**BEFORE THE ADJUDICATING OFFICER**
**SECURITIES AND EXCHANGE BOARD OF INDIA**
**[ADJUDICATION ORDER NO. Order/NH/YK/2024-25/30718]**

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

**In respect of:**

**Jainam Broking Limited**

**PAN: AABCJ3918N**

**In the matter of Jainam Broking Limited**

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## A. BACKGROUND

1. Jainam Broking Limited (hereinafter referred to as "**Noticee/Jainam**") has been registered with the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") as a stock broker since September 30, 2004. The registration number of the Noticee is INZ000198735. SEBI had undertaken inspection of the Noticee on November 07, 2023, and November 08, 2023, for the period April 01, 2022 to October 31, 2023 (hereinafter referred to as "**Inspection period/IP**").

2. Post the culmination of the aforesaid inspection, an inspection report (hereinafter referred to as '**IR'**) was prepared. The findings of the said inspection were communicated to the Noticee vide letter dated January 09, 2024. Thereafter, a Post Inspection Analysis report (hereinafter referred to as '**PIA'**) was prepared by SEBI on the basis of material available on record.

3. Based on the findings of the inspection conducted by SEBI, certain non-compliances of the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 (hereinafter referred to as "**Brokers Regulations**"), SEBI Circulars, and Exchange Circulars were alleged. The summary of the violations alleged to have been committed

by the Noticee and the corresponding provision of the securities law are given in the table below:

**Table 1**

| Sr. No. | Alleged Violations (Summarized) | Regulatory Provisions |
|---|---|---|
| 1. | Eight Authorized Persons (APs) were using non-permissible words, i.e., wealth/ wealth advisory/ advisory management/ investment advisory/ advisors without obtaining registration from SEBI. | Regulation 9(b) and Clause A(5) of the Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular No. NSE/COMP/55716 dated February 22, 2023 (hereinafter referred to as "**NSE Circular dated February 22, 2023**"). |
| 2. | Four APs out of five sample APs selected for inspection have not kept evidence in respect of the order placed by their clients. Moreover, one AP was not operating from the location reported by the Noticee to the Exchanges. | Clauses III, IV, and V of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 (hereinafter referred to as "**SEBI Circular dated March 22, 2018**"). |
| 3. | Irregularities were observed in the terminals operations of four APs with respect to the location from where terminals were operated and the approved users operating the terminals. | Regulation 9(b) and Clause A(5) of the Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular No. NSE/INSP/28434 dated December 24, 2014 (hereinafter referred to as "**NSE Circular dated December 24, 2014**"), NSE Circular No. NSE/COMP/50576 dated December 13, 2021 (hereinafter |

| Sr. No. | Alleged Violations (Summarized) | Regulatory Provisions |
|---|---|---|
| | | referred to as "**NSE Circular dated December 13, 2021**"), NSE Circular No. NSE/INSP/42448 dated October 18, 2019 (hereinafter referred to as "**NSE Circular dated October 18, 2019**"), and NSE Circular No. NSE/MSD/56778 dated May 22, 2023 (hereinafter referred to as "**NSE Circular dated May 22, 2023**"). |
| 4. | Irregularities were observed in respect of the office management of four APs out of sample of five APs and one AP did not operate from the location reported by the Noticee to the Exchanges. | SEBI Circular No. MIRSD/ DR-1/ Cir-16 /09 dated November 06, 2009 (hereinafter referred to as **"SEBI Circular dated November 06, 2009"**) and Regulation 9(b) and Clause A(5) of the Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular dated October 18, 2019. |
| 5. | One AP was not operating from the location reported by the Noticee to the Exchanges. Bank statements were not also available for verification of dealings with clients. | Regulation 9(b) and Clause A(5) of the Code of Conduct of the Brokers Regulations read with NSE Circular No. NSE/COMP/48536 dated June 09, 2021 (hereinafter referred to as "**NSE Circular dated June 09, 2021**") and NSE Circular No. NSE/COMP/ 56947 dated June 02, 2023 (hereinafter |

| Sr. No. | Alleged Violations (Summarized) | Regulatory Provisions |
|---|---|---|
| | | referred to as "**NSE Circular dated June 02, 2023**"). |
| 6. | Irregularities were observed in respect of the supervision of APs by the Noticee. | Regulation 9(b) and Clause A(5) of the Code of Conduct of Brokers Regulations read with NSE Circular dated October 18, 2019. |

## B. APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI had appointed the undersigned as the Adjudicating Officer (hereinafter referred to as ''**AO**'') in the matter vide communique dated May 28, 2024 under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**), to inquire into and adjudge under the provisions of Section 15HB of the SEBI Act for the aforementioned violations of the provisions of law alleged to have been committed by the Noticee.

## C. SHOW CAUSE NOTICE, REPLY, AND HEARING

5. Show Cause Notice ref no. SEBI/EAD-2/NH/YK/19329/2024 dated June 11, 2024 (hereinafter referred to as **'SCN/Notice'**) was served upon the Noticee in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Noticee and why penalty, if any, not be imposed on it in terms of the provisions of Section 15HB of the SEBI Act for the violations alleged to have been committed by the Noticee.

6. The SCN dated June 11, 2024, *inter alia*, alleged the following:

"

***6.1. <u>Usage of non-permissible words in the name of AP without obtaining registration</u>***

- *It was observed from IR that out of the sample of 742 APs, eight APs have been using the non-permissible words i.e. wealth/ wealth advisory/ advisory management/ investment advisory/ advisors. Details of such eight APs are as under:*

***Table 2***

| ***Sr. No.*** | ***Name of AP*** | ***Non-Permissible Words*** |
|---|---|---|
| *1.* | *Equitree Capital Advisors Private Limited* | *Capital Advisor* |
| *2.* | *CCP Wealth Advisors Private Limited* | *Wealth* |
| *3.* | *Blue Marble Capital Services LLP* | *Wealth* |
| *4.* | *J & P Wealth Coach Private Limited* | *Wealth* |
| *5.* | *CCP Wealth Advisors Private Limited* | *Wealth Advisor* |
| *6.* | *Multi Wealth* | *Wealth* |
| *7.* | *45 Degree Wealth* | *Wealth* |
| *8.* | *Rushabh Wealth* | *Wealth* |

- *It was observed that the aforesaid finding was communicated to the Noticee by SEBI vide letter dated January 09, 2024. However, despite reminders and sufficient time, the Noticee has not provided any comments/response on the findings of the inspection.*

- *In view of the above, it is alleged that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular dated February 22, 2023.*

### 6.2. ***<u>Evidence of client order placement not kept by the APs</u>***

- *It was observed from IR that out of five sample APs, four APs (Rina Vikramkumar Sadhani, Dipikaben Prakashchandra Shah, Dhrumil Rakesh Doshi and Hasmukh Mohanbhai Dayani), have not kept evidence in respect of the order placed by their clients including voice recording where orders were received through telephone while one AP (Mr. Aashish Talsibhai Dhanani) was not operating from location reported by the Noticee to the Exchanges.*

- *It was observed that the aforesaid finding was communicated to the Noticee by SEBI vide letter dated January 09, 2024 (enclosed as Annexure 2). However, despite reminders and sufficient time, the Noticee has not provided any comments/response on the findings of the inspection.*

- *In view of the above, it is alleged that the Noticee has violated the provisions of Clause III, IV, V of SEBI Circular dated March 22, 2018.*

### 6.3. ***<u>Irregularities in terminals operations:</u>***

- *It was observed from IR that during the surprise visit to the locations of sample APs, following irregularities were observed:*

***Table 3***

| ***Sr. No.*** | ***Name of APs*** | ***Irregularities observed*** |
|---|---|---|
| *1.* | *Rina Vikramkumar Sadhani* | *CTCL IDs were operated by persons other than Approved Users.* |
| *2.* | *Dipikaben Prakashchandra Shah* | *CTCL ID was operated by person other than Approved User.* |
| *3.* | *Aashish Talsibhai Dhanani* | *AP did not operate from location reported by the Noticee to the Exchanges. Therefore, it is alleged that incorrect location of AP and terminal were reported by the Noticee.* |
| *4.* | *Hasmukh Mohanbhai Dayani* | *CTCL ID mapped to AP did not operate from location reported by the Noticee to the Exchanges. Therefore, it is alleged* |

| Sr. No. | Name of APs | Irregularities observed |
|---|---|---|
| | | *that incorrect location of AP and terminal were reported by the Noticee.* |

- *It was observed that the aforesaid finding was communicated to the Noticee by SEBI vide letter dated January 09, 2024. However, despite reminders and sufficient time, the Noticee has not provided any comments/response on the findings of the inspection.*

- *In view of the above, it is alleged that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular dated December 24, 2014, NSE Circular dated December 13, 2021, NSE Circular dated October 18, 2019, and NSE Circular dated May 22, 2023.*

### *6.4. Irregularities in office management of APs:*

- *It was observed from IR that four APs out of sample of five APs have not adhered to the following regulatory requirements in respect of office management of APs and one AP i.e. Mr. Aashish Talsibhai Dhanani did not operate from location reported by the Noticee to the Exchanges:*

***Table 4***

| Sr. No. | Name of APs | Irregularities observed |
|---|---|---|
| *1.* | *Rina Vikramkumar Sadhani* | *Notice board of the Noticee containing all details/information was not displayed at the inspection location.*<br><br>*Complaint register was not maintained by the AP.*<br><br>*Clients order placement evidences was not maintained by the AP.* |

| **Sr. No.** | **Name of APs** | **Irregularities observed** |
|---|---|---|
| *2.* | *Dipikaben Prakashchandra Shah* | *Notice board of the Noticee containing all details/information was not displayed at the inspection location.*<br><br>*Complaint register was not maintained by the AP.*<br><br>*Registration letters issued by the Exchanges were not displayed at the inspection location.*<br><br>*Do & Don't and Investor Grievances was not displayed at the inspection location.*<br><br>*Clients order placement evidences was not maintained by the AP.*<br><br>*Investor Grievances Redressal mechanism was not displayed at the inspection location.* |
| *3.* | *Hasmukh Mohanbhai Dayani* | *Complaint register was not properly maintained by the AP.*<br><br>*AP Agreement not provided by the Noticee or AP.* |
| *4.* | *Dhrumil Rakesh Doshi* | *Complaint register was not maintained by the AP.* |

- *It was observed that the aforesaid finding was communicated to the Noticee by SEBI vide letter dated January 09, 2024. However, despite reminders and sufficient time, the Noticee has not provided any comments/response on the findings of the inspection.*

- *In view of the above, it is alleged that the Noticee has violated the provisions of SEBI Circular dated November 06, 2009 and Regulation 9(b) and Clause A(5) of*

*Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular dated October 18, 2019.*

### *6.5. Dealing with Clients:*

- *It was observed from IR that one AP i.e. Mr. Aashish Talsibhai Dhanani was not operating from location reported by the Noticee to the Exchanges. Bank statements were also not available for verification of dealing with clients.*

- *It was observed that the aforesaid finding was communicated to the Noticee by SEBI vide letter dated January 09, 2024. However, despite reminders and sufficient time, the Noticee has not provided any comments/response on the findings of the inspection.*

- *Therefore, it is alleged that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of Code of Conduct of the Brokers Regulations read with NSE Circular dated June 09, 2021 and NSE Circular dated June 02, 2023.*

### *6.6. Irregularities in supervision of APs by the Noticee:*

- *It was observed from IR that the Noticee has carried out inspection of the APs by third party as follows:*

***Table 5***

| ***Sr. No.*** | ***Name of AP*** | ***Date of AP inspection report*** |
|---|---|---|
| *1.* | *Rina Vikram Sadhani* | *27-10-2023* |
| *2.* | *Dipikaben Prakash Shah* | *30-10-2023* |
| *3.* | *Hasmukh Mohanbhai Dayani* | *25-10-2023* |

- *In this regard, it was observed from IR that aforesaid inspection report of the Noticee did not mentioned following details:*

*1. Number of employees of the APs.*

*2. Number of clients mapped to the APs.*

- *It was further observed from IR that the Noticee has submitted incorrect submissions in respect of the inspection of two APs i.e. Rina Vikram Sadhani and Dipikaben Prakash Shah. The Noticee has mentioned the following points as compliant in its submissions whereas during inspection these points were observed to be non-complied:*

*1. Availability of Voice Recording*

*2. Display of notice board*

*3. Maintenance of Visitor Register*

- *It was observed that the aforesaid finding was communicated to the Noticee by SEBI vide letter dated January 09, 2024 (enclosed as Annexure 2). However, despite reminders and sufficient time, the Noticee has not provided any comments/response on the findings of the inspection.*

- *Therefore, it is alleged that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of Code of Conduct of Brokers Regulations read with NSE Circular dated October 18, 2019."*

7. The SCN along with annexures was served upon the Noticee in the following manner as mentioned below:

**Table 6**

| Sr. No. | Mode of Delivery of SCN | Addresses/ E-mail IDs[1] | Remarks |
|---|---|---|---|
| 1. | Through E-mail | om............@jainam.in; com.............@jainam.in; ne.............@jainam.in; | Delivered on June 11, 2024. The Noticee vide e-mail dated June 11, 2024, acknowledged the receipt of the SCN through e-mail. |
| 2. | Through Speed Post with Acknowledgment Due | *Jai………Surat – 395 007* | Delivered on June 14, 2024, as per the consignment tracking on India Post. |
| | | *P03………Gandhinagar – 382 355* | Delivered on June 18, 2024, as per the consignment tracking on India Post. |

8. The Noticee, vide e-mail dated June 28, 2024, requested an additional 15 days to submit its reply to the SCN. In the interest of natural justice, the request of the Noticee to grant additional time to submit its reply to the SCN was considered, and vide e-mail dated June 28, 2024, the Noticee was advised to submit its reply to the SCN, if any, at the latest by July 15, 2024. However, until July 16, 2024, the Noticee had not submitted its reply on merits to the SCN. Thereafter, in the interest of natural justice, an opportunity of hearing was granted to the Noticee on July 25, 2024, at 03:30 P.M., vide hearing notice dated July 16, 2024. The Noticee was also advised to submit its reply, if any, at the latest by July 23, 2024. The Noticee has submitted its reply vide

[1] *E-mail ID and address excised for the sake of confidentiality.*

letter dated July 23, 2024, received by SEBI via e-mail on July 25, 2024, at 01:32 P.M. almost two hours before the hearing was to commence in the matter. Further, the hard copy of the reply was received by SEBI on July 25, 2024.

**Reply of the Noticee**

9. Vide letter dated July 23, 2024, the Noticee has made its submissions in response to the SCN, which are discussed in the subsequent paragraphs under different headings for ease of discussion.

**Hearing**

10. On the scheduled date of the personal hearing, i.e., July 25, 2024, the Noticee appeared through its Authorized Representatives (hereinafter referred to as **"ARs"**), who reiterated the submissions made by the Noticee vide letter dated July 23, 2024. Further, ARs also requested additional time of one day to make further submissions in the matter that was acceded to, and the Noticee was advised to file its additional submissions, if any, at the latest by July 26, 2024. However, the Noticee has not filed any additional submissions, till date.

11. It is noted that the SCN, along with the annexures and the Hearing Notice, were duly served on the Noticee. The Noticee was granted sufficient opportunities to make submissions in reply to the SCN and of personal hearing.

## D. CONSIDERATION OF ISSUES AND FINDINGS

12. I have carefully perused the charges levelled against the Noticee in the SCN, its replies, and the material/documents available on record. In the instant matter, the following issues arise for consideration and determination:

**I. Whether non-permissible words were used in the name of APs without obtaining registration and thereby violated provisions of securities law?**

II. **Whether evidence of client order placement was not kept by the APs and thereby violated provisions of securities law?**

III. **Whether there were irregularities in terminals operations by the APs and thereby violated provisions of securities law?**

IV. **Whether there were irregularities in office management of APs and thereby violated provisions of securities law?**

V. **Whether there were irregularities in dealing with clients by the AP and thereby violated provisions of securities law?**

VI. **Whether there were irregularities in supervision of APs by the Noticee and thereby violated provisions of securities law?**

VII. **Does the violation, if any, on the part of the Noticee attract a monetary penalty under Section 15HB of the SEBI Act?**

VIII. **If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors stipulated in Section 15J of the SEBI Act?**

13. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by the Noticee. The same are reproduced hereunder:

***"Brokers Regulations***

***Conditions of registration.***

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

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

***SCHEDULE II***

***A. General.***

*(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.*

***SEBI Circular dated March 22, 2018[2], SEBI Circular dated November 06, 2009[3], NSE Circular dated February 22, 2023[4], NSE Circular dated December 24, 2014[5], NSE Circular dated December 13, 2021[6], NSE Circular dated October 18, 2019[7], NSE Circular dated May 22, 2023[8], NSE Circular dated June 09, 2021[9] and NSE Circular dated June 02, 2023[10]."***

14. It is noted from the PIA that the Noticee had not submitted any comments/response to the findings of the inspection communicated to them vide letter dated January 09, 2024, by SEBI. Before proceeding with the matter on merits, I would first deal with the submission made by the Noticee in this regard in the present proceedings.

15. The Noticee in its reply dated July 23, 2024, has, *inter alia*, stated:
*"We filed our response thereto vide our email dated February 10, 2024 and February 11, 2024 and February 12, 2024 along with all annexures.*

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*[2] The text of SEBI Circular dated March 22, 2018 is available at the below mentioned link: https://www.sebi.gov.in/legal/circulars/mar-2018/circular-on-prevention-of-unauthorised-trading-by-stock-brokers-_38365.html*
*[3] The text of SEBI Circular dated November 06, 2009 is available at the below mentioned link: https://www.sebi.gov.in/legal/circulars/nov-2009/market-access-through-authorised-persons_3182.html*
*[4] The text of NSE Circular dated February 22, 2023 is available at the below mentioned link: https://nsearchives.nseindia.com/content/circulars/COMP55716.pdf*
*[5] The text of NSE Circular dated December 24, 2014 is available at the below mentioned link: https://nsearchives.nseindia.com/content/circulars/INSP28434.pdf*
*[6] The text of NSE Circular dated December 13, 2021 is available at the below mentioned link: https://nsearchives.nseindia.com/content/circulars/COMP50576.pdf*
*[7] The text of NSE Circular dated October 18, 2019 is available at the below mentioned link: https://nsearchives.nseindia.com/content/circulars/INSP42448.pdf*
*[8] The text of NSE Circular dated May 22, 2023 is available at the below mentioned link: https://nsearchives.nseindia.com/content/circulars/MSD56778.pdf*
*[9] The text of NSE Circular dated June 09, 2021 is available at the below mentioned link: https://nsearchives.nseindia.com/content/circulars/COMP48536.pdf*
*[10] The text of NSE Circular dated June 02, 2023 is available at the below mentioned link: https://nsearchives.nseindia.com/content/circulars/COMP56947.pdf*

*Further though the SCN records that multiple reminders were sent, only one Reminder on January 30, 2024 was sent to us. In reply to the said email, on January 31, 2021, we had sought for extension of time and therefore the above observation is incorrect to that extent."*

16. I note that the Noticee in its reply submitted that only one reminder e-mail on January 30, 2024, was sent to them by the concerned department of SEBI. In this regard, it is noted that reminder e-mails were also sent by the concerned department of SEBI to the Noticee on February 07, 2024, and February 29, 2024, on the findings of the inspection. Copies of e-mails dated February 07, 2024, and February 29, 2024 were provided to the Noticee during the course of the hearing held on July 25, 2024.

17. In regard to the submission of the Noticee that it had submitted its reply in response to the findings of the inspection vide e-mails dated February 10, 2024, February 11, 2024, and February 12, 2024, a clarification was sought from the concerned department of SEBI. The concerned department of SEBI informed that they have not received any such e-mails from the entity on said dates.

18. It is further noted that reminder e-mail was also sent by concerned department of SEBI to the Noticee on February 29, 2024, on the findings of the inspection. This reminder e-mail demonstrates that SEBI had not received any reply from the Noticee on the findings of the inspection on February 10, 2024, February 11, 2024, and February 12, 2024, as claimed by the Noticee. However, the Noticee had not submitted any response to these e-mails as per material available on record. This reflects a callous attitude that is not becoming of a registered intermediary in the securities market. It is further noted that no physical copy of the reply was submitted by the Noticee to the SEBI in response to the findings of the inspection. The Noticee has also not submitted any proof to show that they have filed any physical copy of reply in response to the findings of the inspection.

19. In view of the above, the submission of the Noticee in this regard cannot be accepted.

20. **<u>Issue I - Whether non-permissible words were used in the name of APs without obtaining registration and thereby violated provisions of securities law?</u>**

20.1. I note that it was alleged in the SCN that out of the sample of 742 APs, eight APs have been using non-permissible words, i.e., wealth/ wealth advisory/ advisory management/ investment advisory/ advisors.

20.2. In response to the above allegations, the Noticee in its reply dated July 23, 2024, has, *inter alia*, stated:

*"The circular alleged to have been violated was issued by NSE on February 22, 2023. The said circular contains a list of words that should be avoided by Trading Members and their APs and further advises Members to ensure the in case the name of the registered Authorized Persons uses such nomenclature, then they are required to get their name changed with Registrar of Companies (ROC)/Registrar of Firms (ROF) and also in Exchange records by March 31, 2023.*

*We would draw attention that NSE vide Circular Ref. No: 28/2023 and Download Ref No: NSE/COMP/56041 dated March 17, 2023, had issued circular granting extension of time till March 31, 2024 in light of the representations from the market. Copy of the circular annexed herewith and marked as Exhibit 2.*

*Thereafter NSE vide Circular Ref. No: 12/2024 and Download Ref No: NSE/COMP/61367 dated March 28, 2024, granted further extension of time till June 30, 2024 in lieu of the representations from the market.*

*In line with their commitment they have modified the names of their entities and/or surrender their AP registration. Table reflecting status is given hereunder:*

| ***Sr. No.*** | ***Name of AP*** | ***Non-Permissible Words*** | ***Status*** |
|---|---|---|---|
| *1* | *EQUITREE CAPITAL ADVISORS PRIVATE LIMITED* | *CAPITAL ADVISOR* | *AP CANCELLED as on June 28, 2024. NSE ENIT* |

| ***Sr. No.*** | ***Name of AP*** | ***Non-Permissible Words*** | ***Status*** |
|---|---|---|---|
| | | | *Portal Screenshot annexed as Exhibit 4.* |
| *2* | *CCP WEALTH ADVISORS PRIVATE LIMITED* | *WEALTH* | *AP CANCELLED as on June 28, 2024. NSE ENIT Portal Screenshot annexed as Exhibit 4.* |
| *3* | *BLUE MARBLE CAPITAL SERVICES LLP* | *WEALTH* | *AP CANCELLED as on June 28, 2024. NSE ENIT Portal Screenshot annexed as Exhibit 4.* |
| *4* | *J & P WEALTH COACH PRIVATE LIMITED* | *WEALTH* | *AP CANCELLED as on June 28, 2024. NSE ENIT Portal Screenshot annexed as Exhibit 4.* |
| *5* | *GRASSUS CAPITAL MANAGEMENT SERVICES* | *CAPITAL MANAGEMENT SERVICES* | *AP CANCELLED as on June 28, 2024. NSE ENIT Portal Screenshot annexed as Exhibit 4.* |
| *6* | *MULTI WEALTH* | *WEALTH* | *TRADE NAME CHANGE to "RISSE 1". NSE ENIT Portal Screenshot annexed as Exhibit 6.* |
| *7* | *45 DEGREE WEALTH* | *WEALTH* | *We submit that Authorized Person is in the process of executing these changes with the ROC/ROF, the AP has requested for grant of time till 31/08/2024.* |
| *8* | *RUSHABH WEALTH* | *WEALTH* | *We submit that Authorized Person is in the process of executing these changes with the ROC/ROF, the AP has requested for grant of time till 31/08/2024.* |

*From the above Table, it can be evident that out of 8 AP, one AP have undergone change name and 5 AP have either surrendered and/or cancellation their AP* *registered. Balance two APs, we had given suitable directions to the APs to get their names modified suitably and /or cancel the AP registration. In response to the communication, the said two APs expressed extension of time of two months since they are in process of completion of ROC/ ROF formalities. They requested us to allow a period up to August 31, 2024."*

20.3. In this regard, I note that the findings of the inspection, i.e., eight APs have been using non-permissible words in their names, have not been disputed by the Noticee.

20.4. The Noticee in its reply, submitted that the NSE has extended the deadline to change the name if it contains non-permissible words until March 31, 2024, vide NSE Circular No. NSE/COMP/56041 dated March 17, 2023. Thereafter, the deadline was further extended until June 30, 2024, vide NSE Circular No. NSE/COMP/61367 dated March 28, 2024.

20.5. In this regard, I note that the NSE Circular No. NSE/COMP/56041 dated March 17, 2023, *inter alia*, states as under:

"*This has reference to Exchange circular ref. no. NSE/COMP/55716 dated February 22, 2023, regarding restriction on use of certain words by Trading Members/Authorized Person in their name.*

*Exchange is in receipt of representations from the market, wherein it has been informed that upgradation of the electronic filing portal (Version-3) of MCA for submission of various forms including forms for name change is still under the process of stabilization and they continue to face technical difficulties in e-filing of such forms.*

*In view of the above, it has been decided that the time to comply with the aforesaid circular is extended till March 31, 2024. Members are requested to ensure the compliance of the same."*

20.6. I further note that the NSE Circular No. NSE/COMP/61367 dated March 28, 2024, *inter alia*, states as under:

*"This is in continuation to Exchange circular no. NSE/COMP/55716 dated February 22, 2023……*

*In view of the above, considering the ongoing efforts, the timeframe for changing their name with ROC/ROF and updating it in Exchange records has been extended up to June 30, 2024."*

20.7. In view of the above, the submission of the Noticee that the timeline to change the name was extended until June 30, 2024, is noted from the NSE Circulars. However, the Noticee, being a registered intermediary, should have taken statutory compliances seriously and ensure that the compliance is made well within the stipulated time. It need not wait till the last day to comply with the statutory requirements. It is further noted that the Noticee, in its reply, has not submitted any documents that demonstrate the reported efforts taken by the Noticee to get the name changed of these APs within the stipulated time period.

20.8. The Noticee, in its reply, has further submitted that out of eight APs, the registration of five APs was cancelled as on June 28, 2024, one AP has changed its name, and two APs are in the process of executing these changes. The Noticee, in its reply, has also enclosed the screenshot of updates made in the Electronic NSE Interface for Trading Members (ENIT) portal.

20.9. In this regard, I note that the NSE has extended the deadline to change the name until June 30, 2024. However, two APs, as submitted by the Noticee, have not changed their names until June 30, 2024. Hence, the alleged violation is established for two APs.

20.10. In view of the above, I conclude that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of the Code of Conduct of Schedule II of the

Brokers Regulations read with NSE Circular dated February 22, 2023, in respect of two APs.

21. **<u>Issue II - Whether evidence of client order placement was not kept by the APs and thereby violated provisions of securities law?</u>**

21.1. It was alleged in the SCN that out of five sample APs, four APs (Rina Vikramkumar Sadhani, Dipikaben Prakashchandra Shah, Dhrumil Rakesh Doshi, and Hasmukh Mohanbhai Dayani) have not kept evidence in respect of the orders placed by their clients, including voice recordings where orders were received through telephone, while one AP (Mr. Aashish Talsibhai Dhanani) was not operating from the location reported by the Noticee to the Exchanges.

21.2. In response to the above allegations, the Noticee in its reply dated July 23, 2024, has, *inter alia*, stated:

"*Most of our clients are internet based clients and their logs are maintained as evidence of order placement.*

*Further our dealing desks have voice recordings systems and all calls on the landlines are recorded for all our dealing desks including those of the APs.*

*Even further with regards to the 4 APs in the SCN, the clients placed orders over mobile phone, for which voice recording was not available. We have got the mobile recording activated and the calls of order placement are not being recorded. Thus it can be observed that the issue has been resolved.*

*It is imperative to appreciate that the APs have been working with us for several years and no complaint has been received from any of the clients regarding unauthorised trading.*

*Without prejudice to the forgoing, from the clause of the circular quoted above it is evident that failure to maintain the evidence could result in severe consequences where the trades would be treated unauthorised and therefore non-maintenance is automatically balanced and therefore no action is warranted.*"

21.3. In this regard, I note that the Noticee has not disputed the findings of the inspection. The Noticee, in its reply, submitted that it has taken corrective measures in this regard by getting the mobile recording activated. However, the Noticee has not adduced any evidence that substantiates its claim. Moreover, it is a fact that four out of five sample APs have not kept evidence in respect of the orders placed by their clients, including voice recordings where orders were received through telephone during the IP.

21.4. I further note that the Noticee, in its reply, submitted that no complaint has been received against the APs from any of the clients regarding unauthorised trading. In this context, it is important to highlight that the Noticee bears the burden of ensuring that the APs adhere to the applicable laws, irrespective of whether a complaint has been received against its APs or not. Therefore, there is no merit to the Noticee's argument in this regard.

21.5. In view of the above, I conclude that the Noticee has violated the provisions of Clauses III, IV, and V of the SEBI Circular dated March 22, 2018.

22. **<u>Issue III - Whether there were irregularities in terminals operations by the APs and thereby violated provisions of securities law?</u>**

22.1. It was alleged in the SCN that during the surprise visit to the locations of sample APs, the following irregularities were observed:

**Table 7**

| Sr. No. | Names of APs | Irregularities observed |
|---|---|---|
| 1 | Rina Vikramkumar Sadhani | CTCL IDs were operated by persons other than Approved Users. |
| 2 | Dipikaben Prakashchandra Shah | CTCL ID was operated by person other than Approved User. |
| 3 | Aashish Talsibhai Dhanani | AP did not operate from the location reported by the Noticee to the Exchanges. Therefore, it is alleged that |

| Sr. No. | Names of APs | Irregularities observed |
|---|---|---|
| | | the incorrect location of the AP and terminal was reported by the Noticee. |
| 4 | Hasmukh Mohanbhai Dayani | CTCL ID mapped to AP did not operate from the location reported by the Noticee to the Exchanges. Therefore, it is alleged that the incorrect location of the AP and terminal was reported by the Noticee. |

22.2. In response to the above allegations mentioned in Sr. No. 1 and 2 of Table 7, the Noticee, in its reply dated July 23, 2024, has, *inter alia*, stated:

"*With regards to the terminals being operated by person other than approved user, we humbly submit that the APs Rina Vikrambhai Sadhani and Dipikaben Prakashchandra Shah are small APs and have only 1 terminal where their respective clients are mapped.*

*Due to come exigency, the terminal user was absent.*

*However clients had existing positions and regularly intend to transact.*

*So with a sole intention of not causing inconvenience / losses to the clients, the terminals were allowed to be operated by some other person."*

22.3. In this regard, I note that the Noticee has not disputed the findings of the inspection, i.e., terminals were operated by persons other than approved users during the inspection in the case of two APs (Rina Vikramkumar Sadhani and Dipikaben Prakashchandra Shah).

22.4. The Noticee, in its reply, submitted that since the approved terminal users were absent, some other persons were allowed to operate the terminals. In this regard, I note that the Noticee has not submitted any documentary evidence regarding whose permission was taken by the APs before allowing other than approved users to operate the terminals. It is further noted that the Noticee has not submitted any details of other persons operating the terminals during the inspection, i.e., their qualifications, certifications, whether other person was an approved user for some other terminal, etc.

22.5. In this regard, I note that the SEBI Circular dated May 22, 2023, *inter alia*, states as under:

*"In this regard, it is re-iterated that all trading terminals allotted by members, which are enabled/activated for trading shall be operated/accessed only through User Ids allotted to Approved Persons namely employees of trading member, partner/proprietor/director(s), registered authorized persons (AP) or employee of an AP. No other person shall operate or place orders from such trading terminals. Trading Members shall not entrust the CTCL/dealer terminals to their clients or to any unregistered intermediary other than Approved Persons."*

22.6. In view of the above, it is noted that the SEBI Circular envisages that the trading terminals should be operated/accessed only through approved users. Hence, the operation of terminals other than approved users is in violation of the applicable provisions of the securities law.

22.7. In response to the above allegations mentioned in Sr. No. 3 and 4 of Table 7, the Noticee, in its reply dated July 23, 2024, has, *inter alia*, stated:

*"With regards to the issue of location of terminal of Mr. Aashish Talsibhai Dhanani and Mr. Hasmukh Mohanbhai Dayani we humbly submit that the shifting was without informing us and hence the same was not reported.*

*Immediately upon understanding that they are operating from some other location we have reported the same to the Exchanges and screenshots of having reported the new location are annexed herewith and marked as Exhibit 7"*

22.8. In this regard, I note that the Noticee has not disputed the findings of the inspection, i.e., terminals mapped to APs (Aashish Talsibhai Dhanani and Hasmukh Mohanbhai Dayani) were not operated from the location reported by the Noticee to the Stock Exchanges during the inspection.

22.9. The Noticee, in its reply, submitted that the APs have shifted the location of the terminal without informing them. In this regard, it is noted that the Noticee shall be responsible for all acts of omission and commission of its APs. Hence, the contention of the Noticee in this regard cannot be accepted.

22.10. The Noticee, in its reply, further submitted that it has taken corrective measures in this regard by updating the location of the terminals on the Stock Exchanges. The Noticee, in its reply, has also enclosed the screenshot of updates made in the ENIT portal. However, it is a fact that the terminals mapped to APs (Aashish Talsibhai Dhanani and Hasmukh Mohanbhai Dayani) were not operated from the location reported by the Noticee to the Stock Exchanges during the inspection.

22.11. In view of the above, I conclude that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of the Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular dated December 24, 2014, NSE Circular dated December 13, 2021, NSE Circular dated October 18, 2019, and NSE Circular dated May 22, 2023.

23. **Issue IV - Whether there were irregularities in office management of APs and thereby violated provisions of securities law?**

23.1. It was alleged in the SCN that four APs out of a sample of five APs have not adhered to the following regulatory requirements in respect of office management of APs:

**Table 8**

| Sr. No. | Names of APs | Irregularities observed |
|---|---|---|
| 1 | Rina Vikramkumar Sadhani | Notice board of the Noticee containing all details/information was not displayed at the inspection location.<br><br>Complaint register was not maintained by the AP. |

| Sr. No. | Names of APs | Irregularities observed |
|---|---|---|
| | | Clients order placement evidences was not maintained by the AP. |
| 2 | Dipikaben Prakashchandra Shah | Notice board of the Noticee containing all details/information was not displayed at the inspection location.<br><br>Complaint register was not maintained by the AP.<br><br>Registration letters issued by the Exchanges were not displayed at the inspection location.<br><br>Do & Don't and Investor Grievances was not displayed at the inspection location.<br><br>Clients order placement evidences was not maintained by the AP.<br><br>Investor Grievances Redressal mechanism was not displayed at the inspection location. |
| 3 | Hasmukh Mohanbhai Dayani | Complaint register was not properly maintained by the AP.<br><br>AP Agreement not provided by the Noticee or AP. |
| 4 | Dhrumil Rakesh Doshi | Complaint register was not maintained by the AP. |

23.2. In response to the above allegations, the Noticee, in its reply dated July 23, 2024, has, *inter alia*, stated:

"***Notice Board not displayed:*** *Our companies earlier name was "Jainam Share Consultants Limited", which was changed to "Jainam Broking Limited". During the onsite inspection by our team the AP was sensitised the get the board modified pursuant to the change in name and therefore the old board was removed temporarily. The inspection of SEBI happened during the period of replacement where the old board was sent to the vendor for modification and hence this* *observation. The new board was displayed soon after and a photograph thereof is annexed herewith and marked as Exhibit 8.*

***Complaint Register not maintained:*** *We have now ensured that the Investor Grievances is available at the location of AP at all point of times. Photo of the Investor Grievances Register maintained at AP is annexed herewith and marked as Exhibit 8A.*

***Client order placement records:*** *Already responded and hence not repeated in the interest of brevity.*

***AP Agreement:*** *We had annexed the same along with our reply dated February 9, 2024 and once again provide a copy thereof as Exhibit 10A."*

23.3. In this regard, I note that the Noticee has not disputed the findings of the inspection pertaining to the irregularities in the office management of APs.

23.4. With respect to the observation of the 'Notice Board containing all details not displayed at the inspection location', the Noticee has submitted that, pursuant to a change in the name of the Noticee, the old board was sent to the vendor for modification.

23.5. In this regard, from the information available in public domain, i.e., the MCA Portal, it is noted that the name of the Noticee has been changed from Jainam Share Consultant Private Limited to Jainam Broking Private Limited, with effect from September 20, 2021. Thereafter, upon conversion of the Noticee from Private Company to Public Company, the name of the Noticee has been changed from Jainam Broking Private Limited to Jainam Broking Limited, with effect from November 09, 2021. I further note that the SEBI had undertaken inspections on November 07, 2023, and November 08, 2023. Therefore, when the inspection was carried out, two years had already passed since the name of the Noticee was changed. Consequently, the Noticee's claim that the old board was sent to the vendor for modification during the time of the inspection, i.e., two years after the change in the name of the Noticee, seems to be an afterthought. Furthermore, the APs did not disclose this rationale to the inspection team during the inspection itself. Hence, the contention of the Noticee in this regard cannot be accepted.

23.6. The Noticee, in its reply, submitted that it has taken corrective measures in this regard by displaying the new board. The Noticee, in its reply, has also enclosed the photograph of new board. However, it is a fact that Notice Board of the Noticee containing all details/information was not displayed during inspection at the location of two APs.

23.7. With respect to the observation that the 'complaint register was not maintained by the APs', the Noticee has submitted that it has taken corrective measures in this regard by ensuring that the investor grievances register is available at the location of the APs at all point of times. The Noticee, in its reply, has also enclosed the photograph of cover page of investor's complaint register. However, it is a fact that the aforementioned APs were not maintaining a complaint register during the inspection.

23.8. With respect to the observation that the 'Clients orders placement evidence was not maintained by the AP', the contention of the Noticee has been dealt with in the Paragraph 21 of this order.

23.9. In view of the above, I conclude that the Noticee has violated the provisions of SEBI Circular dated November 06, 2009, and Regulation 9(b) and Clause A(5) of the Code of Conduct of Schedule II of the Brokers Regulations read with NSE Circular dated October 18, 2019.

24. **<u>Issue V - Whether there were irregularities in dealing with clients by the AP and thereby violated provisions of securities law?</u>**

24.1. It was alleged in the SCN that one AP, i.e., Mr. Aashish Talsibhai Dhanani, was not operating from the location reported by the Noticee to the Exchanges. It was further alleged that the bank statements of that AP were also not available for verification of dealing with clients.

24.2. In response to the above allegations, the Noticee, in its reply dated July 23, 2024, has, *inter alia*, stated:

*"With regards to the issue of location of terminal of Mr. Aashish Talsibhai Dhanani we humbly submit that the shifting was without informing us and hence the same was not reported.*

*Immediately upon understanding that they are operating from some other location we have reported the same to the Exchanges and screenshots of having reported the new location are annexed herewith and marked as Exhibit 7.*

*Bank statement of AP Aashish Talsibhai Dhanani from April 2023 to November 2023 is annexed here as Exhibit 12"*

24.3. In this regard, I note that the Noticee has not disputed the findings of the inspection, i.e., Mr. Aashish Talsibhai Dhanani (one of the APs of the Noticee) was not operating from the location reported by the Noticee to the Stock Exchanges during the inspection.

24.4. The Noticee, in its reply, submitted that the AP had shifted the location of the terminal without informing them. In this regard, it is noted that the Noticee shall be responsible for all acts of omission and commission of its APs. Hence, the contention of the Noticee in this regard cannot be accepted.

24.5. The Noticee, in its reply, further submitted that it has taken corrective measures in this regard by updating the location of the terminals on the Stock Exchanges. The Noticee, in its reply, has also enclosed the screenshot of updates made in the ENIT portal. However, it is a fact that Mr. Aashish Talsibhai Dhanani (one of the APs of the Noticee) was not operating from the location reported by the Noticee to the Stock Exchanges during the inspection.

24.6. In view of the above, I conclude that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of the Code of Conduct of the Brokers Regulations read with NSE Circular dated June 02, 2023.

24.7. In respect to the allegation that bank statements of Mr. Aashish Talsibhai Dhanani were not available for verification of dealing with clients, the Noticee has submitted the bank statement of Mr. Aashish Talsibhai Dhanani maintained with Kotak Mahindra Bank for the period April 2023 to November 2023. It is noted that the bank statement of Mr. Aashish Talsibhai Dhanani as submitted by the Noticee is fresh evidence adduced in the present proceedings that was not provided to the inspection team during the course of the inspection. Therefore, in the interest of natural justice, the comments of the concerned department of SEBI were sought vide e-mail dated July 31, 2024, in respect of this fresh evidence. The concerned department of SEBI vide e-mail dated August 16, 2024, submitted that the information was not provided by the Noticee within a reasonable time.

24.8. In this regard, it is noted that whether AP Mr. Aashish Talsibhai Dhanani had made the transactions in his capacity as an AP or in his personal capacity, or with the clients of the Noticee cannot be ascertained from a bare perusal of the bank statement submitted by the Noticee. Hence, from the material on record, whether AP Mr. Aashish Talsibhai Dhanani, had any dealings with the clients of the Noticee, which is in violation of the applicable laws could not be ascertained. Accordingly, alleged violation of NSE Circular dated June 09, 2021, does not stand established.

25. **<u>Issue VI - Whether there were irregularities in supervision of APs by the Noticee and thereby violated provisions of securities law?</u>**

25.1. It was alleged in the SCN that the Noticee has carried out an inspection of the following APs by a third party. However, the inspection report of the Noticee did not mention the details regarding the number of employees of the APs and the number of clients mapped to the APs.

**Table 9**

| Sr. No. | Name of AP | Date of AP inspection report |
|---|---|---|
| 1 | Rina Vikram Sadhani | 27-10-2023 |
| 2 | Dipikaben Prakash Shah | 30-10-2023 |
| 3 | Hasmukh Mohanbhai Dayani | 25-10-2023 |

25.2. In response to the above allegations, the Noticee, in its reply dated July 23, 2024, has, *inter alia*, stated:

"*With regards to the inspection report not containing details of Number of clients and no of employees, we have incorporated the same in our report and the details thereof are as under:*

| *Sr. No.* | *Name of AP* | *Number of Clients* | *Number of Employee* |
|---|---|---|---|
| *1.* | *Rina Vikram Sadhani* | *3535* | *1* |
| *2.* | *Dipikaben Prakash Shah* | *831* | *1* |
| *3.* | *Hasmukh Mohanbhai Dayani* | *3731* | *3* |

*"*

25.3. In this regard, I note that Clause 22 of Annexure A of NSE Circular dated October 18, 2019, *inter alia*, states as under:

*"22. The Report of Inspection shall, in addition to the above clearly comment on the following:-*

*…………………..*

*b) Number of Employees of the AP/Branch.*

*c) Number of clients mapped to the AP/Branch."*

25.4. In view of the above, it is noted that the requirement to mention the details of the number of employees of the AP and the number of clients mapped to the AP in the inspection report while undertaking inspection of the AP is explicitly mentioned and is very specific in the aforementioned NSE Circular. The Noticee has not disputed the findings of the inspection in this regard. The Noticee, in its reply, has submitted that they have incorporated the details regarding the number of employees of the APs and the number of clients mapped to the APs in their reports. However, no documentary evidence has been adduced by the Noticee in support of its claim.

25.5. It was further alleged in the SCN that the Noticee has reported incorrect information in respect of the inspection of two APs, i.e., Rina Vikram Sadhani and Dipikaben Prakash Shah. The Noticee has reported the following points as compliant whereas during inspection these points were observed to be non-compliant:

25.5.1. Availability of Voice Recording
25.5.2. Display of notice board
25.5.3. Maintenance of Visitor Register

25.6. In response to the above allegations, the Noticee, in its reply dated July 23, 2024, has, *inter alia*, stated:

*"With regards to incorrect observations in the AP inspection report of Rina Vikram Sadhani and Dipikaben Prakash Shahwe submit that:*

*a. Voice Recording: The voice recording was maintained in the mobile phone of the APs but the same was on an auto delete mode where the recordings got deleted after a few days. While conducting the inspection, our team checked the voice recordings for recent trades which were available. However now we are maintaining a copy of the recordings of APs on the central server and this situation has now been rectified.*

*b. Notice Board: As aforesaid, our companies earlier name was "Jainam Share Consultants Limited", which was changed to "Jainam Broking Limited". During the onsite inspection by our team the AP had displayed the board with the name Jainam Share Consultants Limited and hence they were sensitised the get the board modified pursuant to the change in name and therefore the old board was removed temporarily. The inspection of SEBI happened during the period of replacement where the old board was sent to the vendor for modification and hence this observation. Hence our inspecting official correctly mentioned that Notice Board was displayed.*

*c. Maintenance of Visitor Register: At the time of audit by our team, we had verified the Visitor Register. The same may not have been available during the SEBI inspection and we are oblivious of the reasons for the same. Without prejudice to the forgoing, we submit that Visitor Register is not a mandatory document to be maintained under law."*

25.7. In this regard, from the material available on record, I note that the Noticee has carried out an inspection of the following APs through a third party. These third party inspection reports, *inter alia*, mentioned the following:

**Table 10**

| Sr. No. | Names of AP | Date of the AP inspection report | Findings mentioned in the inspection report |
|---|---|---|---|
| 1 | Rina Vikram Sadhani | 27-10-2023 | ***"Recommendations for Improvement:***<br>*Display board after the name change of the company not found and it is advised to display signage board having new name Jainam Broking Limited*<br><br>*Investor Grievance Register is maintained but it was not updated and it was advised to implement a mechanism for proactive* |

| Sr. No. | Names of AP | Date of the AP inspection report | Findings mentioned in the inspection report |
|---|---|---|---|
| | | | *communication with clients during grievance resolution.*<br><br>*Order accepted in mobile were recorded and ensure regular testing of backup systems to guarantee their accessibility in emergencies."* |
| 2 | Dipikaben Prakash Shah | 30-10-2023 | ***"Recommendations for Improvement:***<br>*Display board after the name change of the company not found and it is advised to display signage board having new name Jainam Broking Limited*<br><br>*Investor Grievance Register is maintained but it was not updated and it was advised to implement a mechanism for proactive communication with clients during grievance resolution.*<br><br>*Order accepted were not recorded and it was advised to ensure regular testing of backup systems to guarantee their accessibility in emergencies."* |
| 3 | Hasmukh Mohanbhai Dayani | 25-10-2023 | ***"Recommendations for Improvement:***<br>*Display board after the name change of the company not found and it is advised to display signage board having new name Jainam Broking Limited*<br><br>*Investor Grievance Register is maintained but it was not updated and it was advised to implement a mechanism for proactive communication with clients during grievance resolution.* |

| Sr. No. | Names of AP | Date of the AP inspection report | Findings mentioned in the inspection report |
|---|---|---|---|
| | | | *Backup Device Installed but recording was not active and further orders were accepted on mobile and recorded."* |

25.8. In view of the above, it is noted that even the third party inspection of the APs carried out by the Noticee has pointed the discrepancies regarding availability of recording of orders placed and the display of notice board. The SEBI inspection team had also observed discrepancies regarding availability of recording of orders placed, the display of notice board, and the maintenance of visitor register. However, the Noticee has reported that these requirements have been complied with. Hence, the Noticee has reported incorrect information in respect of two APs, i.e., Rina Vikram Sadhani and Dipikaben Prakash Shah.

25.9. In view of the above, the submission of the Noticee in this regard cannot be accepted. Hence, I conclude that the Noticee has violated the provisions of Regulation 9(b) and Clause A(5) of the Code of Conduct of Brokers Regulations read with NSE Circular dated October 18, 2019.

**Issue VII - Does the violation, if any, on the part of the Noticee attract a monetary penalty under Section 15HB of the SEBI Act?**

26. As it has been established that the Noticee has violated the provisions of the law as alleged in the SCN except NSE Circular dated June 09, 2021, the Noticee is liable for payment of a monetary penalty in terms of Section 15HB of the SEBI Act.

27. The Noticee, in its reply dated July 23, 2024 has, *inter alia*, stated:

*"………even if a few still remain those are of technical and venial nature and have not caused any prejudice to the clients or markets at large. We are committed to complying with the law and request that the procedural lapses be seen in the context*

*of our overall scale of operations handled and the various compliance measures adopted by us."*

28. In this regard, I note that the Noticee, in its reply, has also placed reliance on the orders of the Hon'ble SAT in the matter of Chona Financial Services Pvt. Ltd. vs. SEBI, Religare Securities Ltd. vs. SEBI, UPSE Securities Ltd. vs. SEBI, and also the SEBI order passed in the matter of Indiabulls Mutual Fund.

29. In this regard, it is noted that in the present case, violations established against the Noticee pertain to the infractions committed by its APs in adherence to the applicable laws and the Noticee's failure to effectively supervise its APs. I note that the stock broker/trading member shall be responsible for all acts of omission and commission of its APs and/or their employees, including liabilities arising therefrom. The Noticee, being a registered intermediary as a Stock Broker, is duty-bound to ensure that all APs registered with it abide by all applicable laws. It is a serious activity to be undertaken by the Noticee and cannot be dismissed as a casual exercise. I further note that the facts of the cases cited by the Noticee do not pertain to the contravention of applicable laws by the APs of a Stock Broker, which is in question in the present proceedings. Hence, the facts of the present proceedings differ from the facts of the cases cited by the Noticee. Therefore, the reliance placed by the Noticee in the aforementioned cases cannot be accepted in the present proceedings.

30. In this context, I would also like to refer to the order of the Hon'ble Supreme Court of India in the matter of *Chairman, SEBI Vs Shriram Mutual Fund (2006 (5) SCC 361)* wherein Hon'ble Supreme Court of India held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.''*

31. It is also pertinent to refer to the order of the Hon'ble Supreme Court of India in the matter of *SEBI vs Sandip Ray (Appeal Diary No. 791/2023*) wherein Hon’ble Supreme Court of India held that:

*“Learned counsel for appellant further submits that even review application filed to make a correction in the order and to justify that the order reducing the penalty below Rs. 1,00,000/- is not permissible under Section 15HB of the SEBI Act, 1992. After we have heard learned counsel for the appellant, it clearly manifests that the* ***Tribunal has not taken into consideration the effect and mandate of Section 15HB of the SEBI Act, 1992.*** *Taking into consideration the facts and circumstances of this case, there appears no justification in calling upon the respondent and we modify the order impugned dated 29.07.2022 and the penalty of Rs. 75,000/- as inflicted upon noticee no. 5 (Mr. Sandip Ray) and noticee no. 6 (Mr. Rajkumar Sharma), as referred to in para no. 13 of the order impugned, is modified and substituted to Rs. 1,00,000/- in terms of Section 15HB of SEBI Act, 1992 and with this modification the present appeals stand disposed of”.* **(emphasis supplied)**

32. The text of the above said Section 15HB of the SEBI Act is reproduced 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 VIII - If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?**

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

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

*15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:—*

*(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*

*(b) the amount of loss caused to an investor or group of investors as a result of the default;*

*(c) the repetitive nature of the default.”*

**<u>Factors Considered While Imposing Penalty</u>**

34. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee nor the amount of loss, if any, caused to an investor/clients as a result of the default of the Noticee. As regard the repetitive nature of the default, I take note of the fact that SEBI had previously imposed penalty on the Noticee for violation of securities law in its capacity as Depository Participant of CDSL.

35. It is a fact that the Noticee has not followed the stipulated procedures in dealing with its APs with respect to the following allegations, as established in the preceding paragraphs:

35.1. Two APs have been using restricted words in their names and have not changed their names until June 30, 2024, which was the extended deadline by the NSE to change the names if they contain restricted words.

35.2. Four APs have not kept evidence in respect of the orders placed by their clients, including voice recordings where orders were received through telephone.

35.3. Terminals were operated by persons other than approved users during inspection in the case of two APs.

35.4. Terminals mapped to two APs were not operated from the location reported by the Noticee to the Stock Exchanges during the inspection.

35.5. Irregularities in the office management of four APs.

35.6. One AP was not operating from the location reported by the Noticee to the Exchanges.

35.7. Irregularities in supervision of APs by the Noticee.

36. I note that the SEBI Circular dated November 06, 2009, *inter alia*, states as under:

*"**Obligations of Stock Broker***

***a)** The stock broker shall be responsible for all acts of omission and commission of his authorised person(s) and/or their employees, including liabilities arising there from."*

37. In view of the above, it is the duty and obligation of the Noticee to ensure that all APs registered with it should abide by all applicable laws The non-adherence on the part of the Noticee to the extant Regulations, Circulars, etc. as brought out in the preceding paragraphs, clearly shows that the Noticee has failed to act with skill, care, and diligence in supervising its APs and to ensure that APs are in adherence to the applicable laws.

38. It is necessary that registered intermediaries follow the various procedures and practices prescribed for the smooth and transparent functioning of the securities market. I note that the Regulations and Circulars, etc., have laid down the specific procedural requirements that must be adhered to, especially by a SEBI registered intermediary. As a registered intermediary, Noticee is required to maintain a high standard of professionalism in the way it conducts its business and to take statutory compliance very seriously.

39. It is noted from the reply of the Noticee that the registration of five APs who have not changed their names containing restricted words has been cancelled, the new location of two APs from where terminals were operated has been reported to the exchanges,

the Notice Board of the Noticee has been displayed at the location of the APs, and the complaint register has also been maintained at the location of the APs. Thus, it is noted that some corrective measures have been taken by the Noticee subsequently.

40. The aforementioned factors have been taken into consideration while adjudging the penalty.

## E. ORDER

41. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in the preceding paragraphs, and in the exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a monetary penalty on the Noticee as given in the table below**:**

**Table 11**

| Penal Provision | Penalty Amount |
|---|---|
| Section 15HB of SEBI Act | Rs. 6,00,000/-<br>(Rupees Six Lakhs Only) |

42. I am of the view that the said penalty is commensurate with the lapses/omissions on part of the Noticee.

43. 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.

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

**Date: August 29, 2024**
**Place: Mumbai**

**N HARIHARAN**
**CHIEF GENERAL MANAGER**
**AND ADJUDICATING OFFICER**