**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER NO. Order/JS/DP/2025-26/31791-31795]**

---

**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 BY ADJUDICATING OFFICERS), RULES, 1995**

**In respect of:**

| Sr. No. | Name of the Noticee | PAN |
|---|---|---|
| 1 | Fourdegreewater Services Private Limited | AAFCF2028P |
| 2 | Mr. Anshul Gupta | AQWPG9702H |
| 3. | Mr. Shashank Chimaladari | BCOPC6154Q |
| 4. | Ms. Ankita Shastri | FIDPS4868A |
| 5. | Mr. Aditya Anand | BYAPA1234R |

**in the matter of inspection of Fourdegreewater Services Private Limited as stock broker acting as an Online Bond Platform Provider (OBPP)**

---

## BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**), carried out inspection of Fourdegreewater Services Private Limited (hereinafter referred to as "**Noticee No. 1**") to examine the extent of compliance to regulatory provisions with respect to SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as "**Stock Broker Regulations**") read with regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (hereinafter referred to as "**NCS Regulations**") and circulars issued thereunder by SEBI from time to time.

2. The period covered under the inspection was July 25, 2023 (date of approval from which Noticee No. 1 was eligible to act as OBPP) to June 30, 2024 (hereinafter referred to as "Inspection Period").

3. As per the inspection report, Mr. Anshul Gupta, Mr. Shashank Chimaladari, Ms. Ankita Shastri and Mr. Aditya Anand were the directors and Key Managerial Persons during the inspection period and were responsible for the day to day affairs of Noticee No. 1 and they are hereinafter referred to as ("hereinafter referred to as "**Noticee No. 2 to 5"),** respectively. Further, Noticee Nos. 1 to 5 are collectively referred to as "**Noticees**".

4. The findings / observations made during the course of inspection were communicated to Noticee No. 1 vide SEBI letter dated October 01, 2024. Noticee No. 1 had submitted its comments / explanations on the aforesaid findings / observations of the inspection vide its email dated October 15, 2024.

5. Based on the reply received, SEBI did not find the explanations offered by Noticee No. 1 and therefore, initiated adjudication proceedings against the Noticees for violating the following provisions:
   a) Regulation 51A (2) of NCS Regulations;
   b) Clause A (2) of Code of Conduct of stock brokers provided under Schedule II read with regulation 9(f) of Stock Broker Regulations;
   c) Clause 3.4.1 of annexure -XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2023/119 dated August 10, 2021 (updated as on July 07, 2023);
   d) Clause 2.1 of SEBI Circular No. SEBI/HO/DDHS/ POD1/P/CIR/2023/194 dated December 28, 2023;
   e) Clause 3.4.1 of annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI Master Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024 (hereinafter referred to as "**Master Circular**").

## APPOINTMENT OF ADJUDICATING OFFICER

6. SEBI had appointed an Adjudicating Officer (AO) in the matter vide communique dated February 28, 2025. Pursuant to reallocation of cases, vide communique dated April 21, 2025, SEBI appointed the undersigned as AO under section 19 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") read with section 15-I of the SEBI Act and with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Rules**") to inquire into and adjudge the aforesaid violations under section 15 HB of SEBI Act, alleged to have been committed by Noticee No. 1 and section 15HB read with section 27 of the SEBI Act for the violations alleged to have been committed by the Noticee Nos. 2 to 5.

## SHOW CAUSE NOTICE, REPLY AND HEARING

7. A Show Cause Notice dated March 12, 2025 (hereinafter referred to as "**SCN**") was issued to the Noticees to show cause as to why an inquiry should not be initiated against them and penalty, if any, should not be imposed upon Noticee No. 1 under section 15HB of SEBI Act and upon Noticee Nos. 2 to 5 under section 15HB read with section 27 of the SEBI Act, for the alleged violation of the provisions mentioned at para 5. The SCN, *inter alia,* alleged the following:
   *7.1.* During the inspection, Noticee No. 1 had submitted details pertaining to the trade transaction for securities that took place on its OBPP including the date of transaction, client name, whether traded on Over the Counter (OTC) / Request for Quote (RFQ) or Off – Market.
   *7.2.* As per the inspection report, it was observed that all the orders with respect to products listed in clause 5.2.1 of SEBI NCS Master Circular, i.e., listed debt securities, listed municipal debt securities and listed securitized debt instruments, placed on the OBP of Noticee No. 1 were not routed through the Request for

Quote (RFQ) Platform of the recognised stock exchange(s) and settled through the respective clearing corporations.

*7.3.* The following are the details of transactions and order routing details of products specified under Clause 5.2.1 of Chapter XXI of Master Circular during the period of inspection:

| Quarters | Trade Value (INR Crore) | | No of Trades | | Total Trade Value (INR Crore) | Total No. of Trades |
|---|---|---|---|---|---|---|
| | Off Market/OTC | RFQ | Off Market/OTC | RFQ | | |
| Q2 FY 2023-2024 | 139.56 | 0.05 | 19241 | 20 | 139.62 | 19261 |
| Q3 FY 2023-2024 | 201.52 | 0 | 27259 | 0 | 201.52 | 27259 |
| Q4 FY 2023-2024 | 121.04 | 44.16 | 15262 | 4840 | 165.2 | 20102 |
| Q1 FY 2024-2025 | 0.42 | 177.4 | 49 | 16124 | 177.82 | 16173 |
| **Grand Total** | **462.54** | **221.61** | **61811** | **20984** | **684.15** | **82795** |
| **Percentage (%)** | **67.61%** | **32.39%** | **74.66%** | **25.34%** | **100%** | **100%** |

*7.4.* As per the above table, during the period of July 25, 2023 to June 30,2024, Noticee No. 1 had routed 67.61% of trades by value out of total trades of INR 684.15 Crore through OTC.

*7.5.* During the inspection, Noticee No. 1 had submitted that it was facing certain issues with respect to routing of trades for the clients on RFQ and had, *inter alia*, submitted the written representations to stock exchanges/SEBI with respect to RFQ. As per submissions of Noticee No. 1, since it faced certain issues with respect to routing trades through RFQ, it continued to route the trades through OTC.

*7.6.* As per clause 3.4.1 of Annexure-XXI-A of Chapter XXI of Master Circular, all the trades in listed debt securities and listed Securitized Debt Instruments (SDIs) shall be mandatorily routed through RFQ, however, Noticee No. 1 had neither routed all trades through RFQ nor had taken any exemption from SEBI from the applicability of specific requirement and continued to route trades through OTC. Therefore, it was alleged that Noticee No. 1 had violated clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of chapter XXI of SEBI NCS Master Circular dated August 10, 2021 (updated as on July 07, 2023) and clause 2.1 of SEBI Circular No. SEBI/HO/DDHS/ POD1/P/CIR/2023/194 dated December 28, 2023 and clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of Master Circular dated May 22, 2024.

*7.7.* It was further noted that regulation 51A(2) of NCS Regulations mandates that OBPPs to comply with all the requirements mandated by SEBI. Therefore, it was alleged that by violating Master Circular dated August 10, 2021 and May 22, 2024, Noticee No. 1 had violated regulation 51A(2) of NCS Regulations. It was further alleged that Noticee No. 1, being SEBI registered stock broker, failed to act with due diligence and care to conduct its business, and therefore, it was alleged that Noticee No. 1 had violated clause A(2) of Code of Conduct of stock brokers provided under Schedule II read with regulation 9(f) of the Stock Brokers Regulations.

*7.8.* It was observed that Noticee Nos. 2 to 5 were the directors of Noticee No. 1 at the time of the alleged contravention. Therefore, as per the provision of section 27 of the SEBI Act, the contravention by Noticee No. 1 are deemed to be committed by Noticee Nos. 2 to 5. Therefore, it was alleged that Noticee Nos. 2 to 5 had violated the provisions of law as mentioned in the preceding paragraphs.

8. Vide email dated March 24, 2025, the Authorised Representatives (ARs) of the Noticees, Finsec Law Advisors, acknowledged receipt of the SCN and sought inspection of the documents which was granted. The ARs of the Noticees conducted the inspection of the documents on April 25, 2025.

9. Noticees, vide email dated May 27, 2025 sought five weeks' time to file reply to the SCN. Vide letter dated June 24, 2025, Noticees filed reply to the SCN and submitted, *inter alia,* the following:

9.1. *The SCN observed that the orders placed in respect of products listed in Paragraph 5.2.1 of the NCS Master Circular 2021 and NCS Master Circular 2024 placed on Noticee No.1's Online Bond Platform were not routed from the Request for Quote Platform of the recognised stock exchanges.*

9.2. *In this regard, it was submitted that Noticee No. 1 encountered a series of substantial operational, technical, and systemic challenges during the testing and onboarding phases of the RFQ platform, and it consistently brought these issues to the attention of the concerned stakeholders including the NSE and SEBI.*

9.3. *Corporate Bond Reporting and Integrated Clearing System ("CBRICS") is the reporting platform provided by NSE for the reporting of trades done in OTC market for corporate bonds and government securities including T-Bills. It was also integrated with NSE Clearing thus facilitating the settlement of OTC trades between two counterparties on a DVP 1 basis. The platform helps eliminate counterparty risk in an OTC trade.*

9.4. *With the above context in mind, it was submitted that by way of its detailed email communication to NSE dated February 20, 2023, Noticee No. 1 had expressly raised concerns about the operational feasibility and readiness of the CBRICS onboarding process.*

9.5. *It was highlighted to NSE that as part of the onboarding process, despite entering the PAN and bank account number with matching names, several account registration requests were returned or rejected without clear justification. In such instances, it was mandatory to submit 'Annexure 3', which is a form requiring over 13 separate data fields along with corresponding documentary evidence. These documents were to be physically signed and attested, imposing an undue compliance burden on investors who were already KYC-verified and maintained active demat accounts under SEBI-registered intermediaries. This not only rendered the onboarding experience cumbersome but also discouraged participation, especially from retail investors.*

*Further, based on operational experience, certain minor, yet common discrepancies in name formats across official documents often led to Unique Client Code ("UCC") rejections. For instance, an investor named 'Anuj Agarwal' on the PAN card might be recorded as 'Anuj P. Agarwal' in their bank account. In such instances, despite the underlying identity being verifiable and consistent, the system treated these as mismatches and rejected the UCC registration. The insistence on 100% name matching across all documents, without any allowance for practical variations or system-led reconciliation mechanisms, was leading to unnecessary delays and failed onboarding attempts.*

*9.6. In its response dated February 23, 2023, NSE acknowledged the concerns raised and noted that they would require stronger data support to evaluate and potentially reduce the error percentage.*

*9.7. In addition to the above, by way of a formal representation dated March 01, 2023 submitted to SEBI and subsequently shared with NSE, Noticee No. 1 had requested greater flexibility regarding the mandatory use of the RFQ platform by OBPPs and in the event that a fixed go-live date was to be enforced, it had requested that the timeline be extended until April 15, 2023.*

*9.8. In the representation, it was reiterated by Noticee No. 1 that the name matching algorithm deployed by NSE during UCC generation lacked the flexibility to accommodate different naming conventions used in government-issued documents such as PAN, Aadhaar, and bank records. Due to this, it was observed that UCC creation failed for approximately 30% of users due to such mismatches. It is pertinent to note that UCC creation was a crucial prerequisite, without which brokers would not be able to place orders through the RFQ platform.*

*9.9. In furtherance of the above, it was submitted that on May 03, 2023 Noticee No. 1 had sought clarifications and raised issues concerning the implementation of the guidelines for OBPPs. In particular, Noticee No. 1 again pointed out the issues raised regarding inflexible KYC / UCC validation, highlighting that on internal* *testing of approximately 100 users, it had observed that UCC creation failed for around 30% of users.*

9.10. *Further, Noticee No. 1 had also pointed out inconsistencies in the UCC validation processes followed by the two exchanges. While the NDS-RST (ICCL) platform of BSE did not conduct such validations, the CBRICS platform of NSE imposed additional checks, thus resulted in procedural inconsistencies between exchanges.*

9.11. *Subsequently, on May 10, 2023, NSE issued Circular Ref No: 09/2023, pursuant to which the Exchange proposed discontinuation of the verification of the investor's demat and bank account details at its end. This change streamlined the UCC creation process and addressed a key operational concern raised by the Noticees.*

9.12. *Upon a perusal of the above, it is clear that significant impediments in the onboarding process at the Exchange level continued to persist until May 2023. It was only pursuant to sustained and repeated representations from Noticee No. 1 and other stakeholders that the Exchange was prompted to revise its position and formally discontinue the verification of investor demat and bank account details—thereby addressing a critical procedural bottleneck in the implementation of the RFQ platform.*

9.13. *It was submitted that in its email communication dated February 20, 2023, Noticee No. 1 highlighted the absence of a standardized methodology for calculating "current yield" on the RFQ platform. It was pointed out that in the absence of a uniform formula, different market participants might compute and display the current yield differently, leading to inconsistent and potentially misleading disclosures—particularly for retail investors who may rely on this metric to evaluate potential investments.*

9.14. *What this means in practical terms, for instance, was that a bond with a ₹1,000 face value and an ₹80 annual coupon trading at ₹950 would reflect a current yield of 8.42%. However, if another participant calculates the same yield using a price* *inclusive of accrued interest, i.e., ₹970, the yield displayed would be 8.25%. While both computations are technically correct under differing conventions, the lack of clarity and uniformity could result in confusion, distorted comparisons, and ultimately suboptimal investment decisions for less sophisticated investors.*

*9.15. Accordingly, it was submitted that Noticee No. 1 had suggested that a standard formula for current yield computation be prescribed and incorporated within the RFQ platform to ensure consistency and protect investor interest. However, in its response dated February 23, 2023, NSE noted that current yield may not be required as a standard metric, given that Yield to Maturity (YTM) is more commonly used in market practice.*

*9.16. It was submitted that while NSE, in its response to the email dated February 20, 2023, asserted that the payment and settlement Application Programming Interfaces (APIs) had been made available in the User Acceptance Test (UAT) environment and were shared in December 2022, the experience of Noticee No. 1 during testing did not reflect the same. Despite this assertion, the APIs in question were either inaccessible or not in a functional state that permitted complete end-to-end testing of the transaction flow.*

*9.17. In its email dated February 20, 2023, Noticee No. 1 specifically highlighted that it was in the process of testing the payment and settlement APIs; however, due to the lack of operational access in the UAT environment, it was unable to simulate complete transaction workflows. This constituted a significant impediment to the readiness of the platform.*

*9.18. Subsequently, in its communication dated March 01, 2023, Noticee No. 1 submitted that while the APIs had been shared in principle, preliminary testing revealed several technical issues. These included name-matching issue during KYC, missing ISIN field in RFQ modification API and that rendered the modules unsuitable for final deployment. Thus, even where access existed, the APIs could not be tested in a manner necessary for a secure and complete transaction process.*

*9.19. It was further submitted that the payment and settlement systems form a core component of the RFQ transaction lifecycle, and ensuring their operational integrity is essential to protect investor interests and maintain systemic reliability. The request made by Noticee No. 1 for additional time was therefore both reasonable and necessary, intended solely to ensure a robust, secure, and investor-ready platform aligned with regulatory expectations.*

*9.20. It was further submitted that the payment and settlement systems form a core component of the RFQ transaction lifecycle, and ensuring their operational integrity is essential to protect investor interests and maintain systemic reliability. The request made by Noticee No. 1 for additional time was therefore both reasonable and necessary, intended solely to ensure a robust, secure, and investor-ready platform aligned with regulatory expectations.*

*9.21. It was submitted that this malfunction severely impaired the transactional capabilities available to retail investors. As a result, users were unable to successfully complete their financial transactions, which compromised the operational integrity of the platform.*

*9.22. In furtherance of the above, in an email dated March 18, 2024 to NSE, the following issues were highlighted by Noticee No.1:*

> *"There are multiple failures happening with the current payment gateways and on a daily basis an average of 20-25 high intent investors on our OBPP Platform are getting temporarily debarred leading to their loss of interest in the debt market. The number might be high if other OBPPs data are also considered which might be readily available with NCL. The primary reasons for failures are: (i) Internet issues in between the order confirmation and payment link generation; and (ii) Technical issues in the payment gateways of CCAvenue or particular banks, we have attached an image depicting the details of the failure counts we have faced so far to this email. There are even instances of 100% payment failures with a couple of banks."*

*9.23. In view of the above, it was submitted that when high-intent investors were unable to complete payments due to technical glitches—such as broken payment links, internet interruptions, or gateway timeouts—their confirmed orders* *effectively failed to materialize into executed trades. This resulted in incomplete subscription volumes, especially for time-sensitive bond issuances, leading to skewed demand assessments and potential undersubscription. In cases where multiple investors faced simultaneous failures, issuers were left with an inaccurate picture of market interest, while the clearing and settlement process was impacted by gaps between order confirmations and actual fund transfers. Furthermore, as investors were temporarily debarred following such failures, they had no way to reinitiate the transaction within the same trading window.*

*9.24. In its email dated March 07, 2023, Noticee No.1 had raised additional issues faced during the launch of the RFQ platform. It was highlighted that the RFQ system deducted units from the inventory upon deal confirmation, rather than upon the actual receipt of payment. It was submitted that this practice allowed non-serious or exploratory users to block inventory without any financial commitment, effectively locking out genuine investors who were prepared to transact.*

*9.25. It was submitted that the issue concerning the absence of an automated deal cancellation API in the RFQ framework was brought to the attention of SEBI on multiple occasions. In particular, in the email communications dated March 07 and May 03, 2023, as well as in the representation submitted by the OBPP Association on May 23, 2023, Noticee No.1 highlighted the operational challenges and market inefficiencies arising from the lack of a standardized mechanism for cancelling trades.*

*9.26. In its communication dated March 07, 2023, Noticee No. 1 pointed out that there was no API available to cancel orders once placed by a user on the RFQ platform. This was flagged as a critical gap in the existing infrastructure. The concern was that if a user unintentionally placed an order and later wished to cancel it, there was no mechanism to enable such cancellation. By way of example, Noticee No. 1 explained that in a situation where a broker had listed a sell order for 100 units, and a user committed to purchasing those units but subsequently failed to make the payment, the units would remain blocked for the remainder of the day. This* *would prevent other genuine buyers from participating in the transaction. Further, it was suggested that a time-based expiry mechanism should be introduced for payment links, which would expire immediately upon deal cancellation, to avoid unnecessary complications in the transaction flow.*

*9.27. Subsequently, on May 03, 2023, Noticee No. 1 again raised the issue in the context of the continued absence of a deal cancellation module. It was noted that there were no structured or automated mechanism implemented by the clearing corporations for the cancellation or modification of trades. The existing process, which required both counterparties to send formal emails through their compliance or risk officers, was flagged as impractical and unsuitable, particularly for retail investors who may not possess the institutional expertise or process awareness required for such steps. Noticee No. 1 expressed concerns regarding certain provisions under the prevailing policy, such as the restriction of only three deal cancellations per quarter, the imposition of penalties, and a 15-day debarment for defaulting counterparties. These measures, while perhaps suited to institutional trading, were viewed as disproportionate and likely to discourage retail participation through RFQ platform in the developing bond market ecosystem.*

*9.28. Further, communication dated May 23, 2023 reiterated these concerns and emphasized the inefficiencies of the manual process for cancelling trades, requiring both counterparties to send emails (compliance officer and/ or party representative) to cancel any trades, even for genuine reasons (which may include technical glitches at banks for funds transfer or brokers for securities transfer etc). Noticee No. 1 formally proposed that an automated deal cancellation mechanism, accessible through APIs, be developed and made available to OBPPs to facilitate a seamless and investor-friendly process.*

*9.29. It was emphasized that by way of its detailed email dated February 20, 2023, Noticee No. 1 raised serious concerns with NSE regarding the operational feasibility and readiness of the CBRICS onboarding process, highlighting that account registration requests were frequently rejected despite correct PAN and* *bank details, and that the requirement to submit Annexure 3 with extensive documentation imposed an undue compliance burden on already KYC-verified investors. It was further pointed out that minor discrepancies in name formats across documents—such as the inclusion or omission of a middle initial— led to unwarranted Unique Client Code (UCC) rejections, thereby delaying onboarding and discouraging retail participation. In its response dated February 23, 2023, NSE acknowledged the issues raised and noted the need for additional data to address the high error rate.*

*9.30. In addition to the above, it was pertinent to note that although SEBI had initially prescribed March 01, 2023 as the effective date for RFQ implementation, the platform infrastructure required for such enablement, was not fully developed by stock exchanges and the RFQ platform was therefore not functional at the said time. In view thereof, and following a call with SEBI on February 22, 2023, Noticee No. 1, along with other OBPPs, addressed a joint communication to SEBI dated February 24, 2023, formally requesting an extension of the timeline for implementation of the RFQ mechanism to April 01, 2023. In the said communication, the OBPPs collectively urged SEBI not to mandate RFQ compliance until a minimum threshold of 50% of OBPPs had successfully completed technical integration and testing with the exchanges. This request was driven by genuine operational concerns and significant technical issues, including but not limited to unstable API integrations and a lack of readiness on the part of the exchanges with respect to backend payment infrastructure.*

*9.31. It was submitted that Noticee No. 1 also escalated its concerns to NSDL and SEBI, ensuring that all relevant authorities were informed in real time of the challenges being faced. As an active member of the OBPP Association, Noticee No. 1 collaborated with fellow stakeholders to provide collective feedback and also independently submitted representations to SEBI.*

*9.32. On March 01, 2023, and again on March 07, 2023, Noticee No. 1 submitted detailed representations to SEBI outlining ongoing technical difficulties faced* *during RFQ testing, as well as its inability to proceed with RFQ enablement in the absence of a broking licence, which is an essential prerequisite to operate as an OBPP. Other issues highlighted were failure to match names during KYC, missing ISIN field in RFQ modification API and no order cancellation API, which rendered the modules unsuitable for final deployment.*

*9.33. It was submitted that in furtherance of its engagement with the regulator, Noticee No. 1 made another written representation to SEBI on May 03, 2023. It was reiterated that the persistent technical and operational challenges were affecting RFQ implementation. This was followed by a physical meeting with SEBI officials at SEBI Bhavan on May 15, 2023 and a consolidated communication dated May 23, 2023 was issued on behalf of the OBPP industry, including Noticee No. 1, setting out the sector-wide impediments to immediate RFQ rollout and requesting a phased approach to compliance.*

*9.34. Multiple meetings and virtual calls took place, specifically on July 05, August 29, and September 12, 2023 with SEBI, and on January 18, 2024 with NSE to discuss the operational and technical challenges faced by OBPPs. In particular, on December 06, 2023, there was a meeting of the OBPP Association with SEBI. One of the issues raised during the meeting was with respect to the penalty for non-execution of trades on the RFQ platform. Pursuant to the discussion, SEBI, inter alia, considered interim ad hoc relaxations. Subsequently, via an email dated January 4, 2024, the stock exchanges informed the OBPP Association of SEBI's directive that the extended relaxation period be utilised to achieve a full transition to the RFQ platform for all transactions.*

*9.35. It is evident that both SEBI and the stock exchanges were cognizant of the fact that, as of January 2024, OBPPs had not yet completed the transition to executing all transactions via the RFQ platform. Therefore, throughout this period, Noticee No.1 maintained open and transparent lines of communication with both SEBI and the exchanges, and worked diligently to resolve all outstanding integration and operational issues in good faith.*

*9.36. In light of the foregoing, it is respectfully submitted that the delay in RFQ implementation was neither willful nor indicative of non-compliance, but arose from legitimate operational constraints coupled with the absence of regulatory permissions during the relevant period. Noticee No. 1 was in continuous and transparent communication with SEBI throughout the relevant period, and kept SEBI duly informed of the operational issues it was facing in routing trades through the RFQ platform. As elucidated above, till at least January 31, 2024, SEBI was fully aware of these constraints. At no point did SEBI raise objections, issue directions, or advise Noticee No. 1 to cease undertaking OTC transactions. In view of these facts, any allegations that Noticee No. 1 proceeded without any regulatory awareness or approval is entirely untenable and contrary to the factual record.*

*9.37. In light of the above, it was therefore submitted that Noticee No. 1 had at all times acted with bona fide intent, due care, coordination, and diligence in its interactions with SEBI and NSE and cannot be faulted for non-compliance in the circumstances.*

*9.38. As submitted in the foregoing paragraphs, Noticee No. 1 faced significant challenges, which extended well beyond routine onboarding inefficiencies. Core structural gaps in the RFQ platform posed significant risk implications for retail bond transactions. In particular, the absence of critical functionalities such as a trade cancellation module posed substantial risks to investors, including the possibility of debarments for trades that could not be reversed, and financial exposure in the event of trade failures or mismatches. These limitations were not incidental or remediable at the level of individual platform participants but were instead embedded in the architecture of the RFQ framework itself, and were therefore industry wide and system-wide.*

*9.39. To address the issues stated above, the OBPP Association, comprising of multiple SEBI- registered OBPP entities, proactively engaged with Department of Debt and Hybrid Securities (DDHS) to highlight the prevailing constraints. These* *representations were made through various formal channels, including individual and collective meetings with SEBI and the stock exchanges, both directly and under the aegis of the OBPP Association.*

*9.40. Noticee No. 1, as a member of the OBPP Association, jointly submitted a request with other members via an email dated February 24, 2023. The request, addressed to SEBI and various stock exchanges, sought an extension of the RFQ implementation deadline from March 1, 2023 to April 1, 2023. Additionally, the OBPP Association urged that the implementation of the RFQ should not be made mandatory until at least 50% of OBPPs were confident in going live with API integration. This was due to practical challenges, multiple errors and gaps identified in the technology available with stock exchanges up to that point. However, no resolution was arrived at.*

*9.41. Despite these collective efforts, the challenges relating to RFQ integration persisted well into the second half of the 2023 calendar year. It was highlighted that platform-level modifications by the exchanges continued until at least September 2023. Issues such as high rejection rates in the generation of UCCs, arising from backend inefficiencies, significantly hindered brokers from executing trades on behalf of retail clients. Moreover, production access to the RFQ platform was made available only after the completion of both broker registration and OBPP activation. This sequential onboarding process substantially delayed the identification and resolution of real-time issues.*

*9.42. Furthermore, core operational parameters such as settlement charges and access protocols continued to undergo revisions, indicating that the RFQ platform was undergoing live testing and refinement even after the OBPP platform of Noticee No. 1 was expected to go live. As set out hereinabove, SEBI was at all times aware of the challenges associated with the RFQ platform. As per BSE's email dated January 04, 2024, the OBPPs were notified about SEBI's directive to utilise the extended relaxation period to facilitate a full transition to the RFQ platform for all transactions. Thus, it is pertinent to note that the said* *communication reflects that both SEBI and the stock exchanges were cognizant of the fact that, as of January 2024, OBPPs had not yet fully migrated to executing all transactions exclusively through the RFQ mechanism.*

*9.43. In view of the foregoing, it is respectfully submitted that the RFQ platform, during the relevant period, was neither technically mature nor operationally stable. Accordingly, attributing the absence of RFQ-based trade execution to any purported non-compliance or lack of diligence on the part of the Noticee would be manifestly unreasonable, particularly when the underlying infrastructure was still evolving, and corrective measures were concurrently being undertaken by the exchanges themselves.*

*9.44. The issues faced in implementing the RFQ system were beyond Noticee No. 1's control. Any premature implementation of a system that was not fully calibrated yet would have risked exposing retail investors, many of whom were first-time participants, to operational risks such as trade failures, limited remedial recourse, and friction in onboarding. Such risks, if realized, would have undermined investor confidence and potentially impeded the development of the OBPP ecosystem as envisaged by the regulatory framework.*

*9.45. Admittedly, Noticee No. 1 was unable to route all its trades through the RFQ platform owing to the reasons detailed above. In view of these operational constraint, Noticee No. 1 resorted to executing transactions through OTC mechanisms. However, while doing so, Noticee No. 1 ensured that requisite checks and balances were in place to safeguard the integrity of transactions.*

*9.46. To this effect, Noticee No. 1 promulgated a comprehensive Standard Operating Procedure governing the execution of such OTC trades ("Unit Transfer SOP"), which was duly communicated to relevant personnel and strictly adhered to. From the Unit Transfer SOP, it is clear that Noticee No. 1 had systems in place to ensure that each transaction executed through the OTC route, was executed properly and in a manner that minimized risk.*

*9.47. It is respectfully submitted that Noticee No. 1 has undertaken significant and concrete corrective measures in response to the operational and compliance-related concerns previously highlighted with respect to the implementation of the RFQ mechanism.*

*9.48. In particular, as of March 2024, all earlier technical and functional issues impeding the full enablement of the RFQ process were effectively resolved. Subsequent to this resolution, and in alignment with the regulatory requirements under the applicable framework, Noticee No. 1 has ensured that all trades executed through its platform are routed exclusively through the RFQ platform of the stock exchanges.*

*9.49. Further, the SCN did not contain any other material to substantiate violations by Noticee Nos. 2 – 5. It is submitted that the Noticee Nos. 2, 3, 4 and 5 by virtue of their designation as directors on the board of the Company, cannot be held vicariously liable for the alleged contraventions in the absence of any specific finding establishing their direct role, knowledge, or responsibility in respect of the alleged violations.*

*9.50. It was submitted that the Noticees are entitled to the benefit of the express exemption from individual liability provided under the proviso to section 27(1) of the SEBI Act. While the substantive part of section 27(1) of the SEBI Act imposes liability jointly on the company and the individuals in charge of its business in case of a contravention, the proviso to the said section carves out a clear statutory safeguard, exempting such individuals from liability if they can demonstrate that either: (a) the contravention occurred without their knowledge, or (b) they had exercised all due diligence to prevent the contravention.*

*9.51. In the instant case, it was submitted that the defaults have not conferred any unfair advantage or wrongful gain upon any of the Noticees, due to the technical nature of the defaults. During the inspection conducted by SEBI, only a few minor infractions were identified, all of which were promptly addressed and rectified within 2-3 weeks as directed by SEBI. Further, as of March 2024, all earlier* *technical and functional issues impeding the full enablement of the RFQ process were effectively resolved and all trades are being executed through Noticee No. 1's OBPP platform are routed exclusively through the RFQ platform of the stock exchanges.*

*9.52. It was highlighted that no investors suffered financial losses as a consequence of the alleged violations by the Noticees. In fact, by resorting to the OTC mechanism, the Noticees endeavoured to protect the interest of investors as the RFQ platform was clearly deficient.*

*9.53. In light of the above, it was submitted that the allegations made against the Noticees are at best, technical errors that were promptly identified and addressed, by the Noticees. It was also submitted that the imposition of a penalty is not justified in the instant matter and a lenient view ought to be taken. Further, a penalty imposed for such technical breaches, if any, would be unjust and excessive, and the allegations against the Noticees ought to be dismissed.*

10. Subsequently, vide notice of hearing dated July 14, 2025, Noticees were granted an opportunity of hearing before the AO on July 29, 2025. The ARs of the Noticees, viz., Mr. Anil Choudhary assisted by Mr. Aniket Singh Charan, and Mr. Pranjal Kinjawadkar from Finsec Law Advisers appeared for the hearing and reiterated the submissions made vide reply dated June 25, 2025. The ARs submitted that no liability on directors/KMPs can be fastened as there is no allegation of action/omission on their part in the SCN. The ARs further submitted that this was a technical violation, therefore, a lenient view may be taken.

## CONSIDERATION OF ISSUES AND FINDINGS

11. The issues that arise for consideration in the instant matter are:

**Issue No. I** Whether Noticee No. 1 failed to route all trades through RFQ or failed to obtain an exemption from SEBI from the applicability of specific requirement and continued to route trades through OTC and thereby violated clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated August 10, 2021 (updated as on July 07, 2023) and clause 2.1 of SEBI Circular No. SEBI/HO/DDHS/POD1/P/CIR/2023/194 dated December 28, 2023 and clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated May 22, 2024 and consequently violated regulation 51A(2) of NCS Regulations and clause A(2) of Code of Conduct of stock brokers provided under Schedule II read with regulation 9(f) of the Stock Brokers Regulations?

**Issue No. II** Whether Noticee Nos. 2 to 5, being directors of Noticee No. 1 have violated clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated August 10, 2021 (updated as on July 07, 2023) and clause 2.1 of SEBI Circular No. SEBI/HO/DDHS/POD1/P/CIR/2023/194 dated December 28, 2023 and clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated May 22, 2024, regulation 51A(2) of NCS Regulations and clause A(2) of Code of Conduct of stock brokers provided under Schedule II read with regulation 9(f) of the Stock Brokers Regulations?

**Issue No. III** If yes, whether the failure, on the part of the Noticee No. 1 would attract monetary penalty under section 15HB of the SEBI Act and under section 15HB read with section 27 of SEBI Act on Noticee Nos. 2 to 5?

**Issue No. IV** If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in section 15J of the SEBI Act?

12. Before proceeding further, I would like to refer to the relevant provisions alleged to have been violated by the Noticees:

***NCS Regulations***

***"Registration of online bond platform providers.***
*51A…*
*(2) Such person shall comply with the conditions of registration and such other requirements as may be specified by the Board from time to time."*

***Stock Broker Regulations***

***"Conditions of registration.***
*9. …*
*(f)he shall at all times abide by the Code of Conduct as specified in Schedule II; and"*

***Schedule II***

***"Code of Conduct for stock brokers***
***A. General.***
***…***
*(2) Exercise of due skill and care : A stock-broker shall act with due skill, care and diligence in the conduct of all his business."*

***SEBI Master Circular dated August 10, 2021***

***"Annexure XXIA***

*3.4.**Execution of orders:** The entity shall ensure that:*
*3.4.1. All Orders placed on an Online Bond Platform with respect to securities, as specified in clause 5.2.1 of this circular shall be mandatorily routed through the RFQ platform of a recognised Stock Exchange and settled through the respective Clearing Corporation."*

***"Chapter XXI***
*5. Pursuant to discussions with market participants and stakeholders, vide notification dated November 09, 2022, a framework has been prescribed for entities operating/ desirous of operating as OBPPs under regulation 51A of the SEBI NCS Regulations,2021:*
*…*
*5.2. An entity acting as an Online Bond Platform Provider on or prior to November 14, 2022, shall divest itself of offerings of products or services or securities on its Online Bond Platform or any other website/ platform other than the following:*
*5.2.1. Listed debt securities, listed municipal debt securities and listed securitized debt instruments;"*

***SEBI Circular dated December 28, 2023***

*"Clause 5.2 of the NCS Master Circular is substituted and shall read as under:*

*An entity acting as an Online Bond Platform Provider shall offer only the following products or securities or services on its Online Bond Platform:*
*5.2.1.Listed debt securities, listed municipal debt securities and listed securitised debt instruments;*
*5.2.2.Debt securities, municipal debt securities and securitised debt instruments proposed to be listed through a public offering;*
*5.2.3.Listed Government Securities, State Development Loans and Treasury Bills;*
*5.2.4.Listed Sovereign Gold Bonds; and*
*5.2.5.Other products or securities or services that are regulated by a financial sector regulator viz. SEBI, RBI, IRDAI or PFRDA.*
*In case of the products or securities or services mentioned at 5.2.5 above,*
*a. they may be offered by the entity either under a different tab on its online bond platform or on any other website/ platform.*
*b. they will be governed by the directions/ stipulations of the respective financial sector regulator."*

***SEBI Circular dated May 22, 2024***

***Annexure XXIA***

*"3.4.**Execution of orders:** The entity shall ensure that:*
*3.4.1. All Orders placed on an Online Bond Platform with respect to securities, as specified in clause 5.2.1 of this circular shall be mandatorily routed through the RFQ platform of a recognised Stock Exchange and settled through the respective Clearing Corporation."*

***Chapter XXI***

*"5. Pursuant to discussions with market participants and stakeholders, vide notification dated November 09, 2022, a framework has been prescribed for entities operating/ desirous of operating as OBPPs under regulation 51A of the SEBI NCS Regulations,2021:*
*…*
*5.2. An entity acting as an Online Bond Platform Provider on or prior to November 14, 2022, shall divest itself of offerings of products or services or securities on its Online Bond Platform or any other website/ platform other than the following:*

*5.2.1. Listed debt securities, listed municipal debt securities and listed securitized debt instruments."*

**Issue No. I: Whether Noticee No. 1 failed to route all trades through RFQ or failed to obtain an exemption from SEBI from the applicability of specific requirement and continued to route trades through OTC and thereby violated clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated August 10, 2021 (updated as on July 07, 2023) and clause 2.1 of SEBI Circular No. SEBI/HO/DDHS/ POD1/P/CIR/2023/194 dated December 28, 2023 and clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated May 22, 2024 and consequently violated regulation 51A(2) of NCS Regulations and clause A(2) of Code of Conduct of stock brokers provided under Schedule II read with regulation 9(f) of the Stock Brokers Regulations?**

13. It was alleged in the SCN that Noticee No. 1 did not route all the orders with respect to products listed in clause 5.2.1 of SEBI NCS Master Circular, i.e., listed debt securities, listed municipal debt securities and listed securitized debt instruments, placed on the OBP of Noticee No. 1 through the RFQ platform of the recognised stock exchange(s) and settled through the respective clearing corporations.

14. I note that in terms of Clause 3.4.1 of Annexure -XXI-A of the SEBI Master Circular No. SEBI/HO/DDHS/ PoD1/P/CIR/2023/119 dated August 10, 2021 (updated as on July 07, 2023), all orders placed on Online Bond Platform with respect to securities, as specified in clause 5.2.1 of the Circular were mandatorily required to be routed through the RFQ platform of a recognised stock exchange and settled through the respective clearing corporation. The said provisions were reiterated by SEBI vide clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI Master Circular No. SEBI/HO/DDHS/PoD1/P/CIR/ 2024/54 dated May 22, 2024.

15. I note from the submissions of Noticee No. 1 that it did not execute all its trades for listed debt securities through the RFQ platform of the stock exchange, instead used

the OTC route. The details of such transactions as per the submission of Noticee No. 1 from the date of approval to act as OBPP to June 30,2024 are as under:

| Quarters | Trade Value (INR Crore) | | No of Trades | | Total Trade Value (INR Crore) | Total No. of Trades |
|---|---|---|---|---|---|---|
| | Off Market/OTC | RFQ | Off Market/OTC | RFQ | | |
| Q2 FY 2023-2024 | 139.56 | 0.05 | 19241 | 20 | 139.62 | 19261 |
| Q3 FY 2023-2024 | 201.52 | 0 | 27259 | 0 | 201.52 | 27259 |
| Q4 FY 2023-2024 | 121.04 | 44.16 | 15262 | 4840 | 165.2 | 20102 |
| Q1 FY 2024-2025 | 0.42 | 177.4 | 49 | 16124 | 177.82 | 16173 |
| **Grand Total** | **462.54** | **221.61** | **61811** | **20984** | **684.15** | **82795** |
| **Percentage (%)** | **67.61%** | **32.39%** | **74.66%** | **25.34%** | **100%** | **100%** |

16. It is noted from the table above that Noticee No. 1 executed 61,811 trades which constituted 74.66% of total trades of the Noticee No. 1 through OTC platform. However, it executed only 20,984 trades constituting 25.34% of the total trades through RFQ platform during the Inspection period.

17. Noticee No. 1 had submitted that it started integration with RFQ and testing in production in August 2023 and faced certain challenges with respect to customer experience such as absence of module of deal cancellation leading to debarment of customers. It also submitted that there were technical and operational challenges in the implementation of RFQ platform and therefore, Noticee No. 1 along with other OBPPs had made written representations to NSE as well as SEBI from time to time.

18. Vide email dated February 20, 2023, Noticee No.1 had raised concerns about the operational feasibility and readiness of CBRICS onboarding process with NSE. In this regard, NSE vide email dated February 23, 2023, recommended that it would require stronger data support to evaluate and potentially reduce the error percentage.

19. Noticee No. 1 had also brought to the notice of the stock exchange the absence of a standardized methodology for calculating “current yield” on the RFQ platform. In its

response dated February 23, 2023, NSE noted that current yield may not be required as a standard metric, given that Yield to Maturity (YTM) is more commonly used in market practice.

20. In its email dated February 20, 2023, Noticee No. 1 specifically highlighted that it was in the process of testing the payment and settlement API, however, due to lack of operational access in the UAT environment, it was unable to simulate complete transaction workflows. NSE, in its response dated February 23, 2023, asserted that the payment and settlement APIs had been made available in the UAT environment and were shared in December 2022.

21. Noticee No. 1 had also claimed to have reported failure in the net banking infrastructure within the production environment of the RFQ platform. However, Noticee No. 1 has not produced any communication from the stock exchange in this regard.

22. Vide email dated March 07, 2023, Noticee No. 1 had further highlighted that the RFQ system deducted units from the inventory upon deal confirmation, rather than upon the actual receipt of payment and that there was no API available to cancel orders once placed by a user on the RFQ platform. However, Noticee No. 1 has not produced any communication from the stock exchange in this regard.

23. Further, in its email dated March 18, 2023, Noticee No. 1 had raised concerns to the stock exchange and the clearing corporation regarding the frequent failures at gateway levels. However, Noticee No. 1 did not produce any record from stock exchange /clearing corporation regarding resolution of the said issue.

24. I further note from the submissions of Noticee No. 1 that despite the mandatory implementation of RFQ platform, Noticee No. 1 kept routing the orders through OTC platform citing the aforesaid issues. However, from the responses of the stock exchange, I note that the stock exchange acknowledged the issues only with respect

to yield calculation method but for the remaining issues, communication from the stock exchange is not on record.

25. In view of the foregoing, I note that instead of waiting for the resolution of technical/operational issues, Noticee No. 1 continued to route the orders through off market/OTC platform. As per its own admission, Noticee No. 1 continued to offer listed debt securities to clients and routed trades though off market/OTC platform ignoring the mandatory RFQ mode.

26. I also note that Noticee No. 1 has not produced any communication from SEBI or NSE granting permission to carry on trades on OTC platform or any communication wherein it sought exemption to continue to route the orders through OTC platform. However, from the records, it is observed that Noticee No. 1 had sought flexibility with regard to the mandatory usage of the RFQ platform by OBPPs vide letter dated March 01, 2023 and the same appears to have not acceded to.

27. In this regard, Noticee No. 1 contended that vide an email dated January 04, 2024, the stock exchange had informed the OBPP Association that the relaxation in relation to penal actions, i.e., debarment of individual investors from RFQ platform, due to non-settlement of trades which was in place until December 31, 2023 may be further extended for one more month. I have noted that vide the said email, OBPPs were advised to use the additional time to fully operationalise their transaction activity on the RFQ platforms. OBPPs were also advised to start transacting fully on the RFQ platform so that the extended relaxation period could be effectively utilized for mitigating any settlement failures in the initial period and integration of APIs, etc.

28. From the said email, I have noted that the relaxation was granted only to the investors in relation to penal provisions and not to the OBPPs. In fact, the OBPPs were advised to use the additional time to fully operationalise the RFQ platform. Even if it is accepted that there were operational/technical issues while dealing at RFQ platform, which prevented Noticee No. 1 from executing all its trades on RFQ platform for the sake of

argument, the aforesaid relaxation was granted only till January 31, 2024. However, from the records, it is noted that Noticee No. 1 executed following trades through off market/OTC between February 01, 2024 to June 30, 2024:

| Sr. No. | Month | No. of trades through off market/OTC |
|---|---|---|
| 1. | February 2024 | 7,126 |
| 2. | March 2024 | 257 |
| 3. | April 2024 | 23 |
| 4. | May 2024 | 14 |
| 5. | June 2024 | 12 |
| | **TOTAL** | **7,432** |

29. As it can be seen from the table above, total 7,432 trades were routed through off market/OTC platform after January 31, 2024 which is 12% of such trades during the inspection period. Thus, it is clearly seen from the above that Noticee No. 1 was regularly executing trades through off market/OTC platform instead of routing through RFQ platform even after the 'claimed' period of relaxation.

30. In view of the above, I am of the opinion that by failing to ensure that all the orders placed on its OBP with respect to listed debt securities were routed through the RFQ platform of a recognized stock exchange, Noticee No. 1 has violated clause 3.4.1 of Annexure-XXI-A read with Clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated August 10, 2021 (updated as on July 07, 2023) and clause 2.1 of SEBI Circular No. SEBI/HO/DDHS/ POD1/P/CIR/2023/194 dated December 28, 2023 and clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated May 22, 2024.

31. It was alleged in the SCN that Noticee No. 1 failed to adhere with all the requirements concerning OBPPs. It was further alleged that Noticee No. 1 failed to conduct its

business with due diligence and care by not complying with the provisions with respect to execution of orders through RFQ platform.

32. Noticee No. 1 did not make any specific submission with respect to the said violation. However, I note from the submissions of Noticee No. 1 that it emphasised on technical and operational challenges for not executing orders through RFQ platform which led to consequent violations of NCS Regulations and Stock Broker Regulations.

33. As per regulation 51A(2) of NCS Regulations, OBPPs are mandated to comply with the conditions of registration and other requirements specified by SEBI from time to time. Further, as per the provisions of regulation 9 read with clause A(2) of Schedule II (Code of Conduct for Stock Brokers) of Stock Broker Regulations, a stock-broker shall conduct its business with due diligence and care.

34. I note that Noticee No. 1 is a registered stock broker since July 13, 2023 and registered with NSE as OBPP on July 25, 2023. As a registered intermediary, Noticee No. 1 was required to comply with all the regulatory requirements/provisions mandated by SEBI. Compliance of regulatory provisions all the time is a key requirement for grant of registration to an intermediary. Admittedly, Noticee No. 1 did not comply with the provisions relating to execution of orders through RFQ platform for the technical/ operational reasons.

35. Therefore, I am of the opinion that Noticee No. 1 has violated regulation 51A(2) of NCS Regulations and clause A(2) of Code of Conduct of stock brokers prescribed under Schedule II read with regulation 9(f) of the Stock Brokers Regulations.

**Issue No. III Whether Noticee Nos. 2 to 5, being directors of Noticee No. 1 have violated clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated August 10, 2021 (updated as on July 07, 2023) and clause 2.1 of SEBI Circular SEBI/HO/DDHS/ POD1/P/CIR/2023/194 dated December 28, 2023 and**

**clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated May 22, 2024, regulation 51A(2) of NCS Regulations and clause A(2) of Code of Conduct of stock brokers provided under Schedule II read with regulation 9(f) of the Stock Brokers Regulations?**

36. It was alleged in the SCN that Noticee Nos. 2 to 5 were directors of Noticee No. 1 during the inspection period. Thus, it was noted that they were in charge of, and were responsible for the conduct of the business of Noticee No. 1. Therefore, they were deemed to have committed the contraventions as alleged above.

37. In this regard, I note that Noticee Nos. 2 to 5 have submitted that they cannot be held vicariously liable for the alleged contraventions in the absence of any specific finding establishing their direct role, knowledge, or responsibility in respect of the alleged violations.

38. I note that there is no material available on record to demonstrate the specific role of the Noticee Nos. 2 to 5 with respect to the violation on the part of Noticee No. 1 and the SCN has not attributed any act of omission or commission personally to Noticee Nos. 2 to 5.

39. It is pertinent to mention here that Hon'ble Securities Appellate Tribunal (SAT) in the matter of Amit Misra v. SEBI[1] observed that every director need not be penalized merely because he/she is a director and if the director can explain that he/she had no role to play in the alleged default, the presumption of guilt followed by penalty cannot be attached. Hon'ble SAT observed that:

"*7. Further, the decision of this Tribunal in Dr. Jugal Kishore Satapati vs. SEBI appeal no. 283 of 2018 decided on 28th June, 2019, G. Unnikrishnan Nair & Ors. vs. SEBI, appeal no.5 of 2018 decided on 27th November, 2019, Sayati Sen vs. SEBI,*

[1] Appeal No. 410 of 2019, Date of order March 09, 2021

*appeal no.163 of 2018 decided on 9h August, 2019, are applicable. This Tribunal has held that the mere fact that a person is a Director of a company cannot be held responsible for the acts of the Company unless it is found that the said person was responsible in some way for the alleged violation."* (Emphasis supplied)

40. Thus, in the absence of any evidence depicting the active involvement of Noticee Nos. 2 to 5, I find it difficult to hold the directors liable for the violations committed by Noticee No. 1.

**Issue No. III If yes, whether the failure, on the part of the Noticee No. 1 would attract monetary penalty under section 15HB of the SEBI Act?**

**Issue No. IV If yes, what would be the monetary penalty that can be imposed upon the Noticee No. 1 taking into consideration the factors stipulated in section 15J of the SEBI Act?**

41. In view of the abovementioned observations and findings and having considered all the facts and circumstances of the case, the material available on record including the submissions of the Noticee No. 1, I find that Noticee No. 1 failed to adhere to the regulatory requirement of executing the orders through RFQ platform in violation of clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated August 10, 2021 (updated as on July 07, 2023) and clause 2.1 of SEBI Circular SEBI/HO/DDHS/ POD1/P/CIR/2023/194 dated December 28, 2023 and clause 3.4.1 of Annexure-XXI-A read with clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular dated May 22, 2024, regulation 51A(2) of NCS Regulations and clause A(2) of Code of Conduct of stock brokers provided under Schedule II read with regulation 9(f) of the Stock Brokers Regulations.

42. The aforesaid violations, makes the Noticee No. 1 liable for imposition of penalty under section 15HB of the SEBI Act.

***"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 liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."*

43. While determining the quantum of penalty under section 15HB of SEBI Act, the following factors stipulated in section 15J of the SEBI Act are taken into account:

***"Factors to be taken into account while adjudging quantum of penalty by the Adjudicating Officer***
*15J. While adjudging quantum of penalty under 15-I, 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."*

44. In the present matter, it is noted that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by Noticee No. 1. Further, from the material available on record, it is not possible to ascertain the exact monetary loss to the investors /clients on account of default by Noticee No. 1. As regard the repetitive nature of default, there is nothing on record to show that the nature of default by Noticee No. 1 is repetitive. However, I cannot ignore the fact that as a SEBI registered Intermediary, Noticee No.1 was under a statutory obligation to abide by the provisions of NCS Regulations and Stock Broker Regulations, which it failed to do. At the same time, due regard is also given to the fact that Noticee No. 1 had faced technical and operational difficulties in operationalizing the RFQ platform. The aforementioned factors have been taken into consideration while adjudging the penalty.

**ORDER**

45. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act and in exercise of the

powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose a monetary penalty of Rs. 1,00,000/- (Rupees One Lakh) on Noticee No. 1, i.e., Fourdegreewater Services Private Limited under section 15HB of SEBI Act. The adjudication proceedings initiated against Noticee Nos. 2 to 5 is hereby disposed of without imposition of any penalty.

46. I am of the view that the said penalty is commensurate with the violations committed by Noticee No. 1.

47. Noticee No. 1 shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

48. In terms of rule 6 of the Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.11.21 18:14:46 +05'30'

**Date : November 21, 2025**
**Place : Mumbai**

**JAI SEBASTIAN**
**ADJUDICATING OFFICER**