BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER No. Order/AN/SM/2024-25/31113

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

In respect of:

Stockholding Services Limited

(PAN: AAJCS5661H/ SEBI Registration No: INZ000199936)

In the matter of Stockholding Services Limited (formerly SHCIL Services Limited)

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India ('SEBI', in short) carried out thematic inspection of Stockholding Services Limited (hereinafter also referred to as 'Noticee' / 'Stockbroker'/ 'Stockholding' / 'SSL' / Applicant) for the theme 'Multiple UCCs mapped to common email id or common mobile number' for the period April 01, 2022 to June 20, 2023 (hereinafter also referred to as 'Inspection Period' / 'IP')

2. Pursuant to said Inspection, the findings of the Inspection were communicated to the Noticee vide SEBI email/letter dated December 26, 2023 inter alia advising the Noticee to provide its comments /explanations on the observations /findings. The Noticee submitted its reply, on the observations /findings, vide its letter dated January 8, 2024. Based on the analysis of replies received and examination in the matter, SEBI inter alia observed certain non-compliances and accordingly, SEBI initiated Adjudication Proceedings under Section 15I of the SEBI Act, 1992 (hereinafter also referred as 'SEBI Act') in respect of Stockholding Services Limited in the subject matter for the alleged violations of following provisions:

2.1. Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

2.2. Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

2.3. Paragraph 22.3 read with Paragraph 20.1.2 read with Paragraph 22.4.2 read with Paragraph 22.4.7 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

2.4. Paragraph 33.2.3 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

2.5. Paragraph 20.1.2.2 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

B. APPOINTMENT OF ADJUDICATING OFFICER

3. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate the alleged violations by the Noticee, as stated and therefore, in exercise of the powers conferred under Section 19 of the SEBI Act read with Section 15I(1) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as “Adjudication Rules”), the Competent Authority appointed the undersigned as Adjudicating Officer vide order dated March 21, 2024 to inquire into and adjudicate under Section 15HB of the SEBI Act, 1992 the alleged violations by the Noticee. The said proceeding of appointment was communicated to the undersigned vide SEBI Communique dated March 22, 2024.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice bearing Ref. No. SEBI/HO/EAD/EAD5/P/OW/2024/16064/1 dated May 06, 2024 (hereinafter also referred to as "SCN" / "said SCN") was issued to Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, under sections 15HB of SEBI Act, 1992 be not imposed upon the Noticee for the violation alleged to have been committed by the Noticee. The SCN was duly served on the Noticee through Digitally Signed Email dated May 06, 2024 and also through Speed Post Acknowledgement Due (SPAD). In this regard, copy of the India Post Tracking Details in respect of SPAD and Email delivery receipt dated May 06, 2024 have been placed in file. Noticee vide letter dated May 28, 2024 filed its reply to the SCN.

5. In this regard, following was inter alia observed and alleged in respect of the Noticee:

"…

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

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

5.1. Finding 1: KYC Verification:

5.1.1. ***In case of 13 clients, the relationship maintained in the back office is not matching with the KYC form and consent letter.***

5.1.1.1. In the case of 13 UCCs(NSE), the relationship maintained in back office was not matching with that as per KYC and consent letter for same email id and mobile number given to multiple clients. (Details are enclosed as Annexure 1C).

5.1.1.2. Noticee in its reply to the findings of the SEBI observation submitted that it appears that the clients had a lack of clarity and the accounts were opened by them at a different date and time and they have incorrectly filed the relationship in the consent forms. We have communicated with the clients and rectification is being carried out.

5.1.1.3. In this regard, it was observed by SEBI that the broker's response may not be accepted as the regulations and circulars entrust responsibility on the stockbroker for performing due diligence of the *clients and updating the necessary KYC details. Further, the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022.*

5.1.2. ***In case of 4 clients, the relationship was not mentioned in the KYC form.***

5.1.2.1. In the case of 4 UCCs(NSE), the relationship was not mentioned in the KYC form. (Details are enclosed as Annexure 1D).

5.1.2.2. In this regard, it was observed by SEBI that Noticee in its reply to the findings of the SEBI has admitted the irregularity regarding the absence of relationship field in the KYC form. Further, the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022,

5.1.3. ***Consent letter for mapping same mobile/email to multiple UCCs was not provided for 452 clients.***

5.1.3.1. In case of 1 instance(NSE), KYC form was not provided and in case of 452 clients (BSE-383 and NSE-69), consent letter for same email id and mobile number being linked to multiple clients was not provided. (Details are enclosed as Annexure 1F)

5.1.3.2. In this regard, Noticee in its reply to the findings of the SEBI observation had admitted the irregularity with regard to the missing consent forms. However, as the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022, the reply of the Noticee was not accepted by SEBI.

5.1.4. ***In case of 19 instances, a mismatch is mobile/email id uploaded to exchange portal as compared to the KYC details was observed.***

5.1.4.1. It was observed that in 9 instances (BSE) there was mismatch in mobile number and in 10 instances(BSE) there was mismatch in email id uploaded to exchange portal as compared to KYC details and the clarification is not provided by Broker for the same. (Details are enclosed as Annexure 1G).

5.1.4.2. Noticee in its reply to the findings of the SEBI observation submitted that 'The exchange has provided a feature to modify client details in bulk. However, while using the bulk modification utility, there was a technical issue that prevented the data from being saved or uploaded to the exchange UCI portal. The necessary rectification has already been carried out on the exchange's UCI portal.'

5.1.4.3. In this regard, SEBI observed that as the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022, the reply of the Noticee was not accepted by SEBI.

5.1.5. ***In case of 2 clients (4 instances), same email and same mobile number were mapped. However, no declaration/consent form was provided.***

5.1.5.1. In 4 instances, it was observed that common mobile and email id were mapped to more than 1 client and for these instances, the declaration for common use of Mobile & Email ID was not provided by Broker (BSE). (Details are enclosed as Annexure 1H)

5.1.5.2. In this regard, Noticee in its reply to the findings of the SEBI had submitted that as regards these four sample 'it appears that clients were having lack of clarity about providing the relationship details in the form. We have communicated to the client and rectification is being carried out promptly.'

5.1.5.3. *In this regard, it was observed by SEBI that the broker admitted the observation. However, stating that the clients had a lack of clarity is not acceptable as the regulations and circulars entrust responsibility on the stockbroker for performing due diligence of the clients and updating the necessary KYC details.*

5.1.6. ***Masking of Aadhaar Card was not performed in case of 8 UCCs.***

5.1.6.1. It was observed in case of 8 instances (BSE), Aadhaar card was not masked. (Details are enclosed as Annexure 1I)

5.1.6.2. In this regard, Noticee in its reply to the findings of the SEBI had submitted that when the client opened their account with them, they provided their Aadhar card as proof of address. They accepted the document and uploaded it to the KRA with the first eight digits masked and only the last four digits visible. However, the original Aadhar documents shared by the client were given at the time of *inspection. They maintain the confidentiality of client's Aadhar details and ensure full compliance with regulations.*

5.1.6.3. *In this regard, it was observed by SEBI that the broker's response was not accepted as SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/73 casts responsibility on the Registered Intermediary to redact/blackout the Aadhaar number before accepting the same.*

In view thereof, it is alleged that Noticee has violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

5.2. Finding 2: UCC Verification:

5.2.1. ***In case of 234 clients, whose email id was mapped to multiple clients, the relationship maintained in the back office is found to be irregular.***

5.2.1.1. *It was observed that in case of 234 instances(NSE), wherein a common email id was uploaded for more than one client and the broker has given relationship as per circular, the relationship provided is found to be irregular on basis of the following reason:*

1. *Relationship is not matching with the age of the client.*
2. *Relationship is not matching with name of the client.*
3. *Relationship is mapped more than once in case of Self & Spouse.*
4. *Relationship is mapped more than 2 times in case of Dependent Parents.*
5. *Relationship cannot be identified due to relationship (Self) were not clearly mapped.* ***(****Details are enclosed as Annexure 2A****)***

5.2.1.2. *In this regard, Noticee in its reply to the findings of the SEBI had submitted that 'it appears that these clients were having lack of clarity about providing a declaration of the mobile numbers and email ID/along with providing relationship details. We have number of large old accounts of many senior citizens and others who did not have their individual email id and mobile numbers at the time of account opening, when the regulatory requirements of exchanges were not applicable, hence it took time to get these rectifications. As regards these instances, we are in the process of promptly rectifying the observations. We request SEBI to take the lenient view as we are constantly putting efforts to update the record with requisite detail. We will inform SEBI as soon as rectification is completed.'*

5.2.1.3. *In this regard, it was observed by SEBI that the broker's response was not accepted as the regulations and circulars entrust responsibility on the stockbroker for performing due diligence of the clients and updating the necessary KYC details. Further, as the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022, the reply of the Noticee was not acceptable by SEBI.*

5.2.2. ***In case of 177 clients, mobile number was mapped to multiple clients, the relationship maintained in the back office is found to be irregular.***

5.2.2.1. *It was observed that in case of 177 instances(NSE) wherein a common mobile number was uploaded for more than one client and the broker has given relationship as per circular, the relationship provided is found to be irregular on basis of the following reason:*

1. *Relationship is not matching with the age of client.*
2. *Relationship is not matching with name of the client.*
3. *Relationship is mapped more than once in the case of Self & Spouse.*
4. *Relationship is mapped more than 2 times in case of Dependent Parents.*
5. *Relationship cannot be identified due to relationship (Self) were not clearly mapped. (Details are enclosed as Annexure 2B****)***

5.2.2.2. *In this regard, Noticee in its reply to the findings of the SEBI had submitted that 'it appears that these clients were having lack of clarity about providing a declaration of the mobile numbers and email ID/along with providing relationship details. We have number of large old accounts of many senior citizens and others who did not have their individual email id and mobile numbers at the time of account opening, when the regulatory requirements of exchanges were not applicable; hence it took time to get these rectifications. As regards these instances, we are in the process of promptly rectifying the observations. We request SEBI to take the lenient view as we are constantly putting efforts to update the record with requisite detail. We will inform SEBI as soon as rectification is completed.'*

5.2.2.3. *In this regard, it was observed by SEBI that the broker's response was not accepted as the regulations and circulars entrust responsibility on the stockbroker for performing due diligence of the clients and updating the necessary KYC details. Further, as the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022, the reply of the Noticee was not acceptable by SEBI.*

5.2.3. ***Broker has not carried out due diligence while capturing relationship data for 1103 UCCs(BSE) i.e. relationship mentioned as dependent children However the age was found in the range from 34 to 100 years***

5.2.3.1. *Broker has not carried out due diligence while capturing relationship data for 1103 UCCs(BSE) i.e. relationship mentioned as dependent children However the age was found in the range from 34 to 100 years. (Details are enclosed as Annexure 2C).*

5.2.3.2. *In this regard, Noticee in its reply to the findings of the SEBI had submitted that 'it appears that these clients were having lack of clarity about providing a declaration of the mobile numbers and email ID/along with providing relationship details. We have number of large old accounts of many senior citizens and others who did not have their individual email id and mobile numbers at the time of account opening, when the regulatory requirements of exchanges were not applicable; hence it took time to get these rectifications. As regards these instances, we are in the process of promptly rectifying the observations. We request SEBI to take the lenient view as we are constantly putting efforts to update the record with requisite detail. We will inform SEBI as soon as rectification is completed.'*

5.2.3.3. *In this regard, it was observed by SEBI that the broker's response may not be accepted as the regulations and circulars entrust responsibility on the stockbroker for performing due diligence of the clients and updating the necessary KYC details. Further, as the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022, the reply of the Noticee was not acceptable by SEBI.*

In view thereof, it is alleged that Noticee has violated Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

5.3. Finding 3: Mismatch in email ids and mobile numbers uploaded to the Exchange:

5.3.1. ***In case of 393 clients, there was a mismatch in emails ids uploaded to the Exchanges' Database.***

5.3.1.1. *In 393 instances (BSE-82 and NSE-311), it was observed that there was mismatch in email ids uploaded in Exchange databases of the BSE & NSE. However, during the inspection broker has rectified the data with correct email ids in UCC database of Exchange (Details are enclosed as Annexure 3A).*

5.3.1.2. *In this regard, Noticee in its reply to the findings of the SEBI had submitted that the exchange offers a bulk modification feature to update client information. However, during the update process using the bulk update utility, some technical issues prevented the data being saved/uploaded to the exchange UCI portal. The necessary rectification has already been carried out in the exchange's UCI portal.*

5.3.1.3. *In this regard, it was observed by SEBI that the violations were present during the inspection visit despite communicating similar findings during the previous comprehensive inspection, the reply of the Noticee was not acceptable by SEBI.*

5.3.2. ***In case of 153 clients, there was a mismatch in mobile numbers uploaded to the Exchanges' Database.***

5.3.2.1. *In 153 instances (BSE-45 and NSE-108), it was observed that there was mismatch in mobile number uploaded in exchange UCC database of BSE & NSE. However, during the inspection broker has rectified the data with correct Mobile Number for 149 instances (BSE-41 and NSE-108) in UCC database of Exchange. (Details are enclosed as Annexure 3B)*

5.3.2.2. *In this regard, Noticee in its reply to the findings of the SEBI had submitted that the exchange offers a bulk modification feature to update client information. However, during the update process using the bulk update utility, some technical issues prevented the data being saved/uploaded to the exchange UCI portal. The necessary rectification has already been carried out in the exchange's UCI portal.*

5.3.2.3. *In this regard, it was observed by SEBI that the violations were present during the inspection visit despite communicating similar findings during the previous comprehensive inspection, the reply of the Noticee was not acceptable by SEBI.*

In view thereof, it is alleged that Noticee has violated Paragraph 33.2.2 read with Para 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

5.4. Finding 4: Invalid Email Id/Mobile number are uploaded in the UCC

5.4.1. ***In case of 116 clients, invalid email ids were uploaded to the Exchanges' Database.***

5.4.1.1. In the case of 116 UCCs(BSE - 18 and NSE – 98), it was observed that invalid email id was uploaded in Exchanges' UCC database. However, during the inspection, the broker has rectified the correct email id in UCC database for 105 UCCs (BSE-7 and NSE-98). (Details are enclosed as Annexure 5A)

5.4.1.2. In this regard, Noticee in its reply to the findings of the SEBI had submitted that the Rectification has been carried for these UCC also.

5.4.1.3. In this regard, it was observed by SEBI that the even though the broker has informed that the rectifications were carried out, an invalid email id / mobile number leads to circulation of alerts by Exchanges to incorrect emails resulting in asymmetry of information. Further, as the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022, the reply of the Noticee was not acceptable by SEBI.

5.4.2. ***In case of 18 clients, invalid mobile numbers were uploaded to the Exchanges' Database.***

5.4.2.1. In the case of 18 UCCs(BSE - 12 and NSE - 6), it was observed that there is invalid mobile number uploaded in Exchange UCC database. However, during the inspection broker has rectified the correct mobile number in UCC database for 15 UCCs(BSE-9 and NSE-6). (Details are enclosed as Annexure 5B.

5.4.2.2. In this regard, Noticee in its reply to the findings of the SEBI had submitted that the Rectification has been carried for these UCC also. Since rectified.

5.4.2.3. In this regard, it was observed by SEBI that the even though the broker has informed that the rectifications were carried out, an invalid email id / mobile number leads to circulation of alerts by Exchanges to incorrect emails resulting in asymmetry of information. Further, as the observations persist during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022, the reply of the Noticee was not acceptable by SEBI.

In view thereof, it is alleged that Noticee has violated Paragraph 33.2.2 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

5.5. Finding 5: Verification to check whether Broker has adequate systems to ensure that Margin requirement / highest turnover is in proportion to the income proof declared by client

5.5.1. ***In case of 2 clients, it was observed that the income of the clients was not commensurate with the turnover.***

5.5.1.1. In Case of 2 UCCs(BSE), it was observed that the income of the clients was not commensurate with the turnover (Details are enclosed as Annexure 7).

5.5.1.2. In this regard, Noticee in its reply to the findings of the SEBI had submitted that 'We are updating the income details of our clients based on the declarations received from them through the KYC process. The updated income information is stored in our UCC database. The funds used for buying shares by the client come through their registered bank account with SSL only and we don't allow receipt of funds from the non-designated account. As regard the first case client (UCC MY9447) is currently in suspended status due to non-compliance with KRA requirements. The income of the second client with UCC RJ208870 has been updated.'

5.5.1.3. In this regard, it was observed by SEBI that the broker has admitted and carried out rectifications in the income status of the clients. However, as the stock broker has the responsibility to ensure that KYC documents are in accordance with the risk management system.

In view thereof, it is alleged that Noticee has violated Paragraph 22.3 read with Paragraph 20.1.2 read with Paragraph 22.4.2 read with Paragraph 22.4.7 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

5.6. Finding 6: Email id and Mobile number of Authorized Person should not be uploaded as email id and mobile number of the client

5.6.1. ***In case of 25 clients, email id of Authorized Person was mapped.***

5.6.1.1. *It was observed that in the case of 25(14 BSE UCCs and 11 NSE UCCs) instances, the common email id of Authorised Person uploaded for more than one client where broker has given relationship as per circular, but the relationship (Self) has been mapped more than once (Details are enclosed as Annexure 8A).*

5.6.1.2. *In this regard, Noticee in its reply to the findings of the SEBI had submitted that the 'authorised person have used the its contact nos. for their family members' accounts, which resulted due to lack of clarity/mistakes in filing up the forms. This happened due to multiple accounts within the same family being opened on different dates, and in some cases, incorrect relationships are being recorded, such as dependent children instead of dependent parents.*

5.6.1.3. *In this regard, it was observed by SEBI that the broker's response may not be accepted as the regulations and circulars entrust responsibility on the stockbroker for performing due diligence of the clients and updating the necessary KYC details.*

5.6.2. ***In case of 36 clients, mobile of Authorized Person was mapped.***

5.6.2.1. *It is observed that in the case of 36(17 BSE UCCs and 19 NSE UCCs) instances, the common mobile number of Authorised Person uploaded for more than one client where broker has given relationship as per circular, but relationship (Self) mapped more than once. (Details are enclosed as Annexure 8B)*

5.6.2.2. *In this regard, Noticee in its reply to the findings of the SEBI had submitted that the 'authorised person have used the its contact nos. for their family members' accounts, which resulted due to lack of clarity/mistakes in filing up the forms. This happened due to multiple accounts within the same family being opened on different dates, and in some cases, incorrect relationships are being recorded, such as dependent children instead of dependent parents.*

5.6.2.3. *In this regard, it was observed by SEBI that the broker's response may not be accepted as the regulations and circulars entrust responsibility on the stockbroker for performing due diligence of the clients and updating the necessary KYC details.*

In view thereof, it is alleged that Noticee has violated Paragraph 33.2.3 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

5.7. Finding 7: Mismatch in Bank Account numbers uploaded to the Exchange

5.7.1. ***In case of 38 clients, blank bank details were uploaded in the Exchanges' database.***

5.7.1.1. *In 38 instances, it was observed that there were blank bank details uploaded in the UCC database of BSE. However, during the inspection broker has rectified the data with correct bank detail in UCC database of Exchange. (Details are enclosed as Annexure-9A)*

5.7.1.2. *In this regard, considering the repetitiveness of the violations, the reply of the Noticee was not acceptable to SEBI.*

5.7.2. ***In case of 97 clients, incorrect bank details were uploaded in the Exchanges' database.***

5.7.2.1. *In 97 instances, it was observed that there were incorrect bank details uploaded in the exchange UCC database of BSE. However, during the inspection the broker rectified the data for 84 instances but for the remaining 13 instances the same is pending. (Details are enclosed as Annexure-9B).*

5.7.2.2. *In this regard, considering the repetitiveness of the violations, the reply of the Noticee was not acceptable to SEBI.*

In view thereof, it is alleged that Noticee has violated Paragraph 20.1.2.2 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

…"

6. Having regard to the principles of Natural Justice, vide Hearing Notice reference no. SEBI/HO/EAD/EAD5/P/OW/2024/17927/1 dated May 29, 2024 (inadvertently worded 2023), Noticee was granted an opportunity of hearing on June 03, 2024.

7. On the scheduled date of hearing i.e. on June 03, 2024, the Noticee availed the hearing opportunity through it's Authorized Representative (ARs) viz. Mr. Rajesh Verma (Sr. Manager of Noticee), Mr. Hemang Ladani (CFO of Noticee) and Ms. Swati Goyal (Company Secretary of Noticee) wherein the ARs inter alia relied upon and reiterated the written submissions made vide letter dated May 28, 2024. During the hearing, the ARs inter alia also submitted that there were no additional submissions to be made and that the submissions made vide letter dated May 28, 2024 be taken as final and complete submissions in the matter.

8. Key submissions of Noticees reply dated May 28, 2024 are as under:

"…

S. NO	*Point of SCN*	*Findings /Observations*	*Reply of the SSL*
1	*5.1*	*KYC Verification*	
	5.1.1	*In case of 13 clients, the relationship maintained in the back office is not matching with the KYC form and consent letter.*	*Out of 13 clients, 11 clients have submitted revised consent letters.* *Accordingly, we have updated the relationships. The other, 2 clients have already closed their trading accounts. A screenshot of the back office master data evidencing the same is attached as Annexure 1, Since, rectified.*
	5.1.2	*In case of 4 clients, the relationship was not mentioned in the KYC form.*	*The said four clients have submitted the revised consent letters to update the relationship status in accordance with KYC requirements. Accordingly, we have updated the same in our records. A screenshot of the back office master data and consent letter evidencing the same is attached as Annexure 2. Since rectified.*
	5.1.3	*Consent letter for mapping same mobile/email to multiple UC Cs was not provided for 452 clients.*	*Out of 452 clients, 359 clients have submitted revised consent letters accordingly, we have updated their relationship status and the remaining 93 clients are already in suspended status. A screenshot of the back office master data evidencing the same and the exchange UCI portal log is attached in Annexure 3. Since rectified.*
	5.1.4	*In case of 19 instances, a mismatch is mobile/email id uploaded to exchange portal as compared to the KYC details was observed.*	*Out of 19 instances, 17 clients have submitted revised consent letters accordingly, we have updated the KYC details. However, the remaining 2 clients have already closed their trading accounts. A screenshot of the master data is attached as Annexure 4 as supporting. Since rectified*
	5.1.5	*In case of 2 clients (4 instances), same email and same mobile number were mapped. However, no declaration / consent form was provided.*	*In respect of these instances, the clients have submitted revised consent letters. Accordingly, we have updated the details w.r.t email and mobile number. A screenshot of the master data supporting the same is attached as Annexure 5. Since rectified.*
	5.1.6	*Masking of Aadhaar Card was not performed in case of 8 UCCs.*	*The corrective action has already been taken. Further, we wish to inform you that as of September 2023, SSL has discontinued physical KYC. All KYC processes are now conducted online, ensuring the prevention of such errors in the future. Since rectified.*
2	*5.2*	*UCC verification*	

	5.2.1	*In case of 234 clients, whose email id was mapped to multiple clients, the relationship maintained in the back office is found to be irregular.*	*Out of 234 instances 145 clients have submitted revised consent letters Accordingly, we have updated the relationship. Further for balance 89 of these clients are already in suspended status. The exchange log file as supporting is attached as Annexure 6. Since rectified.*
	5.2.2	*In case of 177 clients, mobile number was mapped to multiple Clients, the relationship maintained in the back office is found to be irregular.*	*Out of 177 clients, 78 clients have submitted revised consent letters Accordingly, we have updated the KYC details. Further balance of 99 of the clients is already in suspended status. The exchange log file as supporting is attached as Annexure 7. Since rectified.*
	5.2.3	*Broker has not carried out due diligence while capturing relationship data for 1103 UCCs(BSE) i.e. relationship mentioned as dependent children However the age was found in the range from 34 to 100 years*	*Out of 1103 UCC, the 947 clients have submitted revised consent letters. Accordingly, we have updated the KYC data. However, the remaining 156 clients are already in suspended status. The exchange log file as supporting is attached as Annexure 8. Since rectified.*
3	5.3	*Finding 3: Mismatch in email ids and mobile numbers uploaded to the Exchange:*	
	5.3.1	*In case of 393 clients, there was a mismatch in emails ids uploaded to the Exchanges' Database.*	*The data for all 393 clients has been updated on the Exchange KYC UCI portal. The NSE log file evidencing the same is attached as Annexure 9A, and the BSE log file is attached as Annexure 9B. Since rectified*
	5.3.2	*In case of 153 clients, there was a mismatch in mobile numbers uploaded to the Exchanges' Database*	*The data for all 153 clients has been updated on the Exchange KYC UCI portal. The NSE log file evidencing the same is attached as Annexure 10A, and the BSE log file is attached as Annexure 10B. Since rectified.*
4	5.4	*Finding 4: Invalid Email Id/Mobile number are uploaded in the UCC*	
	5.4.1	*In case of 116 clients, invalid email ids were uploaded to the Exchanges' Database.*	*The data for all 116 clients has been updated on the Exchange KYC UCI portal. The NSE log file evidencing the same is attached as Annexure 11A, and the BSE screen shots are attached as Annexure -11B. Since rectified.*
	5.4.2	*In case of 18 clients, invalid mobile numbers were uploaded to the Exchanges' Database.*	*Out of 18 clients, 11 clients have submitted revised consent letters Accordingly, we have updated the KYC data. Remaining 7 clients are already in suspended status. The NSE log file evidencing the same suspended accounts is attached as Annexure 12A, and the BSE log file for suspended account is attached as Annexure 12B. Since rectified.*
5	5.5	*Finding 5: Verification to check whether Broker has adequate systems to ensure that Margin requirement / highest turnover is in proportion to the income proof declared by the client*	
	5.5.1	*In case of 2 clients, it was observed that the income of the clients was not commensurate with the turnover.*	*Both the clients have submitted the latest income details.* *Accordingly, the KYC master has been updated A screenshot of the master data evidencing the same is attached in Annexure 13. Since rectified.*
6	5.6	*Finding 6: Email id and Mobile number of Authorized Person should not be uploaded as email id and mobile number of the client*	
	5.6.1	*In case of 25 clients, email id of Authorized Person was mapped*	*The data for 24 clients has been updated on the Exchange KYC UCI portal and one client is suspended. The NSE log file evidencing the same is attached as Annexure 14A, and the BSE log file is attached as Annexure 14B. Since rectified.*
	5.6.2	*In case of 36 clients, mobile of Authorized Person was mapped.*	*The data for all 36 clients has been updated on the Exchange KYC UCI portal. The NSE log file evidencing the same is attached as Annexure 15A, and the BSE log file is attached as Annexure 15B Since rectified.*
7	5.7	*Finding 7: Mismatch in Bank Account numbers uploaded to the Exchange*	
	5.7.1	*In case of 38 clients, blank bank details were uploaded in the Exchanges' database.*	*The data for all 38 clients has been updated on the Exchange KYC UCI portal. A screenshot of the master data evidencing the same is attached as Annexure 16. Since rectified.*
	5.7.2	*In case of 97 clients, incorrect bank details were uploaded in the Exchanges' database*	*The data for all 97 clients has been updated on the Exchange KYC UCI portal. A screenshot of the master data evidencing the same is attached as Annexure 17. Since rectified.*

…"

9. In this regard, I also note that the Noticee had filed settlement application on August 14, 2024 in the instant matter. However, vide email dated October 24, 2024, it was informed by concerned department of SEBI that Applicant had

decided to withdraw the settlement application in the subject matter. In this regard vide email dated October 25, 2024 Noticee inter alia informing that, ' … we had …. filed Settlement Application No. 7984/2024 in this regard. However, we could not accede to the proposed terms and have accordingly withdrawn the above application. ..', requested for another opportunity of personal hearing. In this regard considering that Noticee had already submitted its reply to the SCN and also availed the opportunity of hearing, vide email dated October 29, 2024, Noticee was granted further additional time till November 08, 2024 to submit additional submissions, if any. Vide email dated November 11, 2024, Noticee sought extension of time till November 20, 2024 to submit additional submissions, which was allowed. Vide email /letter dated November 20, 2024, Noticee made its additional submissions. Vide email dated December 17, 2024 Noticee was inter alia requested to confirm if it had anything further to say in the matter or reply dated May 28, 2024 and November 20, 2024 be treated as complete and final in the matter, in response to which, Noticee vide its email dated December 17, 2024 inter alia submitted that, ' … we have already provided our responses dated May 28, 2024, and November 20, 2024, … we confirm that no further submissions will be made from our end …'.

10. Key submissions of Noticee's additional submissions dated November 20, 2024 are as under:

"…

1. *We are concerned for the Noticee, Stockholding Services Ltd. ("SSL"), in the captioned Show Cause Notices.*
2. *The SCN has been issued pursuant to a Thematic Inspection for the theme 'Multiple UCCs mapped to common email ID or common mobile number' carried out for the period April 1, 2022, to June 20, 2023 ("Inspection Period") for inter – alia compliance with serious requirements of SEBI Master Circular dated May 17, 2023.*
3. *The SCN calls upon SSL to show cause as to why inquiry should not be held against it in terms of Rule 4(1) of the SEB (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, read with Section 15I of the SEBI Act and why penalty, if any, should bot be imposed in terms of Section 15HB of the SEBI Act for the allegations in the SCN.*
4. *SSL had filed its reply to the SCN on May 28, 2024, ("Reply") providing its responses to each of the violations alleged against it. These additional submissions are being filed to demonstrated as to why the SCN ought to be disposed of without any further action.*

<u>ADDITIONAL SUBMISSIONS AND BEHALF OF SSL</u>

A. *<u>Objective of inspection and corrective steps</u>*

5. *At the outset, it is necessary to elucidate the fundamental objective and intended outcome of an inspection. The Hon'ble Securities Tribunal ("SAT") in the matter of Religare Securities Limited vs Securities and Exchange Board of India (Order dated June 16, 2011 in Appeal No. 23 of 2011) has set out the objective of inspection as under:*
" It must be remembered that the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to the maintenance of records. We also cannot lose sight of the fact that every minor discrepancy/irregularity found during the course of inspection is not culpable

and the object of the inspection could well be achieved by pointing out the irregularities/deficiencies to the intermediary at the times of inspection and making it complaint. This will, of course, depend on the nature of the irregularities noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the board should not proceed against the delinquent."

[Emphasis added]

Copy of the order is annexed herewith as Annexure 1.

6. *The Hon'ble SAT, in furtherance of the above objective, has also given credence and value to corrective steps being taken in regard to observations made during an inspection. In DSE Financial Services Ltd. vs Securities and Exchange Board of India (Order dated September 11, 2012 in Appeal No. 153 of 2012) the Hon'ble Tribunal has held that:*

Under similar circumstances in one of the cases decided by us earlier (Religare Securities Limited vs. SEBI Appeal no. 23 of 2011 decided on 16.6.2011), we have observed that it must be remembered that the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to the maintenance of records. …As per the observations made by the adjudicating officer himself, the violations committed by the observations made by the adjudicating officer himself, the violations committed by the appellant are mostly technical in nature; some of them are solitary instances and for others are appellant has mostly taken/initiated corrective measures. In view of this, we are of the view that the adjudicating officer was not justified in taking punitive action.

[Emphasis added]
Copy of the order is annexed herewith as Annexure 2.

7. *As per the principles laid down by SEBI, the end goal of an inspection is to achieve necessary compliance on the part of a broker. Further, if the observations made in the inspection and is taking steps preventing recurrence of such issues, there ought not be precipitative steps or punitive action against the broker.*

8. *In view of the above principles, it is submitted that in the present case, SSL has taken onboard the various observations / deficiencies which had been pointed out by SEBI during the course of the inspection and has duly rectified them. These corrective steps, more particularly set out in SSL's Reply, is summarized hereunder:*

Sr. No	*Head of allegation*	*Finding of inspection*	*Corrective steps taken by SSL*
1.	*KYC Verification*	*In case of 13 clients, the relationship maintained in the back office is not matching with the KYC form and consent letter.*	*1. SSL has obtained updated consent letters in case of 11cients.* *2. The remaining 2 accounts have been closed by the respective clients.*
		In case of 4 clients. the relationship was not mentioned in the KYC form.	*1. SSL has obtained revised consent letters to update the relationship status in accordance with KYC requirements.*
		Consent letter for mapping same mobile/email to multiple UCCs was not provided for 452 clients.	*1. SSL has obtained revised consent letters in respect of 359 clients and the same has been updated as per the KYC requirements.* *2. SSL has suspended the remaining 93 UUCs until such revised consent letters are provided by the concerned clients.*
		In case of 19 instances, a mismatch is mobile/email id uploaded to exchange portal as compared to the KYC details was observed.	*1. SSL has obtained revised consent letters from 17 clients and details have been updated.* *2. The remaining 2 accounts have been closed by the respective clients*
		In case of 2 clients (4 instances), same email and same mobile number were mapped. However, no declaration / consent form was provided.	*1. SSL has obtained the required consent letter from the clients and details have been updated.*

		Masking of Aadhaar Card was not performed in case of 8 UCCs	1. SSL has rectified this deficiency and has masked the Aadhaar Cards in all 8 cases.
2	UCC Verification	In case of 234 clients, whose email id was mapped to multiple clients, the relationship maintained in the back office is found to be irregular.	1. SSL has obtained revised consent letters in 145 instances and these details have been updated. 2. SSL has suspected the remaining 89 UCCs until such revised consent letters are provided by the concerned clients.
		In case of 177 clients, mobile number was mapped to multiple Clients, the relationship maintained in the back office is found to be irregular.	1. SSL has obtained revised consent letters in 78 instances and these details have been updated. 2. SSL has suspended the remaining 99 UCCs until such revised consent letters are provided by the concerned clients.
		Broker has not carried out due diligence while capturing relationship data for 1103 UCCs (BSE) i.e. relationship mentioned as dependent children. However the age was found in the range from 34 to 100 years	1. SSL has obtained revised consent letters in 947 instances and these details have been updated. 2. SSL has suspended the remaining 156 UCCs until such revised consent letters are provided by the concerned clients.
3	Mismatch in email IDs and mobile numbers uploaded to the Exchange	In case of 393 clients, there was a mismatch in emails IDs uploaded to the Exchanges' Database.	1. SSL has uploaded the data for all 393 clients on the UCI Portal.
		In case of 153 clients, there was a mismatch in mobile numbers uploaded to the Exchanges' Database	1. SSL has uploaded the data for all 153 clients on the UCI Portal.
4	Invalid Email ID/ Mobile number are uploaded in the UCC	In case of 116 clients, invalid email ids were uploaded to the Exchanges' Database.	1. SSL has updated the data for all 116 clients on the UCI Portal.
		In case of 18 clients, invalid mobile numbers were uploaded to the Exchanges' Database.	1. SSL has obtained the revised consent letters from 11 clients and updated the data on the UCI Portal. 2. SSL has suspended the remaining 7 UCCs until such revised consent letters are provided by the concerned clients.
5	Verification to check whether Broker has adequate systems to ensure that Margin requirement / highest turnover is in	In case of 2 clients, it was observed that the income of the clients was not commensurate with the turnover.	1. SSL has obtained the latest income details from the 2 clients and the details have been updated.

	proportion to the income proof declared by the client		
6	*Email id and Mobile number of Authorized Person should not be uploaded as email id and mobile number of the client*	*In case of 25 clients, email ID of Authorized Person was mapped*	*1. SSL has updated the details of all 25 clients on the UPI Portal.*
		In case of 36 clients, mobile no. of Authorized Person was mapped.	*1. SSL has updated the details of all 36 clients on the UCI Portal.*
7	*Mismatch in Bank Account numbers to the Exchange*	*In case of 38 clients, blank bank details were uploaded in the Exchanges database.*	*1. SSL has uploaded the details of all 38 clients on the UCI Portal.*
		In case of 97 clients, incorrect bank details were uploaded in the Exchanges' database	*1. SSL has updated the details of all 38 clients on the UCI Portal.*

9. It is submitted that pursuant to filing its Reply, SSL had appointed M/s Mehta Sanghvi & Associates, an independent audit firm, to review the steps taken by SSL in respect of the various observations in the SCN. The auditor has conducted a detailed review of all the points raised in the SCN ad have submitted their compliance report dated September 17, 2024, whereby it has confirmed that corrective steps have taken in respect of all the above points. The compliance report dated September 17, 2024, is annexed herewith as Annexure 3.

10. It is, therefore, submitted that it is a fit case where in view of the corrective steps taken by SSL, no penalty is warranted.

B. Further steps being taken by SSL

11. It is submitted that as part of the Thematic Inspection, SSL had provided the client Master Data of approximately 3,70,000 registered clients out of which there are approximately 1,25,000 active clients while the remaining are either inactive or dormant accounts.

12. It is submitted that against this client database, the maximum instances of any deficiency observed by SEBI under any head of allegation is 1103 UCCs which is less than 1% of the approximately total active clients of SSL. It is, therefore, the case of SSL that the observations made in the SCN do not indicate any systemic issues on part of SSL and the corrective steps taken by SSL demonstrates its commitment to be fully compliant with the necessary regulatory requirements.

13. Without prejudice to the same, SSL has independently commenced an audit process to determine the compliance status and forthwith take such corrective steps as necessary. For the purpose of this audit. SSL has appointed M/s Mehta Sanghvi & Associates t review the KYC documentations in respect of its active clients to ensure that the KYC compliance is aligned with the various regulatory requirements of SEBI.

14. Further, as a true measure of ensuring that the deficiencies noted in respect of the KYC process are not repeated, SSL submits that it has implemented a robust digital conline client onboarding system. This onboarding process has the following features:

i. *Bank Account Validation: the system incorporates a penny-drop facility to verify bank account details.*

ii. *Demat Account Verification: the system utilizes NSDL Demat API for accurate client demat account validation.*

iii. *Mobile and Email Verification: the system conducts OTP based validation of both Email ID and mobile number.*

iv. *Mapping of multiple Email ID and mobile number: The system ensures that duplicate email IDs and mobile numbers cannot be captured. The online KYC onboarding system is equipped to accurately identity and validate client relationships when the same mobile number or email ID is used to open trading accounts for family members.*

15. It is submitted that the above submissions are indicative of SSL's effort for strengthening its processes and maintaining a high standard of compliance in the areas where SEBI has presently identified certain deficiencies. In view of the foregoing facts, it is submitted that the no punitive action is warranted against SSL in the facts of the case. It is, therefore, humbly prayed that the SCN be disposed of without any further action.

…"

D. CONSIDERATION OF ISSUES AND FINDINGS

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

Issue No. I:	**Whether the Noticee had violated the provisions of SEBI Master Circular, as alleged?**
Issue No. II:	**If yes, whether the violations on the part of the Noticee would attract monetary penalty under Section 15HB of the SEBI Act, 1992?**
Issue No. III:	**If yes, what should be the monetary penalty that can be imposed upon the Noticee?**

Issue No. I: Whether the Noticee has violated the provisions of SEBI Master Circular, as alleged?

12. I note that broadly speaking the Noticee had made similar submissions in its reply dated May 28, 2024 and additional reply dated November 20, 2024 to the SCN save for being differently worded or argued. Accordingly for brevity the submissions of the Noticee, broadly being common, the allegations are being dealt with accordingly inter alia drawing reference to text of either of the replies.

13. In this regard, the following was inter alia observed and alleged in respect of the Noticee:

13.1. Finding 1: KYC Verification:

I Note from material available on record that SEBI has made six observations wrt finding 1 i.e KYC Verification. In this regard, I note that with regard to said observations, Noticee had made similar reply earlier to SEBI to the findings of inspection as well as reply to the SCN in the instant proceedings save for being differently worded. I note that with regard to said observations, it was inter alia alleged that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

The text of relevant provisions alleged to have been violated is reproduced below:

> ***33. SMS and E-mail alerts to investors by Stock Exchanges***
> ***"…***
> *33.2 Uploading of mobile number and E-mail address by stock brokers*
> *…"*
> *"…*
> *33.2.2 Stock Brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.*
> *…"*
> *"…*
> *33.2.4 Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.*
> *…"*

13.1.1. In case of 13 clients, the relationship maintained in the back office is not matching with the KYC form and consent letter.

13.1.1.1. In this regard it was inter alia observed and alleged that in the case of 13 UCCs(NSE), the relationship maintained in back office was not matching with that as per KYC and consent letter for same email id and mobile number given to multiple clients and therefore, it was alleged that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.1.2. In this regard, I note from material available on record that Noticee earlier in its response to the finding of inspection had stated to SEBI that "*it appears that the clients had a lack of clarity and the accounts were opened by them at a different date and time and they have incorrectly filed the relationship in the consent forms. We have* *communicated with the clients and rectification is being carried out."*

13.1.1.3. Further, I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 inter alia submitted that " .. *Out of 13 clients, 11 clients have submitted revised consent letters. Accordingly, we have updated the relationships. The other, 2 clients have already closed their trading accounts*. …".

13.1.1.4. In view thereof, the allegation as regards the Noticee that in the case of 13 UCCs (NSE), the relationship maintained in back office was not matching with that as per KYC and consent letter for same email id and mobile number given to multiple clients, stands established. Accordingly, I hold that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.2. In case of 4 clients, the relationship was not mentioned in the KYC form.

13.1.2.1. In this regard it was inter alia observed and alleged that in case of 4 clients, the relationship was not mentioned in the KYC form and therefore, it was alleged that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.2.2. In this regard, I note from material available on record that Noticee in its reply to the findings of Inspection earlier to SEBI had admitted the irregularity regarding the absence of relationship field in the KYC form in so far as Noticee in its reply to SEBI had inter alia stated that "*The same has been communicated to the client and the rectification will be completed promptly*."

13.1.2.3. Further, I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN inter alia submitted that "*The said four clients have submitted the revised consent letters to update the relationship status in accordance with KYC requirements. Accordingly, we have updated the same in our records. … ".*

13.1.2.4. In view thereof, the allegation as regards the Noticee that in case of 4 clients, the relationship was not mentioned in the KYC form, stands established. Accordingly, I hold that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.3. Consent letter for mapping same mobile/email to multiple UCCs was not provided for 452 clients.

13.1.3.1. In this regard, it was inter alia observed and alleged that in case of 1 instance(NSE), KYC form was not provided and in case of 452 clients (BSE-383 and NSE-69), consent letter for same email id and mobile number being linked to multiple clients was not provided and therefore, it was alleged that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.3.2. In this regard, I note from material available on record that Noticee in its reply to the findings of Inspection earlier to SEBI had admitted the irregularity with regard to the missing consent forms in so far as Noticee in its reply to SEBI had inter alia stated that "*As regard missing consent forms, the same has been communicated to the clients, and rectification is being carried out promptly. The same will be communicated to SEBI*".

13.1.3.3. Further, I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 inter alia submitted that, " …*Out of 452 clients, 359 clients have submitted revised consent letters accordingly, we have updated their relationship status and the remaining 93 clients are already in suspended status. …".*

13.1.3.4. In view thereof, the allegation as regards the Noticee that Consent letter for mapping same mobile/email to multiple UCCs was not provided for 452 clients, stands established. Accordingly, I hold that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.4. In case of 19 instances, a mismatch in mobile/email id uploaded to exchange portal as compared to the KYC details was observed.

13.1.4.1. In this regard, it was inter alia observed and alleged that in 9 instances (BSE) there was mismatch in mobile number and in 10 instances(BSE) there was mismatch in email id uploaded to exchange portal as compared to KYC details and that clarification was not provided by Broker for the same and therefore, it was alleged that

Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.4.2. In this regard, I note from material available on record that Noticee in its reply to the findings of Inspection earlier to SEBI had inter alia stated that "…*there was a technical issue that prevented the data from being saved or uploaded to the exchange UCI portal*…."

13.1.4.3. In this regard, from material available on record I also note that as per SEBI the said observations persisted during the current inspection despite being communicated in the previous inspection for the period April 01, 2021 to October 31, 2022. I note that this has not been disputed or denied by the Noticee.

13.1.4.4. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN inter alia submitted that *"Out of 19 instances, 17 clients have submitted revised consent letters accordingly, we have updated the KYC details. However, the remaining 2 clients have already closed their trading accounts."*

13.1.4.5. In view thereof, the allegation as regards the Noticee that in case of 19 instances, a mismatch is mobile/email id uploaded to exchange portal as compared to the KYC details was observed, stands established. Accordingly, I hold that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.5. In case of 2 clients (4 instances), same email and same mobile number were mapped. However, no declaration/consent form was

provided.

13.1.5.1. In this regard, it was inter alia observed and alleged that common mobile and email id were mapped to more than 1 client and for said instances, the declaration for common use of Mobile & Email ID was not provided by Broker (BSE) and therefore, it was alleged that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.5.2. In this regard, I note from material available on record that Noticee in its reply to the findings of Inspection earlier to SEBI had inter alia stated that *"We have communicated to the client and rectification is being carried out promptly"*.

13.1.5.3. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN inter alia submitted that "..*the clients have submitted revised consent letters. Accordingly, we have updated the details w.r.t email and mobile* number…."

13.1.5.4. In view thereof, the allegation as regards the Noticee that in case of 2 clients (4 instances), same email and same mobile number were mapped, however, no declaration/consent form was provided, stands established. Accordingly, I hold that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.6. Masking of Aadhaar Card was not performed in case of 8 UCCs.

In this regard, it was inter alia observed and alleged that in case of 8 instances (BSE), Aadhaar card was not masked and therefore it was alleged that Noticee had violated Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.1.6.1. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN inter alia submitted that "*The corrective action has already been taken. … Since rectified.*"

13.1.6.2. In view thereof, the allegation as regards the Noticee that Masking of Aadhaar Card was not performed in case of 8 UCCs, stands established. Accordingly, I hold that Noticee had violated Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.2. Finding 2: UCC Verification:

I Note from material available on record that SEBI had made three observations wrt finding 2 i.e UCC Verification. In this regard, I note that with regard to observation first and second in the instant finding, Noticee has made similar reply to SEBI to the findings of inspection as well as reply to the SCN in the instant proceedings save for being differently worded. Therefore, observation first and second is being dealt with together and observation third is being dealt with separately. I note from material available on record that wrt the three observations, it was inter alia alleged in the SCN that Noticee had violated Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

The text of relevant provisions alleged to have been violated is reproduced below:

> ***33. SMS and E-mail alerts to investors by Stock Exchanges***
> ***"…***
> *33.2 Uploading of mobile number and E-mail address by stock brokers*
> *…"*
> *"…*
>
> *33.2.4 Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.*
>
> *…"*

13.2.1. (a) In case of 234 clients, whose email id was mapped to multiple clients, the relationship maintained in the back office is found to be irregular.

(b) In case of 177 clients, mobile number was mapped to multiple clients, the relationship maintained in the back office is found to be irregular.

13.2.1.1. In this regard, it was inter alia observed and alleged that Noticee has violated Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.2.1.2. In this regard, it was inter alia observed that in case of 234 instances, a common email id was uploaded for more than one client and the relationship provided was found to be irregular on basis of the following reasons.

1. Relationship was not matching with the age of client.

2. Relationship was not matching with name of the client.
3. Relationship was mapped more than once in the case of Self & Spouse.
4. Relationship was mapped more than 2 times in case of Dependent Parents.
5. Relationship could not be identified due to relationship (Self) were not clearly mapped.

13.2.1.3. Further, it was inter alia observed and alleged that in case of 177 clients, a common mobile number was uploaded for more than one client. In this regard, it was inter alia observed that the relationship provided was found to be irregular on basis of the following reasons:

1. Relationship was not matching with the age of client.
2. Relationship was not matching with name of the client.
3. Relationship was mapped more than once in the case of Self & Spouse.
4. Relationship was mapped more than 2 times in case of Dependent Parents.
5. Relationship could not be identified due to relationship (Self) were not clearly mapped.

13.2.1.4. In this regard, I note from material available on record that Noticee in its reply to the Inspection finding to SEBI earlier had inter alia stated that *"..As regards these instances, we are in the process of promptly rectifying the observations. We request SEBI to take the lenient view as we are constantly putting efforts to update the record with requisite detail. We will inform SEBI as soon as rectification is completed…"*

13.2.1.5. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November

20, 2024 to the SCN inter alia submitted the following:

“*Out of 234 instances 145 clients have submitted revised consent letters. Accordingly, we have updated the relationship..”*

“*Out of 177 clients, 78 clients have submitted revised consent letters. Accordingly, we have updated the relationship..”*

13.2.1.6. In view thereof, the allegation as regards the Noticee that in case of 234 instances(NSE), and in case of 177 clients wherein a common email id and common mobile number, respectively the relationship maintained in the back office is found to be irregular, stand established. Accordingly, I hold that Noticee had violated Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.2.2. Broker has not carried out due diligence while capturing relationship data for 1103 UCCs(BSE) i.e. relationship mentioned as dependent children however the age was found in the range from 34 to 100 years.

13.2.2.1. In this regard, it was inter alia alleged that Noticee has violated Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.2.2.2. In this regard, it was inter alia observed that Broker had not carried out due diligence while capturing relationship data for 1103 UCCs(BSE) i.e. relationship mentioned as dependent children However the age was found in the range from 34 to 100 years.

13.2.2.3. In this regard, I note from material available on record that Noticee in its reply to the findings of Inspection earlier to SEBI had inter alia stated that *“As regards these instances, we are in the process of* *promptly rectifying the observations. We request SEBI to take the lenient view as we are constantly putting efforts to update the record with requisite detail. We will inform SEBI as soon as rectification is completed.*'

13.2.2.4. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN inter alia submitted that "*Out of 1103 UCC, the 947 clients have submitted revised consent letters. Accordingly, we have updated the KYC data. However, the remaining 156 clients are already in suspended status*".

13.2.2.5. In view thereof, the allegation as regards the Noticee that Broker had not carried out due diligence while capturing relationship data for 1103 UCCs(BSE) i.e. relationship mentioned as dependent children however the age was found in the range from 34 to 100 years, stands established. Accordingly, I hold that Noticee had violated Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.3. Finding 3: Mismatch in email ids and mobile numbers uploaded to the Exchange:

I Note from material available on record that SEBI has made two observations wrt finding 3 i.e Mismatch in email ids and mobile numbers uploaded to the Exchange. In this regard, I note that with regard to these observations in the instant finding, Noticee has made similar reply to SEBI to the findings of inspection as well as reply to the SCN in the instant proceedings save for differently worded. Therefore, both the observation has been dealt together. I note from material available on record that wrt finding 3 it was inter alia alleged in the SCN that Noticee had violated Paragraph 33.2.2 read with Para 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

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

> ***33. SMS and E-mail alerts to investors by Stock Exchanges***
> ***"…***
> *33.2 Uploading of mobile number and E-mail address by stock brokers*
> *…"*
> *"…*
> *33.2.2 Stock Brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.*
> *…"*
> *"…*
> *33.2.4 Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.*
> *…"*

13.3.1. (a) In case of 393 clients, there was a mismatch in emails ids uploaded to the Exchanges' Database.

(b) In case of 153 clients, there was a mismatch in mobile numbers uploaded to the Exchanges' Database

13.3.1.1. In this regard, it was inter alia alleged that Noticee had violated Paragraph 33.2.2 read with Para 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.3.1.2. As regard email Id's, it was observed and alleged that in 393 instances (BSE-82 and NSE-311), there was mismatch in email ids uploaded in Exchange databases of the BSE & NSE.

13.3.1.3. As regard mobile no's, it was observed and alleged that in 153 instances (BSE-45 and NSE-108), there was mismatch in mobile number uploaded in exchange UCC database of BSE & NSE.

13.3.1.4. In this regard, I note from material available on record that Noticee in its reply to the SEBI w.r.t. the inspection findings had inter alia stated that, " … *during the update process using the bulk update utility, some technical issues prevented the data being saved/uploaded to the exchange UCI portal. The necessary rectification has already been carried out in the exchange's UCI portal … ."*.

13.3.1.5. I note that Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN inter alia submitted the following:

> *"The data for all 393 clients has been updated on the Exchange KYC UCI portal."*
> *The data for all 153 clients has been updated on the Exchange KYC UCI portal."*

13.3.1.6. In view thereof, the allegation that in case of 393 clients, there was a mismatch in emails ids uploaded to the Exchanges' Database and that in case of 153 clients, there was a mismatch in mobile numbers uploaded to the Exchanges' Database, stands established. Accordingly, I hold that Noticee has violated Paragraph 33.2.2 read with Para 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.4. Finding 4: Invalid Email Id/Mobile number are uploaded in the UCC

I Note from material available on record that SEBI has made two observations wrt finding 4 i.e Invalid Email Id/Mobile number are uploaded in the UCC. In this regard, I note that with regard to these observations in the instant finding, Noticee had made similar reply to SEBI wrt the findings of inspection as well as reply to the SCN in the instant proceedings save for being differently worded. Therefore, both the observation are being dealt together. I note from material available on record that wrt finding 4 it was inter alia alleged that Noticee had violated Paragraph 33.2.2 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

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

> ***33. SMS and E-mail alerts to investors by Stock Exchanges***
> ***"…***
> *33.2 Uploading of mobile number and E-mail address by stock brokers*
> *…"*
> *"…*
> *33.2.2 Stock Brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.*
> *…"*

13.4.1. In case of 116 clients, invalid email ids were uploaded to the Exchanges' Database.

In case of 18 clients, invalid mobile numbers were uploaded to the Exchanges' Database.

13.4.1.1. It was inter alia alleged that Noticee has violated Paragraph 33.2.2 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.4.1.2. In this regard, it was inter alia observed and alleged that in the case of 116 UCCs (BSE - 18 and NSE – 98) and 18 UCCs (BSE - 12 and NSE - 6), invalid email id and invalid mobile number, respectively was uploaded in Exchanges' UCC database.

13.4.1.3. In this regard, I note from material available on record that Noticee in its reply to the findings of Inspection earlier to SEBI had inter alia stated that Rectification has been carried for these UCC.

13.4.1.4. I note that Noticee during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN inter alia submitted the following:

"The data for all 116 clients has been updated on the Exchange KYC UCI portal."

"Out of 18 clients, 11 clients have submitted revised consent letters Accordingly, we have updated the KYC data. Remaining 7 clients are already in suspended status."

13.4.1.5. In view thereof, the allegation as regards the Noticee that in case of 116 clients, invalid email ids were uploaded to the Exchanges' Database and in case of 18 clients, invalid mobile numbers were uploaded to the Exchanges' Database, stands established. Accordingly, I hold that Noticee has violated Paragraph 33.2.2 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.5. Finding 5: Broker did not have adequate systems to ensure that margin requirement / highest turnover is in proportion to the income proof declared by client.

13.5.1.1. In this regard, it was inter alia alleged that Noticee has violated Paragraph 22.3 read with Paragraph 20.1.2 read with Paragraph 22.4.2 read with Paragraph 22.4.7 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.5.1.2. In this regard, it was inter alia observed and alleged that that in case of 2 clients, income of the said clients was not commensurate with the turnover.

13.5.1.3. In this regard, I note from material available on record that Noticee's reply to the SEBI wrt the inspection findings were in nature of admission in so far as Noticee had had inter alia stated that "*As regard the first case client (UCC Mxxxx7) is currently in suspended status due to non-compliance with KRA requirements. The income of the second client with UCC Rxxxxxx0 has been updated*"

13.5.1.4. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN has submitted that "*Both the clients have submitted the latest income details. Accordingly, the KYC master has been updated".*

13.5.1.5. In view thereof, the allegation as regards the Noticee that in case of 2 clients, turnover was not in proportion to the income proof declared by client, stands established. Accordingly, I hold that Noticee has violated

Paragraph 22.3 read with Paragraph 20.1.2 read with Paragraph 22.4.2 read with Paragraph 22.4.7 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.6. Finding 6: Email id and Mobile number of Authorized Person uploaded as email id and mobile number of the client.

In this regard, I Note from material available on record that SEBI has made two observations wrt finding 6 i.e Email id and Mobile number of Authorized Person should not be uploaded as email id and mobile number of the client. In this regard, I note that in this regard, Noticee has made similar reply to SEBI wrt the findings of inspection as well as reply to the SCN in the instant proceedings save for being differently worded. Therefore, both the observation are being dealt together. I note from material available on record that wrt finding 6, it was inter alia alleged in the SCN that Noticee had violated Paragraph 33.2.3 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

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

33. SMS and E-mail alerts to investors by Stock Exchanges
"…
33.2 Uploading of mobile number and E-mail address by stock brokers
…"

"…

33.2.3 Stock Brokers shall ensure that the mobile numbers/E-mail addresses of their employees /remisiers/authorized persons are not uploaded on behalf of clients.

…"

13.6.1. (a) In case of 25 clients, email id of Authorized Person was mapped.

(b) In case of 36 clients, mobile of Authorized Person was mapped.

13.6.2. It was inter alia alleged that Noticee has violated Paragraph 33.2.3 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.6.3. In this regard, it was inter alia observed and alleged that in case of 25(14 BSE UCCs and 11 NSE UCCs) instances, the common email id of Authorised Person uploaded for more than one client but the relationship (Self) had been mapped more than once. Further, it was inter alia observed and alleged that in the case of 36(17 BSE UCCs and 19 NSE UCCs) instances, the common mobile number of Authorised Person was uploaded for more than one client but relationship (Self) mapped more than once.

13.6.3.1. In this regard, I note from material available on record that Noticee's reply to the SEBI wrt the to the Inspection findings were in nature of admission in so far as Noticee had inter alia stated that *"authorised person have used the its contact nos. for their family members' accounts, which resulted due to lack of clarity/mistakes in filing up the forms. This happened* due *to multiple accounts within the same family being opened on different dates, and in some cases, incorrect relationships are being recorded, such as dependent children instead of dependent parents.*"

13.6.3.2. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN has submitted the following:

"SSL has updated the details of all 25 clients on the UCI Portal."

"*SSL has updated the details of all 36 clients on the UCI Portal.*"

In view thereof, the allegation as regards the Noticee that in case of 25 clients, email id and in case of 36 clients, mobile number of Authorised Person had been uploaded for more than one clients, stands established. Accordingly, I hold that Noticee has violated Paragraph 33.2.3 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.7. Finding 7: Mismatch in Bank Account numbers uploaded to the Exchange.

13.7.1. In case of 38 clients, blank bank details were uploaded in the Exchanges' database.

13.7.1.1. In this regard, it was inter alia alleged that Noticee has violated Paragraph 20.1.2.2 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.7.1.2. In this regard, it was inter alia observed and alleged that in case of 38 clients, blank bank details were uploaded in the Exchanges' database of BSE.

13.7.1.3. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN has submitted that "*The data for all 38 clients has been updated on the Exchange KYC UCI portal.*"

13.7.1.4. In view thereof, the allegation as regards the Noticee that in case of 38 clients, blank bank details were uploaded in the Exchanges' database, stands established. Accordingly, I hold that Noticee has violated Paragraph 20.1.2.2 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.7.2. In case of 97 clients, incorrect bank details were uploaded in the Exchanges' database.

13.7.2.1. In this regard, It was inter alia alleged that Noticee had violated Paragraph 20.1.2.2 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

13.7.2.2. In this regard, it was inter alia observed and alleged that in 97 instances there were incorrect bank details uploaded in the exchange UCC database of BSE.

13.7.2.3. I note that during the instant proceedings also Noticee has neither denied nor disputed the alleged violation on its part and instead submissions of the Noticee in this regard are in nature of admission in so far as Noticee has vide reply dated May 28, 2024 and November 20, 2024 to the SCN has submitted that "*The data for all 97 clients has been updated on the Exchange KYC UCI portal*."

13.7.2.4. In view thereof, the allegation as regards the Noticee in case of 97 clients, incorrect bank details were uploaded in the Exchanges' database, stands established. Accordingly, I hold that Noticee had violated Paragraph 20.1.2.2 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

Issue No. II: If yes, whether the violations on the part of the Noticee would attract monetary penalty under Section 15HB of the SEBI Act, 1992?

14. As it has been established that the Noticee has violated the provisions of law as alleged in the SCN and as reproduced below, the Noticee is liable for payment of a monetary penalty in terms of Section 15HB of the SEBI Act, 1992.

14.1. Paragraph 33.2.2 read with Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

14.2. Paragraph 33.2.4 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

14.3. Paragraph 22.3 read with Paragraph 20.1.2 read with Paragraph 22.4.2 read with Paragraph 22.4.7 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

14.4. Paragraph 33.2.3 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023.

14.5. Paragraph 20.1.2.2 read with Annexure-8 of Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023

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

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

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

Securities and Exchange Board of India Act, 1992
[62][CHAPTER VIA
PENALTIES AND ADJUDICATION

"….

Penalty for contravention where no separate penalty has been provided.

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

…."

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

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

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

SEBI Act

"…

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

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

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

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

c. the repetitive nature of the default.

Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

…"

18. In the instant case, I note that the material available on record does not quantify any disproportionate gain or unfair advantage or consequent loss caused to investor or group of investors as a result of the violations committed by the Noticee. I note that Noticee as part of his submissions had inter alia submitted

that it has corrected the majority of the observations highlighted. However, from material available on record I note that SEBI had inter alia also observed that the findings of the instant thematic inspection uncovered persistent non-compliances and continued material supervisory concerns and that the violations were systemic and repetitive in nature. I also note that an Adjudication Order dated December 20, 2024 has been passed in respect of the Noticee imposing monetary penalty upon the Noticee.

I note that the violations in respect of the Noticee in the instant case inter alia related to Know Your Client ('KYC') /UCC verification, mismatch /invalid email ids and mobile numbers, email id and mobile number of Authorized Person uploaded as email id and mobile number of the clients etc., as dealt with in the foregoing. In my view the importance of KYC cannot be undermined as norms relating to Know Your Client are mandated inter alia with main aim to verify the identity of clients, nature and purpose of client relationships and examine the probabilities of any illegal wrongdoings besides aiding in ensuring legitimacy and transparency. I cannot ignore that compliance with extant applicable provisions of SEBI Circulars, as cited, in the instant matter, was obligatory upon the Noticee being a SEBI registered intermediary, which Noticee had failed to comply with, as brought out and dealt with in the foregoing and which SEBI is duty-bound to enforce compliance of. I am of the view that such non-compliance accordingly need to be dealt with suitable penalty.

E. ORDER

19. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, I hereby impose penalty as per details in table below for the aforementioned violation, as discussed in this order. In my view, the said penalty

will be commensurate with the violation committed by the Noticee in this case.

NAME OF NOTICEE	PENALTY UNDER PROVISIONS	PENALTY AMOUNT (Rs.)
Stockholding Services Limited	Section 15HB of SEBI Act,1992	9,00,000/- (Rupees Nine Lakhs Only)

20. 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

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

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

PLACE: MUMBAI
DATE: January 07, 2025

AMAR NAVLANI
ADJUDICATING OFICER