BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AK/DS/2025-26/31805]

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

Jainam Broking Limited

PAN: AABCJ3918N

SEBI Regn No.: INZ000198735

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1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") and MCX had conducted thematic inspection of Jainam Broking Limited (hereinafter referred to as "**the Noticee**"), a SEBI-registered Stock Broker having registration number INZ000198735, from November 27-29, 2024, to look into compliance by the Noticee with respect to its client onboarding process. The inspection was conducted for the period beginning January 01, 2024 to October 31, 2024 (hereinafter referred to as "**inspection period**").

2. Based on the findings of the inspection communicated to the Noticee vide letter dated February 24, 2025 and the Noticee's reply, vide emails dated March 10, 2025 and March 12, 2025, certain violations of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as "**Stock Brokers Regulations**") by the Noticee were observed.

APPOINTMENT OF ADJUDICATING OFFICER

3. Upon being satisfied that the Noticee has, prima facie, violated provisions of Stock Brokers Regulations, SEBI approved initiation of adjudication proceedings on March 26, 2025 and appointed the undersigned as Adjudicating Officer (AO), vide Order dated May 02, 2025 u/s 15-I(1) of SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing

Penalties) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules**") to inquire into and adjudge u/s 15HB of SEBI Act, the violations, alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING

4. Show Cause Notice No. SEBI/EAD/EAD-06/AK/DS/13499/1/2025 dated May 20, 2025 (hereinafter referred to as **"SCN"**) was issued to the Noticee in terms of rule 4 of SEBI Adjudication Rules r/w Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be held against it and why penalty, if any, be not imposed on it under applicable provisions. Summary of allegations made in the SCN is as under:
    4.1. Vide letter dated November 04, 2024, administrative warning was issued to the Noticee for non-submission of data, delay in submission of data and submission of incorrect data in reply to the two thematic Pre-Inspection Questionnaires (PIQs), viz. Verification of client on-boarding process; and Cyber security and cyber resilience and framework on technical glitches. The Noticee was advised to reply by November 06, 2024 and was advised to forward the comments of its Board to SEBI within two weeks of the Board Meeting.
    4.2. However, the reply to the client onboarding PIQ was received on November 7, 2024. Further, the reply provided was incomplete, as reply to one question had not been provided and reply to another question was incorrect. Reply was also provided by the Noticee on November 08, 2024 and it was observed that again incorrect data for the same question had been provided.
    4.3. It was also observed that comments of the Board of Noticee were not provided till the non-submission was communicated, vide letter communicating findings of thematic inspection, with respect to client on-boarding on February 24, 2025 and with respect to cyber security and cyber resilience and Framework on technical glitches on March 04, 2025, to the broker.

4.4. Further, the reply to findings of inspection was received after multiple telephonic follow ups and three email reminders.

4.5. Thus, it was observed that by not submitting correct and complete replies in timely manner and by not adhering to the instructions in the administrative warning letter, the Noticee had not acted with due skill, care and diligence in the conduct of its business.

4.6. In view of the above, it was alleged that the Noticee has violated the provisions of Clause A(2) of Code of Conduct for Stock Brokers, specified under Schedule II r/w Regulation 9 of Stock Brokers Regulations.

5. The Noticee submitted its reply vide letter dated June 30, 2025. The reply is summarized below:

5.1. *With respect to incomplete and inaccurate data pertaining to Thematic PIQ - Cyber Security and framework in the administrative warning letter, the reply was sent to SEBI vide three mails dated November 06, 2024, the copy of which has also been provided by the Noticee.*

5.2. *With respect to Thematic PIQ – Client Onboarding in the administrative warning letter, the reply was submitted immediately after submitting the aforesaid emails, at 00.01 am, 00.08 am, 00.16 am, 2.51 am, 3.00 am, 8.43 am and 11.15 am on November 07, 2024, the copy of which has also been provided by the Noticee.*

5.3. *It is alleged that Reply to client onboarding PIQ which was received on November 07, 2024, reply was incomplete, i.e.in regards to point no 2 of Part II of PIQ vide SEBI email dated 07-11-2024 at 12.19 pm. However, complete data was submitted vide email dated 07-11-2024 at 00.01 am, the copy of which has also been provided by the Noticee.*

5.4. *Further, it is alleged that Reply to client onboarding PIQ which was received on Nov 07, 2024, was incorrect i.e.in regards to point no 3 of Part II of PIQ vide SEBI email dated 07-11-2024 at 12.19 pm. As per point no 3 of Part II of PIQ-Client Onboarding, data is required to be provided for the 2 months during the inspection period where* *the maximum number of clients were registered by the stock broker in the prescribed format. Whereas, while submitting data, the Noticee had submitted month-wise clients registered during the entire inspection period in prescribed format with clear month-wise demarcation from which maximum client registered during the inspection period can be easily ascertained due to demarcation. Noticee has submitted extract of the email dated 07-11-2024 at 3.01 am along with exhibit 2 forming part of the email in support of its submissions.*

5.5. *Further, the same was resubmitted vide email dated 07-11-2024 at 4.01 pm (immediate on same day) to the satisfaction of SEBI inspection official along with Exhibit 2 and Exhibit 2(a) forming part of the submission. Exhibit 2 contains data of 2 months' data where maximum client were registered during the inspection period (the data is only the extract of the data submitted earlier vide email dated 07-11-2024 at 3.01 am). Exhibit 2(a) was also attached, containing month-wise clients registered during the entire inspection period in prescribed format with clear month-wise demarcation (the data is same data which was submitted vide email dated 07-11-2024 at 3.01 am). Same has been provided by the Noticee in support of its submissions.*

5.6. *Considering the above submission, the responses submitted by the Noticee may not be construed as "wrong submission of data" vide email dated Feb 07, 2025 and it may also be considered that the data was resubmitted immediately to the SEBI inspection team to their satisfaction in regards to point no. 3 of Part II of PIQ- Client Onboarding.*

5.7. *It is further alleged that reply was provided by the Noticee on November 08, 2024 and again incorrect data for the same question had been provided. It is submitted that reply provided vide Email dated 08-11-2024 at 1.40 pm was correct and was provided in lieu of SEBI email dated 08-11-2024 at 11.33 am.*

5.8. *SEBI email dated 08-11-2024 stated "From the trailing email it is seen that the 2 months during the inspection period where the maximum number of clients were registered are July and May. However, data has been submitted for January and July. As such incorrect data has been submitted. You are once again advised to submit the correct data for question no. 3 of Part II."*

5.9. *It is submitted that data in regard to Point no. 3 and Point no 2 were interrelated. Data mentioned in point no 2 vide Email dated 07-11-2024 at 00.01 am, had provided table where Month and count of no of clients registered during the inspection period were stated. The figures in the data stated that July 2024 and May 2024 were maximum clients were registered. Whereas, the data submitted vide email dated 07-11-2024 at 3.00 am and 4.00 pm in excel, had data pertaining to months of July 2024 and January 2024. Thereafter, data for point no 2 was resubmitted vide Email dated 08-11-2024 at 1.40 pm which was correct. Here, the data pertaining to these months was correct. There was no intention of erroneous data submission. Both the tables with maximum registered clients were extracted from the back office. However, data in regard to point no 3 had captured some error due to multiple exchange and multiple segment. It may also be considered that immediate steps were taken by the Noticee to submit correct data, immediately after the error was brought to the notice of the Noticee.*

5.10. *As per Point no 8 of the Administrative warning dated November 04, 2024, the said letter was to be placed before the Board and comments of the board were to be forwarded to SEBI within two weeks of the Board Meeting, thus, the same was placed before the Board of Directors in the Board meeting held November 13, 2024. Further, comments of the Board were forwarded to BSE for onward submission to SEBI vide email dated November 29, 2024. It was assumed that since the same is provided to BSE for onward submission to SEBI, the same may not be re-submitted to SEBI. Notice has provided a copy of the email to BSE in support of its submissions.*

5.11. *It has also been alleged that reply to findings of inspection was received after multiple telephonic follow ups and three email reminders. It is submitted that Reply to Inspection findings for Thematic - Client Boarding was submitted vide Email dated 10-03-2025 to 12-03-2025. Reply to Inspection findings for Thematic Inspection – Cyber Security and Cyber Resilience was submitted vide 8 emails dated March 17, 2025.*

5.12. *Vide telephonic conversation with SEBI official and vide email dated March 13, 2025, the Noticee had requested SEBI to grant extension upto EOD March 13, 2025.*

However, due to multiple data to be submitted and compilation of data in relation to the observation received, it was able to submit the data on March 17, 2025.

5.13. *Noticee requested to consider the intent to comply rather than procedural lapse which may be due to backoffice software or lack of adequate checks available. These were principally due to administrative oversight or procedural oversight or technical oversight rather than a malafide intention on its part.*

5.14. *The Noticee relied on the Order passed by Hon'ble Securities Appellate Tribunal in the matter of Chona Financial Services Pvt Ltd vs. SEBI (Appeal No 95 of 2003).*

6. In the interest of natural justice, vide notice dated June 30, 2025, the Noticee was granted personal hearing on July 15, 2025. On the scheduled date, the Noticee appeared through its Authorized Representative ("**AR**") for the hearing. The AR reiterated the submissions already made vide letter dated June 30, 2025.

CONSIDERATION OF ISSUES AND FINDINGS

7. Considering the allegations made out in the SCN and the submissions made by the Noticee, the following issues require consideration in the present case:

   ISSUE I - Whether the Noticee has violated provisions of Stock Brokers Regulations, as stated in the SCN?

   ISSUE II - Do the violations, if any, attract penalty u/s Section 15HB of SEBI Act?

   ISSUE III - If so, what should be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

8. The provisions, allegedly violated by the Noticee, are reproduced below –

   Securities and Exchange Board of India (Stock Brokers) Regulations 1992

   Conditions of registration.

   9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

   (a) ...

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him

(c) where the stock broker proposes change in control, he shall obtain prior approval of the Board for continuing to act as such after the change;

(d) he shall pay fees charged by the Board in the manner provided in these regulations;

(e) he shall take adequate steps for redressal of grievances, of the investors within twenty-one calendar days of the date of receipt of the complaint and inform the Board as and when required by the Board;

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II; and

(g) he shall at all times maintain the minimum networth as specified in Schedule VI.

(h) Every stock broker who act as an underwriter shall enter into a valid agreement with the body corporate on whose behalf it is acting as underwriter and shall abide by the regulations made under the Act in respect of the activities carried on by it as underwriter.

(i) Every Stock Broker shall be entitled to act as an underwriter only out of its own net worth/funds as may be prescribed from time to time.

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.

9. I now proceed to deal with the issues hereunder.

ISSUE I - Whether the Noticee has violated provisions of Stock Brokers Regulations, as stated in the SCN?

10. It has been alleged that the Noticee has not submitted timely and complete replies and has not adhered to the administrative warning issued to it, thereby violating the provisions of Clause A(2) of Code of Conduct for Stock Brokers, specified under Schedule II r/w Regulation 9 of Stock Brokers Regulations.

11. Incomplete and incorrect data submission – It was alleged that the reply dated November 07, 2024 of the Noticee with respect to client onboarding PIQ was incomplete with respect to one question and incorrect with respect to another question. In this regard, I note that, vide the administrative warning dated November 04, 2024, the Noticee was advised to submit complete and correct reply latest by November 06, 2024. However, the Noticee submitted the reply vide emails dated November 07, 2024 at 00:01 Hrs, 00:08 Hrs, 00:17 Hrs, 02:51 Hrs, 03:01 Hrs, 08:44 Hrs and 11:16 Hrs. Thereafter, vide email dated November 07, 2024 (i.e. the same date) at 12:18 Hrs, the Noticee was informed that reply to question no. 2 of the PIQ (Client Onboarding Process) is incomplete; details are required to be provided for the 2 months during the IP where the maximum number of clients were registered by the stock broker; and reply to question 7 has still not been provided. In response to this email, the Noticee, vide email dated November 07, 2024 at 16:01 Hrs, submitted the entire IP's data, as well as the data for January and July, 2024, i.e. two months' data with maximum client registration. In response to the Noticee's email, the SEBI Official observed that as per the figures previously provided, the maximum number of clients had registered in May and July, 2024, however, the data had been sent for January and July, 2024. The same was communicated to the Noticee vide email dated November 08, 2024 at 11:33 Hrs. The Noticee, vide email dated November 08, 2024 at 13:40 Hrs provided revised month-wise details as per which the months with maximum registered clients were January and July, 2024.

12. I note that the email dated November 07, 2024 at 03:01 Hrs already sent by the Noticee contained the details of all the clients registered during the IP. However, the data was required to be sent for the two months in which maximum client registration had taken place. Subsequently, while sending the data for the two months, where maximum client registration had taken place, the Noticee sent the data for January and July, 2024, whereas the months with maximum client

registrations were May and July, 2024 as per the figures provided by the Noticee. Therefore, it was observed that the Noticee had provided incorrect data.

13. In this regard, the Noticee has submitted that the figures of clients registered with the Noticee provided previously, as well as the revised figures, were generated from the back office software. However, due to erroneous selection of multiple exchanges and segments, the figures were varying.

14. From the above, I note that there were discrepancies in the figures provided by the Noticee, which lead to the observation of submitting incorrect data. Further, the Noticee had submitted details of all the clients registered during the IP, which consisted of 10 months, whereas the details were required for only two months with maximum client registrations.

15. Thus, the details submitted by the Noticee were not in the desired format, however, the same cannot be called incorrect. The Noticee has admitted to the errors while generating the table with month-wise numbers of clients registered. However, I note that the revised numbers were immediately submitted by the Noticee when the same was informed to it. I also note that there was a delay of one day in making the submissions by the Noticee. However, the Noticee was prompt in subsequent responses to the SEBI official. Also, there are no observations of manipulations in the data submitted or intentional delays by the Noticee, in the inspection report. In view of the above, I am inclined to take a lenient view with respect to this allegation.

16. It was also observed that the Noticee did not submit its reply to para 8 of the administrative warning dated November 04, 2024, wherein it was advised to place the warning before the Board of Directors and forward their comments to SEBI. The comments of the Board of Directors were only submitted by the Noticee, along with its reply to findings of inspection, in March, 2025. In this regard, the Noticee

has submitted that it had already submitted the comments of the Board of Directors to BSE vide email dated November 29, 2024.

17. I note that vide email dated November 28, 2024, BSE official had advised the Noticee to submit a copy of the Board Resolution, which was submitted by the Noticee vide email dated November 29, 2024. However, the same was not forwarded by the Noticee to SEBI. I note that it was clearly mentioned in the administrative warning that the comments of the Board of Directors were to be forwarded to SEBI within two weeks of the Board Meeting. However, from the email sent by the Noticee to the BSE official, I note that the Noticee had placed the administrative warning before the Board of Directors on November 13, 2024. Thus, I note that while the Noticee placed the warning before the Board of Directors, it did not forward the same to SEBI. However, since the same was done subsequently in March 2025, I am inclined to take a lenient view with respect to this allegation.

18. It was also observed that the Noticee submitted its reply to the inspection findings after multiple telephonic follow ups and three email reminders. I note that the inspection findings with respect to the thematic inspection (Cyber Security and Cyber Resilience and Framework on Technical Glitches) were communicated to the Noticee vide email dated March 04, 2025. The Noticee was thereby advised to submit its reply within 5 days, i.e. on or before March 09, 2025. I note that after multiple telephonic follow ups and email reminders on March 13, 2025, March 15, 2025 and March 17, 2025, the Noticee submitted its response to the inspection findings vide emails dated March 17, 2025. Thus, there was a delay of 8 days by the Noticee in providing its response to the inspection findings. I also note that the Noticee was also providing its response to the inspection observations for Client Onboarding Process during the same time, which were sent to SEBI vide email dated March 10-12, 2025. Considering the same, I am inclined to take a lenient view with respect to this allegation.

19. The Noticee, being a stock broker, is expected to adhere to the instructions of the inspecting officials and submit accurate and complete data in a timely manner. In the present case, the Noticee has submitted excess and inaccurate data, and also not forwarded the comments of the Board of Directors to SEBI. However, the details provided by the Noticee pertained to the whole IP, instead of the two months, and no discrepancy was observed in these details. Also, the Noticee had forwarded the Board Resolution to the BSE, which shows that it had not completely disregarded the administrative warning. Therefore, I am of the view that the lapses are mostly technical and procedural in nature and do not warrant penalty.

20. In light of the above, Issues II and III do not require any consideration.

21. Accordingly, the SCN dated May 20, 2025 qua the Noticee is disposed of without imposition of penalty.

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

AMIT KAPOOR Digitally signed by AMIT KAPOOR Date: 2025.11.26 10:41:27 +05'30'

DATE: NOVEMBER 26, 2025 **AMIT KAPOOR**

PLACE: MUMBAI **ADJUDICATING OFFICER**