BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AK/RK/2025-26/31747)

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

Choice Equity Broking Private Limited.
(PAN: AADCC8390B)
In the matter of inspection of Choice Equity Broking Private Limited.

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India ("**SEBI**") along with Bombay Stock Exchange (**BSE**) and Multi Commodity Exchange of India Limited (**MCX**) jointly conducted a thematic inspection of books of accounts, records and other documents of **Choice Equity Broking Private Limited** (hereinafter referred to as **"Noticee"**), registered with SEBI as a Stock Broker since April 27, 2009 bearing Registration no. INZ000160131. The inspection was conducted on September 30, 2024 and October 01, 2024, to ascertain whether the activities of the Noticee were being carried out in terms of the provisions of SEBI and BSE circulars. The inspection was conducted for the period from April 01, 2023 to August 31, 2024 (hereinafter referred to as the **"Inspection period/ IP**").

APPOINTMENT OF ADJUDICATING OFFICER

2. Upon being satisfied that Noticee has violated various provisions of SEBI and BSE circulars, SEBI approved initiation of adjudication proceedings on June 05, 2025, and vide communique dated June 13, 2025, appointed the undersigned as Adjudicating Officer u/s 15-I of SEBI Act, 1992 (hereinafter referred to as the "**SEBI Act**") and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"SEBI Adjudication Rules"**) r/w Section 19

of the SEBI Act to inquire into and adjudge u/s 15HB of the SEBI Act, the alleged violations.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice bearing Ref. No. SEBI/HO/EAD/EAD1/P/OW/2025/17293/1, dated June 27, 2025 was issued to the Noticee in terms of Rule 4(1) of the SEBI Adjudication Rules r/w Section 15-I of the SEBI Act requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on it u/s 15HB of SEBI Act for the alleged violations stated in the SCN.

4. As per the SCN, it was alleged that there were irregularities in the operations of the Noticee with respect to Cyber Security & Cyber Resilience framework.

5. In response to the SCN, Noticee, vide email dated June 30, 2025 sought clarification in the matter regarding issuance of SCN against it and submitted that an Administrative warning was already issued to it, and requested to drop the instant proceedings against it. Vide email dated July 01, 2025, Noticee was apprised that all its concerns would be addressed in a reasoned order and was provided an opportunity to submit reply in the matter. Noticee requested an extension of time to file reply in the matter, vide its letter received through email dated July 15, 2025. The said request of the Noticee was acceded to, and it was given time till July 27, 2025 to submit its reply. Vide letter received through email dated July 22, 2025, Noticee requested for inspection of documents in the matter, and its Authorized Representative (AR) availed the said opportunity of inspection of documents, which was granted to it on July 29, 2025, vide email dated July 28, 2025, wherein all the relevant and relied upon documents in the matter were provided to its AR on the inspection date and, vide email dated August 05, 2025.

6. Vide email dated August 08, 2025, Noticee again requested an extension of time to file reply in the matter, the said request was acceded to and Noticee was given a last and final opportunity to submit its reply in the matter, latest by August 23, 2025.

Noticee vide letter dated August 23, 2025, received through email dated August 25, 2025, submitted its reply to the SCN. The relevant portion of the reply is reproduced as under:

6.1 Noticee submitted that the firewalls at location Marol-1 & Marol-2 were not procured, deployed, or maintained by it, and were installed and managed by independent entities, namely Choice Tech Lab Solutions Private Limited and Choice Consultancy Service Pvt. Ltd., which are separate legal persons and not under the ownership, control or its operational supervision.

6.2 That the availability of the appropriate policy was duly confirmed by the Independent Cyber Audit and its Summary Report prepared by Innowave IT Infrastructures Limited. It further submitted that the presence of requisite documents can be verified from the Executive Summary Report

7. In the interest of natural justice, an opportunity of personal hearing was granted to the Noticee on September 09, 2025, vide hearing notice dated September 01, 2025. Further, vide email dated September 05, the personal hearing was rescheduled to September 16, 2025. Noticee appeared through its AR on the scheduled date, and reiterated the submissions made vide its reply dated August 23, 2025. Further, Noticee also mater post hearing submissions, vide letter dated October 06, 2025, and the relevant portion of the same is reproduced as under:

7.1 That the availability of the appropriate policy was duly confirmed by the Independent Cyber Audit and its Summary Report prepared by Innowave IT Infrastructures Limited. It further submitted that the presence of requisite documents can be verified from the Executive Summary Report.

7.2 That after conducting an independent analysis of the system assets, the Auditor independently concluded that the firewalls deployed at Marol–I and Marol–II did not qualify to be identified as critical IT assets.

CONSIDERATION OF ISSUES AND FINDINGS

8. I have taken into consideration the submissions of the Noticee, facts of the matter and material available on record. The issues that arise for consideration in the present case are as follows:

ISSUE No. I: Whether the Noticee violated various provisions of SEBI and BSE circulars, as alleged in the SCN?

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15HB of SEBI Act?

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee, after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the SEBI Adjudication Rules?

9. Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated by the Noticee. The said provisions are reproduced hereunder:

Relevant provisions of SEBI Circulars

SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022

2. *In partial modification to Annexure -1 of SEBI circular dated December 03, 2018, the paragraph-11, 41, 42 and 44 shall be read as under:*

11*. Stock Brokers / Depository Participants shall identify and classify critical assets based on their sensitivity and criticality for business operations, services and data management. The critical assets shall include business critical systems, internet facing applications /systems, systems that contain sensitive data, sensitive personal data, sensitive financial data, Personally Identifiable Information (PII) data, etc. All the ancillary systems used for accessing/communicating with critical systems either for operations or maintenance shall also be classified as critical system. The board/Partners/Proprietor of the Stock Brokers / Depository Participants shall approve the list of critical systems.*

To this end, Stock Brokers / Depository Participants shall maintain up-to-date inventory of its hardware and systems, software and information assets (internal and external), details of its network resources, connections to its network and data flows.

SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018

3. The Cyber Security Policy should include the following process to identify, assess, and manage Cyber Security risk associated with processes, information, networks and systems:

a. 'Identify' critical IT assets and risks associated with such assets.

Link to relevant provisions of BSE Circular

https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20240426-61

10. Before I proceed to deal with the issues on merits, I would like to first address the preliminary issues raised by the Noticee, wherein the first issue is with respect to the fact that the copy of investigation report was not provided to it. In this regard, I note that the instant proceedings emanated from the inspection of documents, books and records of the Noticee by SEBI and exchanges as mentioned in pre-paras above and no investigation was conducted in the matter. So, there arises no question of providing the copy of investigation report. Further, Noticee's request with respect to providing certain additional documents in the matter, I note that the findings of the inspection were communicated to the Noticee, vide SEBI letter dated December 26, 2024, subsequent to which, Noticee had submitted its reply in the matter, vide letter dated December 30, 2024. Further, I note from the inspection minutes that the copy of the Inspection Report (IR), was provided to its AR during the course of inspection of documents, and vide email dated August 05, 2025, based on which, Noticee had submitted its reply, vide letters dated August 23, 2025 and October 06, 2025. Thus, Noticee appears to have misconstrued that an investigation was conducted in the matter.

11. Similarly, with respect to request of the Noticee for providing the copy of Post Inspection Analysis (PIA), I note that the same was not available on record.

12. Therefore, I find that all the relevant documents were provided in line with the principles laid by Hon'ble Supreme Court in ***T. Takano Vs SEBI*** matter i.e. *"all information that is relevant to the proceedings must be disclosed in adjudication proceedings"*

13. As regards the submission that an administrative warning has already been issued to the Noticee, and therefore, instant proceedings initiated against it be dropped, I note that the said Administrative warning was issued to the Noticee in respect of observations other than the ones for which SCN has been issued to Noticee. Thus, the issuance of Administrative warning to the Noticee has no bearing on the instant adjudication proceedings.

14. I now proceed to deal with the issues on merit in the following paras;

ISSUE No. I: Whether the Noticee violated various provisions of SEBI and BSE circulars as alleged in the SCN?

15. **Alleged Violations: Irregularities w.r.t Cyber Security & Cyber Resilience framework**

15.1 It was found that the Network Architecture Diagram of the Noticee was having Firewall at location Marol-1 & Marol-2 and the same were not included in the critical asset list of 157 items.

15.2 Further, branch office firewalls at multiple locations were not included in the list of critical asset.

15.3 It was also found that the documented policies and procedures to identify and classify assets based on sensitivity and criticality for business operations, services and data management were not available.

15.4 Noticee also failed to provide records related to Board approval of asset inventory.

Based on the above, it was alleged that the Noticee has violated Section 2 of Paragraph 11 of SEBI circular no. SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022, Section 3a of SEBI circular no. SEBI/HO/MIRSD/CIR/ PB/2018/147 dated December 03, 2018 and BSE circular no. 20240426-61 dated April 26, 2024.

16. **Findings with respect to the alleged irregularities**

16.1 With respect to the observation, whether the cyber security policy of the Noticee included the process to identify critical IT assets and risks associated

with such assets in terms of Clause 3(a) of Annexure 1 of SEBI Circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018, and whether it was able to follow the requirements in terms of sub-clause 11 of Clause 2 of SEBI Circular SEBI/HO/MIRSD/TPD/P/ CIR/2022/80 dated June 07, 2022, I note that Noticee has submitted that it had a Cyber security policy at all times and the availability of the appropriate policy was duly confirmed by the Independent Cyber Audit and the same can be ascertained from the Summary Report prepared by auditor, M/s Innowave IT Infrastructures Limited. It further submitted that the presence of requisite documents can be verified from the Executive Summary Report.

16.2 In this regard, I note that Noticee in Annexure A to its post hearing submission dated October 06, 2025, has provided the copy of its Cyber Security Audit Report for the periods from April 01, 2023 to September 30, 2023 and from October 01, 2023 to March 31, 2024, with both the audits conducted by the audit firm M/s Innowave IT Infrastructures Limited. From the Status/nature of finding with respect to Audit Term of Reference (TOR) Clause 1(a)(i) in the said reports, I note that the said reports conclude that the Noticee had formulated a comprehensive Cyber Security and Cyber Resilience policy document encompassing the framework mentioned in the circular during the respective periods.

16.3 Similarly, I note that the said reports conclude that Noticee was compliant with respect to the identification and classification of critical assets based on their sensitivity and criticality for business operations, services and data management, identification of critical IT assets and risks during the respective periods. Further, I note that the Noticee has provided an Asset Classification Policy as Annexure A to its reply dated October 06, 2025. Thus, I note from the Audit report and certification provided by the Auditor that the Noticee was having the respective policies in place.

16.4 With respect to the allegation that the Network Architecture Diagram of the Noticee was having Firewall at location Marol-1 & Marol-2, and the same were not included in the critical asset list of 157 items, I note that Noticee has submitted that those firewalls were not procured, deployed, or maintained by

it, and were installed and managed by independent entities, namely Choice Tech Lab Solutions Private Limited and Choice Consultancy Service Pvt. Ltd., which are separate legal persons and not under the ownership, control or its operational supervision.

16.5 Noticee further submitted that after conducting an independent analysis of the system assets, the Auditor independently concluded that the firewalls deployed at Marol–I and Marol–II did not qualify to be identified as critical IT assets of Noticee.

16.6 In this regard, I note that during the course of hearing, Noticee was asked to provide the certified copy/ undertaking from the Auditor, basis which classification of firewalls as critical assets at location Marol-1 & Marol-2 was not done by it, which was further based on the documents submitted by Noticee to the audit team. Noticee provided a certification dated October 01, 2025, issued by the auditor, M/s. Innowave IT Infrastructures Limited. I note that on page 1 of the certification, auditor has mentioned that it was in receipt of Network Diagram, Comprehensive Cyber Security and Cyber Resilience Policy, and Critical Asset List of the Noticee. Further, with respect to the firewalls at location Marol-1 & 2, I note that it is duly mentioned that, "*Upon verification of the Network Diagrams, it is confirmed that the firewalls located at Marol - I & Marol - II are neither owned nor operated by Choice Equity and, therefore, are not required to be included in the Critical Asset List. We also reviewed the Critical Asset List of Choice Equity, which had identified 157 assets as 'critical assets', in adherence with the provisions for identifying critical asset as outlined in the Cyber Security and Cyber Resilience Policy.*"

16.7 Thus, from the above, I note that Noticee was not required to include Firewalls at location Marol-1 & Marol-2 in the critical asset list of 157 items. Further as a mitigating factor, I note from the submission of the Noticee that out of abundant precaution, after SEBI's observation, Noticee has included the said Firewalls in the list of critical assets.

16.8 With respect to the observation that branch office firewalls at multiple locations were not included in the list of critical assets, and Noticee's submission that the SCN did not specify any instance other than Marol-I and

Marol-II, for it to present its defence, I note that in response to the inspection findings, Noticee had submitted that the branch office firewalls have been included in the latest VAPT report, even though those firewalls were non-criticial assets. However, in response to the instant SCN, Noticee is asking for specific instance other than Marol-1 and Marol-2. This shows that Noticee is contradicting its own submission. I note that the allegation is unambiguous and specific with respect to the fact whether its branch office firewalls were included in the list of critical assets, and the same does not require any specific instance to be quoted as contended by the Noticee. Thus, submission of the Noticee is nothing but an afterthought to escape the allegation levelled against it. Thus, submission of the Noticee in this regard is bereft of merits.

16.9 As regards allegation that the Noticee did not have any documented policies and procedures to identify and classify assets based on sensitivity and criticality for business operations, services and data management, I note that Noticee has submitted that it had provided all the documents required by SEBI inspection team. Further, I note that during the course of hearing, Noticee was asked to provide an Undertaking from the auditor that the said auditor was in receipt of the documented policies of the Noticee, based on which audit was done. In this regard, I note that the Noticee has provided an undertaking from the auditor, vide its post hearing submission dated October 06, 2025 wherein, I note that page 1 of the undertaking has mentioned that auditor was in receipt of Network Diagram, Comprehensive Cyber Security and Cyber Resilience Policy of Choice Equity, and Critical Asset List of the Noticee. Further, I note from the said certification/undertaking that auditor has mentioned as below:

> *"In the course of my examination, we have thoroughly perused and verified the abovementioned documents, amongst other audit process.*
>
> *On reviewing the Policy for the Audit Period, we confirm the following:*
>
> *a. That the Policy includes the process to identify, assess, and manage Cyber Security risk associated with processes, information, networks and systems.*
>
> *b. That the Policy has provisions for identifying critical IT assets and risks associated with such assets.*

c. That the Policy has provisions for protecting assets by deploying suitable controls and tools, and measures.

d. That the Policy has provisions for detecting incidents anomalies, and attacks through appropriate monitoring tools/process.

e. That the Policy has provisions for responding by taking immediate steps after identification of the incident anomaly or attack

f. That the Policy has provisions relating to recovery from incident through incident management and other appropriate recovery mechanism"

16.10 Thus, from the description mention in the certification from the auditor and the material available on record, I note that the Noticee had documented policies and procedures to identify and classify assets based on sensitivity and criticality for business operations, services and data management.

16.11 As regards, allegation of failure to provide records related to Board approval of asset inventory, I note that the Noticee as Annexure B of its reply to the SCN, had submitted copies of the resolution passed at the meeting of its Board of Directors on October 16, 2023, April 16, 2024 and July 18, 2024. However, with the said resolutions, it could not be ascertained, whether they were created post inspection findings were shared with the Noticee, or after issuance of the SCN, owing to which, the same was not placed before the inspection team. Therefore, an opportunity was given to the Noticee during the course of hearing to provide the notarized copies of the minutes of the said Board Meetings.

16.12 I note that Noticee, vide its additional submission dated October 06, 2025, has submitted the notarized copies of the resolution passed at the meeting of its Board of Directors on October 16, 2023, April 16, 2024 and July 18, 2024. From the copy of the said resolutions, I note that its board had reviewed and approved the list of certain critical assets, which are tabulated below:

	Resolution dated October 16, 2023	**Resolution dated April 16, 2024**	**Resolution dated July 18, 2024**

Period	April 01, 2023 to September 30, 2023	October 01, 2023 to March 31, 2024	April 01, 2024 to June 30, 2024
Firewalls	Firewalls located at multiple sites, providing essential security measures for our network infrastructure.	Firewalls located at multiple sites, providing essential security measures for our network infrastructure.	Firewalls located at multiple sites, providing essential security measures for our network infrastructure.
AWS Infrastructure	Virtual machines hosted across multiple AWS availability zones, critical for our cloud operations.	Virtual machines hosted across multiple AWS availability zones, critical for our cloud operations.	Virtual machines hosted across multiple AWS availability zones, critical for our cloud operations.
Data Centers	NSE COLO, NTT Es-Xi, Siffy DR, and Physical Server	NSE COLO, NTT Es-Xi, Siffy DR, and Physical Server	NSE COLO, NTT Es-Xi, Siffy DR, and Physical Server.

16.13 From the above tabulated data, it is conspicuous that the Board of the Noticee had reviewed and approved the asset inventory.

In view of the foregoing, by having failed to include branch office firewalls at multiple locations in the list of critical assets, it stands established that the Noticee has violated Section 2 of Paragraph 11 of SEBI circular no. SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022.

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s Section 15HB of SEBI Act, as applicable?

17. In view of the violation as established above, I find that this is a fit case for penalty u/s 15HB of the SEBI Act, which reads as given below:

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.*

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the Adjudication Rules?

18. While determining the quantum of penalty u/s 15HB of SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:-

SEBI Act

"15J. Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under Section 23-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."

19. In the present matter, I note that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by Noticee. Further, from the material available on record, it may not be possible to ascertain the exact monetary loss to the investors / clients on account of default by the Noticee. As SEBI registered intermediary, Noticee is under statutory obligation to comply with the applicable circulars, rules and regulations. Therefore, non-compliances/ violation by the Noticee deserves and attracts suitable penalty. I note that corrective actions have been taken by the Noticee post inspection and also no complaint against Noticee has been brought on record etc. These are being considered as mitigating factors while deciding the quantum of penalty. As per available records, I note that the Noticee has been penalized by SEBI in the

past, vide orders dated October 09, 2024 and February 28, 2018 for the violation of various provisions of SEBI (Stock Brokers) Regulations, 1992, SEBI Circulars, NSE Circulars and SEBI (Substantial Acquisition Of Shares And Takeovers) Regulations, 2011 and Securities And Exchange Board Of India (Prohibition Of Insider Trading) Regulations, 2015.

ORDER

20. After taking into consideration the facts and circumstances of the case, including the fact that corrective steps have been taken by the Noticee, in exercise of powers conferred upon me u/s 15-I of the SEBI Act r/w Rule 5 of the Adjudication Rules, I hereby impose penalty of Rs. 1,00,000/- (Rupees One Lakh Only) u/s 15HB of the SEBI Act. I find that the said penalty is commensurate with the violation committed by the Noticee in this case.

21. 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

22. 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 u/s 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.

23. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and also to SEBI.

AMIT KAPOOR
Digitally signed by AMIT KAPOOR
Date: 2025.10.30 16:35:32 +05'30'

Place: Mumbai **AMIT KAPOOR**

Date: October 30, 2025 **ADJUDICATING OFFICER**