiable record.

…"

10.5.4. In this regard, I note from material available on record that Noticee has neither denied nor disputed the alleged violation and instead Noticee's response to SEBI earlier wrt the finding of inspection and its submissions as reply to the SCN during the instant proceedings are in nature of admission save for being differently worded as detailed hereunder:

10.5.5. Noticee response dated February 27,2024 to SEBI earlier:

"…the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side..immediately increasing our vigilance of Aps through more frequent inspections and real-time monitoring of their activities *where feasible."*

10.5.6. Noticee's reply dated September 19, 2024 to the SCN during the instant proceedings:

"…

We already have a dedicated call recording system for APs' and other dealers, requiring them to make client calls from the recorded system only. However, the level of direct supervision on the calls received on the mobile of AP and the simultaneous trade execution on the same call is naturally remained lower from our side… We sincerely regret the occurrence of the same and have taken corrective actions post inspection… We understand that there was a lapse in oversight on our part, leading to the unauthorized use of the trading terminals…"

10.5.7. I note that as per SEBI Circular dated March 22, 2018 Noticee was required to execute trades of clients only after keeping evidence of the client placing such order in the form of either a.Physical record written & signed by client, b.Telephone recording, c.Email from authorized email id, d.Log for internet transactions, e.Record of messages through mobile phones, f.Any other legally verifiable record.

10.5.8. In this regard, I note that as per Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Noticee being Stock broker of authorized person in the instant matter shall be responsible for all acts of omission and commission of the authorized person.

10.5.9. In view thereof, the violation as regards Noticee stands established and therefore, I hold that Noticee has violated Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992, NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184), CTCL - (Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02), NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL-Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15HB of SEBI Act, 1992?

11. It has been established in the foregoing paragraphs that Noticee had violated provisions of Clause 5 (a) of Annexure 1 of SEBI circular no. MIRSD / DR- 1 /Cir-16 / 09 dated November 06, 2009, Clause A(1), A(2) and A(5) of Code of Conduct as specified in Schedule II of Regulation 9(f) of SEBI (Stock-Brokers) Regulations, 1992 (SB Regulations) NEAT- (Regulation 2.2.1 of Regulations (F&O Segment) and Regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184). CTCL -(Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02 and NSE/MEMB/3635 dated 25-Sep-02). NEAT - Exchange's circular no. NSE/MEM/1591 dated 20-Apr-2000, NSE/MEM/7400 dated 20-Apr-06 and NSE/MA/22732 dated 13-Feb-2013, CTCL- Exchange's circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02 and NSE/MA/22732 dated 13-Feb-2013, SEBI circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, Clause III of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

12. In this regard, it is noted that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

> *" ... In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established .... "*

13. Therefore, for the above violations, as brought out in the foregoing paragraphs, I find that the Noticee is liable for monetary penalty under Section 15HB of the SEBI Act, 1992, which reads as under:

> *"…*
>
> ***Penalty for contravention where no separate penalty has been provided.***

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be 104[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]
…"

(Note: for detailed/ complete text of the provisions, relevant Acts etc., may please be referred.)

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

14. While determining the quantum of penalty, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, which reads as under: -

"…

Factors to be taken into account while adjudging quantum of penalty.

***15J.** While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:—*
a. the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
b. the amount of loss caused to an investor or group of investors as a result of the default;
c. the repetitive nature of the default.
Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

..."

15. In the instant case, I note that the material available on record does not quantify any disproportionate gain or unfair advantage or consequent loss caused to an investor or group of investors as a result of the violations committed by the Noticee. Further, there is nothing on record to show that the violation committed by the Noticee are repetitive in nature. Further, Noticee in its addition submissions dated September 30, 2024 submitted that *"(NSE) has conducted an inspection in CM, FO and CD segments during May 2024 also includes the terminal operations covered by SEBI in its inspection… The terminals of AP- Chanchal Purohit, Simran Gupta and Pankaj Roy were*

covered in the NSE inspection and no deficiency was observed." However, I cannot ignore that compliance with extant applicable provisions of SEBI Regulations and SEBI and NSE Circulars, as cited, in the instant matter, were obligatory and which SEBI is duty-bound to enforce compliance of and such non-compliances accordingly need to be dealt with suitable penalty.

E. ORDER

16. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, I hereby impose penalty of Rs 3,00,000 (Three Lakhs only) for the aforementioned violation, as discussed in this order. In my view, the said penalty will be commensurate with the violation committed by the Noticee in this case.

17. The Noticee shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

    ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW

18. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

19. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

PLACE: MUMBAI **AMAR NAVLANI**
DATE: November 29, 2024 **ADJUDICATING OFICER**