BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/VV/NK/2022-23/21683-21684]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995 AND SECTION 23-I OF SECURITIES CONTRACTS REGULATION ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005.

In respect of:

Noticee no. 1 **Findoc Investmart Private Limited** **(PAN:AABCF8332L)** **(SEBI registration No. INZ000164436)**	**Noticee no. 2** **Findoc Commodities Private Limited** **(PAN:AABCF9455E)** **(SEBI registration No. INZ000019234)**

In the matter of Comprehensive Inspection of Findoc Investmart Pvt Ltd and Findoc Commodities Private Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') along with BSE Limited (herein after referred to as '**BSE**'), National Stock Exchange of India Ltd. (herein after referred to as '**NSE**'), NSDL, NCDEX, ICEX and MCX officials, conducted Comprehensive Joint Inspection (hereinafter referred to as "**Inspection**") of Findoc Investmart Pvt Ltd (hereinafter referred to as "**Noticee no. 1/ Name/broker/FIPL**") and Findoc Commodities Private Limited (hereinafter referred to as "**Noticee no. 2/ Name/ broker/FCPL**") and collectively referred to as "**Noticees**", with regard to their Stock Broking and Depository Participants (hereinafter referred to as '**DP**') activities (Findoc Investmart Pvt Ltd), for the period from April 01, 2020 to July 31, 2021 (hereinafter referred to as "**inspection period**"). The inspection was conducted on August 23-27,

2021 (remotely on August 23-25, 2021 and in broker's office in Ludhiana on August 26-27, 2021).

2. Findoc Investmart Private Limited is a SEBI registered Stock Broker of BSE and NSE bearing registration No. INZ000164436.It is also SEBI registered Depository Participant of NSDL bearing SEBI registration No. IN-DP-469-2020.

3. Findoc Commodities Private Limited is a commodities Derivatives Broker of MCX, NCDEX and ICEX bearing SEBI registration Nos. INZ000019234 during inspection period and now it has been merged into Findoc Investmart Private Limited post inspection period on August 01, 2021.

4. The findings of inspection were communicated to Noticees on February 17, 2022 and the Noticees submitted final reply to the finding observation on February 24, 2022.Based on the findings of inspection and the reply of Noticees, SEBI initiated adjudication proceedings against Noticee in terms of Section 23D of Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "**SCRA/SC(R)A**") and Section 15HB of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") for the alleged violations of the following provisions by:

I. <u>Equity market- Findoc Investmart Private Limited</u>

a) **Misuse of Client Funds**: Violation of Section 23D of SC(R) Act, 1956 read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/ MIRSD/MIRSD2/ CIR /P/2016/95 dated September 26, 2016.

b) **Non settlement of clients' accounts**: violation of Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 12 of Annexure of SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December

03, 2009 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992

c) **Non-Segregation of clients' funds**: Section 23D of SC(R) Act, 1956 read with Clause 1 of Annexure of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 2.4.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/ CIR/ P/2016/95 dated September 26, 2016

d) **Non-Segregation of Client's Securities***:* Section 23D of SC(R) Act, 1956 read with SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019.

e) **Incorrect submission of data to exchange***:* Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/ 2016 /95 dated September 26, 2016 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

f) **KYC & account opening process***:* SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular CIR/MIRSD/66/2016 dated July 21, 2016

g) **Incorrect reporting of margin to exchange***:* SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011

h) **Client Funding***:* Clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/ P/2016/95 dated September 26, 2016 read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017.

II. <u>Commodity Broker - Findoc Commodities Private Limited</u>

a) **Non – segregation of clients' funds**: Section 23D of SC(R) Act, 1956 read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

b) **Non-settlement of clients' accounts**: Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 12 of Annexure of SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

c) **KYC & Account Opening Process**: clause 6, clause 12 of Annexure A to SEBI Circular MIRSD/ SE /Cir-19/2009 dated December 03, 2009 and Clause 10 of Rights and Obligations document for Stock Broker, Sub-brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

APPOINTMENT OF ADJUDICATING OFFICER

5. Vide communication order dated August 08, 2022, Ms. Asha Shetty was appointed as Adjudicating Officer (hereinafter referred to as 'erstwhile AO') in the matter, to enquire into and adjudge the aforesaid violations alleged to have been committed by the Noticees under Section 15 I (1) of Securities and Exchange Board of India Act, 1992 ("SEBI Act") and Rule 4 of SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (hereinafter referred to as "Adjudication Rules") and Section 23-I of Securities Contract (Regulation) Act, 1956 ("SCRA") read with rule 4 of Securities Contract (Regulation) (Procedure for Holding Inquiry and imposing penalties) Rules, 2005 ("SCR Adjudication rules") to inquire and adjudge under section 15HB of SEBI Act and section 23-D of SCRA and if satisfied that penalty is liable, to impose such penalty deems fit in terms of Rule 5 of the SCR Adjudication Rules read with Section 23D of SCRA and Rule 5 of the SEBI Adjudication Rules read with Section 15HB of the SEBI Act. Subsequently, vide communication order dated October 06, 2022, the case has been transferred to undersigned. It has been advised in the said communication order that, *except for the change of the Adjudicating Officer the other terms and conditions of the original orders 'shall remain unchanged and shall be in full force and effect' and that the "Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders."*

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

6. Show Cause Notices dated September 09, 2022 (hereinafter referred to as "**SCNs**") was issued to the Noticees in terms of Rule 4 of SEBI Adjudication Rules; Rule 4 of SCR Adjudication Rules and penalty should not be imposed under section 15HB of SEBI Act and section 23-D of SCRA, for the violations alleged to have been committed by the Noticees available on record. The said SCNs were duly delivered to Address of Noticees through Speed Post AD ("**SPAD"**). Noticees were given Fourteen (14) days' time to submit the reply to the SCNs.

7. Vide email dated October 10, 2022, Noticees requested 15 working days' time to submit response / reply to SCN.

8. Pursuant to my appointment as Adjudicating Officer by the Competent Authority, an opportunity of personal hearing was granted to Noticees on October 27, 2022, vide hearing notices dated October 17, 2022 in the interest of natural justice, Noticees were also provided time till October 25, 2022 to reply to SCN . The said hearing notice was sent to Noticees through SPAD and was duly served upon Noticees.

9. Vide letter dated October 25, 2022, Noticee no. 1 and Noticee no. 1 on behalf of merged entity viz. Noticee no. 2 submitted reply to SCNs. On the scheduled date of hearing, i.e. October 27, 2022, Authorized Representatives("**ARs**") of Noticees, namely Mr. Nitin Shahi, Mr. Sandeep Gujral and Mr Inder J Arya, attended the hearing and reiterated the submission made by Noticees vide letter dated October 25, 2022. Vide email dated October 28, 2022, Noticees forwarded a letter dated October 19, 2021, submitting their additional documents including Final Order of Merger ("**NCLT Order**") between Findoc Investmart Private Limited & Findoc Commodities Private Limited and they have also stated in the email that, "*NSE has also opened the proceedings on findings of this SEBI joint inspection and accordingly, asked for several data/ information/ documents. Further, NSE has also sent an email stating "Matter shall be placed before the Member and Core Settlement Guarantee Fund Committee*

("MCSGFC"). Emails of the NSE are attached for your ready reference. Although, we have already informed the NSE regarding this adjudication proceedings under rule 4 the SEBI (procedure for holding inquiry and imposing penalties) rules 1995 along with required supporting documents and accordingly NSE verbally advised us for intimation of NSE proceedings to your good office also. Additionally, NSE also verbally confirmed that they don't have any communication directly of this adjudication proceedings from SEBI. This is for your information please."

10. The allegations levelled in the SCNs against Noticees, their submissions and findings in respect of the same are dealt with in the subsequent paragraphs of this order.

ISSUES FOR CONSIDERATION AND FINDINGS

11. I have carefully perused the SCN, the documents / material available on record and submissions of the Noticee to inspection report observation. The issues that arise for consideration in the present case are:

    Issue I: Whether the Noticees have violated the provisions mentioned at point no. 4 above?

    Issue II: Whether the Noticees is liable for imposition of monetary penalty under Section 23D of SCRA and Section 15HB of the SEBI Act?

    Issue III: If so, what quantum of monetary penalty should be imposed on the Noticees considering the factors stated in section 23J of SCRA and 15J of SEBI Act, 1992?

Issue – I:-Whether the Noticees has violated the provisions as mentioned in point no. 4 above?

12. Before I begin to note my findings, I note that Noticee no. 1 in its reply has stated that NSE has also initiated proceedings on findings of the SEBI joint inspection, in this regard, I note from material available on record that, there were certain inspection observation which were forwarded to exchange for necessary action. Further, it may be noted that, these two are separate proceedings and initiation of proceedings by

NSE does not take away SEBI's right to initiate a separate proceeding for determining the violations and assessing the quantum of penalty if any, under the provisions of SEBI Act.

13. On perusal of the material available on record, reply of the Noticees and giving regard to the facts and circumstances of the case, I hereby proceed to record my findings, which are as under.

I. **<u>Equity market- Findoc Investmart Private Limited</u>**

A. Misuse of Client Funds:

Allegation:

i. It was observed that, there were several instances of funds of credit balance clients used for Margin obligations of debit balance clients and proprietary trading. The detailed calculations are placed at Annexure D.

ii. As on April 08, 2020, Principal-3 of Enhanced Supervision i.e. Funds of credit balance clients used for Margin obligations of debit balance clients and proprietary trading was violated by Rs.16,78,70,057.

iii. As on July 28, 2021, Principal-2 of Enhanced Supervision i.e. Funds of clients used for Margin obligation of proprietary trading was violated by Rs.17,03,01,363. Details are placed at Annexure E.

iv. It was also observed during verification of availability of client's funds and mis-utilization of client funds as on June 15, 2021, that FIPL has violated the principle "I" of the enhanced supervision i.e. FIPL has funded proprietary margin obligation amounting to Rs.10.43 Crore from clients' assets. Details mentioned in Annexure F.

v. In view of the above, it is alleged that FIPL has failed to put robust risk management system in place to curb non-compliances and FIPL has violated Section 23D of SC(R) Act, 1956 read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR /P/2016/95 dated September 26, 2016.

Reply:

Noticee mentioned the extracts of *SEBI circular reference number - SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and NSE* circular reference no- NSE/INSP/37395 dated April 02, 2018, regarding Enhance Supervision of Stock brokers (trading members) and also stated the following:

Accordingly, we have upgraded our back office system to generate required information/ data on last trading days of the week for further reporting to exchanges within stipulated time. There was also no requirement of reporting on other than last trading days of the week. In other words, we didn't have mechanism to track these three principal on other than last trading day of the week. Therefore, earlier, we tracked three principals on last trading of the week and principals were also complied on each Friday in the month of March 2021 and September 2020. In other words, three principals are complied on reporting day. Reporting days' table-1 is given below for your reference. Complete working is also attached as Annexure - C for your reference.

Table -1

Date	*Principal 1 (G)*	*Principal 2 (I)*	*Principal 3 (J)*	*Status*
4th September, 2020	*82,81,80,615*	*-26,88,44,158*	*-9,20,31,387*	*Complied*
11th September, 2020	*52,77,71,742*	*-15,61,37,647*	*-8,27,76,309*	*Complied*
18th September, 2020	*63,26,68,372*	*-18,51,80,316*	*-8,60,26,450*	*Complied*
25th September, 2020	*40,82,18,498*	*-39,35,14,999*	*-48,62,07,893*	*Complied*
5th March, 2021	*49,12,08,931*	*-47,98,348*	*-4,39,70,786*	*Complied*
12th March, 2021	*47,14,38,596*	*-3,25,50,491*	*-2,67,92,589*	*Complied*
19th March, 2021	*43,39,36,248*	*-4,24,36,611*	*-21,71,39,154*	*Complied*
26th March, 2021	*43,33,64,488*	*-17,01,29,493*	*-34,07,83,102*	*Complied*

During the SEBI Inspection and as per the advice of Inspection officials and from robust regulatory compliance & robust risk management perspective, our management decided in company's board meeting in the month of August 2021 to track all these three principal on daily basis and accordingly, we upgraded our back office software. Considering the size of our business, it was not practical feasible to track three principals manually on daily basis. Hence accordingly back office software was *upgraded and we started to track three principals on daily basis from September 2021 onwards. Copy of Board Resolution of management decision in this regard is attached as Annexure - D. Further after inspection period, we have been tracking three principals and also complying on daily basis. Table 2 for three principals for extended period from September 01, 2021 to September 30,2022 is given as under for your kind perusal. We have average daily surplus of INR 95 crore, INR 84 Crore and INR 72 crore under Principal G, Principal I and Principal J respectively. Complete working is attached as Annexure - E for reference. Hence post inspection, we have successfully implemented robust Compliance and Risk Management system for our organization.*

It is also submitted that we have average more than INR 57.50 Crore G surplus on all days in the month March 2021 and September 2020. It means Credit clients funds was never being used for settlement obligation of Proprietary account and debit clients' balances. Further, none of our clients has never raised any complaint against us for non-payment of fund.

With respect to the point no. (ii), (iii) & (iv) of the observation, it is humbly submitted that during the inspection period, due to non-availability of system for tracking of all three principals on other than last trading of day of the week, there might be instances of Principal 2 and Principal 3 non complied during weekdays (excluding the last day of the week). As mentioned above, reporting was required to be done only for the last trading day of the week during the inspection period. Dates mentioned in the point no. (ii), (iii) & (iv) of the observation were falling on weekdays (excluding the last day of the week). Although, we have surplus G balance on all days and hence, never used funds of credit balance client for settlement obligation of Proprietary account and debit balance clients. As stated above, we established system immediately post inspection to track three principals of enhance supervision on daily basis. Table 2 mentioned below clearly depicts surplus balances of three principals on daily basis.

Hence, we have never misappropriated the funds of the client for purpose other than specified by the exchanges. So far as, use of Credit client funds for margin obligation of proprietary trades and debit clients is concerned, it was mainly happened earlier *because of non-segregation of fund and securities at Clearing Corporation/ clearing member level and non-availability of mechanism in back office software to track three principals but now we have robust system to track required three principals and also complying with regulatory requirement on daily basis.*

Noticee provided Table 2 for the period other than Inspection period depicting *balances of three principals on daily basis.*

Findings:

i. I note that, the positive value of I indicates the extent of funds and securities of clients utilized towards proprietary margin obligations and the positive value of J indicates the extent of clients' funds utilized towards margin obligations of debit balance clients and proprietary margin obligations. In this regard, I note that, in 13 out of 47 dates (sample instances), value of I is positive and J is positive.

ii. I note that, Noticee no. 1 has accepted its deficiency and stated that there was non-availability of system/mechanism in back office software to track these principals on daily basis and now they have upgraded their back office system. This indicates that, Noticee no. 1 has failed to put robust risk management system in place to curb non-compliances during the inspection period.

iii. Further, with respect to positive value of J, I note that Noticee no. 1 has accepted the allegation and *inter-alia* stated that, *it was mainly happened earlier because of non-segregation of fund and securities at Clearing Corporation/ clearing member level and non-availability of mechanism in back office software to track three principals but now we have robust system to track required three principals and also complying with regulatory requirement on daily basis.*

iv. Thus, In view of the above, I conclude that, Noticee no. 1 has violated Section 23D of SC(R) Act, 1956 read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

B. Quarterly/monthly settlement of funds/securities of clients:

Allegation:

i. During the Inspection credit balances of clients were taken from Trial Balance during each quarter covered under inspection period. Inspection team analyzed the data and ascertained that in some instances, as detailed at Annexure G, the client's credit balance for two consecutive quarters have remain unchanged and were not settled in compliance with the provisions of running account settlement. The summarized observation (for cases above Rs. 100/-) of the above analysis is as below: -

Table A

Quarter Ended	Quarter Ended	No. of UCCs whose balances have remained same on last dates of successive quarters	Inactive Not Settled			
			Maximum Amount (in Rs.)	Average Amount (in Rs.)	Credit Balance not settled (in Rs.)	No of Instances : 1827 clients (for 5 quarters) Range : Rs. 0.88 Lakh to Rs. 5.46 Lakh Average : Rs. 3.44 Lakh
Mar-20	Jun-20	494	14,879.03	791.41	3,90,955.65	
Jun-20	Sep-20	580	14,879.03	892.43	5,17,609.05	
Sep-20	Dec-20	574	10,000.00	952.82	5,46,916.54	
Dec-20	Mar-21	46	33,491.75	1,925.79	88,586.29	
Mar-21	Jun-21	133	33,491.75	1,335.79	1,77,660.54	

ii. In view of the above, it is alleged that FIPL has violated Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 12 of Annexure of SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992

Reply:

As per the circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, para number 5.6 "it was amended that its mandatory to settle all the account without retaining the amount towards administrative / operational difficulties in settling the accounts of regular trading clients (active clients)" & same was effective from August 01, 2021. Copy of the circular attached as Annexure - F for your reference.

Further as per NSE Circular Circular NSE/INSP/24849 dated October 29, 2013, and NSE/INSP/36889, dated February 02, 2018:

"Members may retain an amount of up to Rs 10,000/- (net amount across segment and across stock exchanges) after taking a one-time written consent of the client." Aforementioned NSE circulars are attached as Annexure-G and Annexure-H respectively.

Therefore, as per the regulations and exchange norms, during the inspection period (April 01,2020 to July 31,2021), there was no requirement of the settlement of the running accounts where the balances are less than INR 10000/-. Further, it is submitted that out of total 1827 instances mentioned by your office, unique client for all the quarters were 853 and only 3 clients had balances more than INR 10000/-. All efforts were taken to settle these clients also but could not settle amid reasons mentioned in below Table -3.

Table -3

Client Code	*Period where client not settled*	*Amount*	*Remarks*

08AC004	*Qtr-1, Qtr-2 (FY 20-21)*	*14,879.03*	*Tried to settle the amount but due to wrong IFSC code, fund could not be transferred. After the continuous follow-up and with updated IFSC code eventually, we have settled the amount on February 18, 2021.*
07BL025	*Qtr-2, Qtr-4 (FY 20-21); Qtr -1 (FY 21-22)*	*33,491.75*	*In this case, ledger clearly shows that we had attempted multiple times to settle the account, but the client had closed the bank account and on rigorous follow up and with updated bank detail, this client was eventually settled.*
01SGR002	*Qtr -1 (FY 21-22)*	*32,307.80*	*Tried multiple times to settle the client on time, but client bank account was closed as per the narration. Subsequently, with updated information, this account was settled on Jan 12, 2022, against the pay-out of the client*

Ledgers of all above mentioned non settled clients are annexed as Annexure - I for your ready reference. In light of above mentioned statement, it is submitted that we settled all clients on time as per the Exchanges/ SEBI norms within stipulated time during the inspection period. We could have explained the reason of few unsettled accounts due to unavoidable external factors like IFSC code related issue, closed bank account etc. during inspection period but could not get opportunity for explanation.
So far as, closed bank accounts, IFSC related issues etc. of clients are concerned, obviously, these are external unavoidable factors while settling the clients' accounts and hence, cannot rule out. Now, we are keeping the unsettled balances of clients after settlement process if any in separate bank account as per latest exchange norms. Needless to mention that, we disburse payouts regularly to all the clients whenever they raise request in addition to mandatory settlement requirement without any delay and further, none of our clients has neither raised any query on delay/ non receipt of payment till date to any of exchanges. Subsequently also after multiple attempts for settling the Inactive client's account, whatever amount which are unsettled for inactive accounts due to operational issues at bank level like Closed bank account, IFSC related matter etc., park in "separate client bank- unsettled account" as per latest exchange norms.

Additionally, we would like to submit that we have settled all the clients on October 07, 2022 (First Friday after the quarter) as per the SEBI & Exchange guidelines. Settlement details of October 7, 2022 is given as under in Table-4 for your reference only: -

No of Clients Settled	*Aggregate value of settlement done for all clients*	*Name of the bank from where payment is done*	*Bank Account Number*	*Value of amount paid from bank*
693	*INR 46,57,32,965*	*HDFC BANK LTD*	*06340340002707*	*INR 46,50,77,314.1*

Note: - Unsettled amount amid closed bank accounts, IFSC related issue etc. of clients is parked in separate client bank unsettled account as per Exchange norms.

Findings:

i. I note that the SEBI circular dated December 3, 2009 mandates settlement of funds within twenty-four hours of the payout and empowers the client to authorize the stock broker to actually settle the funds at least once in a calendar quarter or month, as preferred by the client. I note that, Noticee no. 1 has not settled accounts of inactive clients across 5 quarters and total amount of non-settlement is Rs. 17.21 Lakh and average amount across 5 quarters is Rs. 3.44 Lakh.in this regard, Noticee no. 1 has *inter-alia* stated that, *as per the regulations and exchange norms, during the inspection period (April 01,2020 to July 31,2021), there was no requirement of the settlement of the running accounts where the balances are less than INR 10000/-.* As, submitted by Noticee no. 1 that it doesn't have knowledge as holding of client below Rs. 10,000/- also to be settled is not acceptable. Further, I note that as per NSE Circular NSE/INSP/24849 dated October 29, 2013, Members may retain an amount of up to Rs 10,000/-(net amount across segment and across stock exchanges) after taking a one-time written consent of the client. As per submission by Noticee no. 1, I note that, Noticee no. 1 has failed to provide the proof of Consent given by clients to retain the amount in their accounts and has admitted the non-settlement of inactive credit clients having holding below Rs. 10,000/- . I also note that, Noticee no. 1 has taken corrective action post receipt of SCN on October 07, 2022 as it has stated that, it has settled all the clients except balances in accounts, whose bank accounts are closed or have IFSC related issues etc. for which amount is parked in separate client bank - unsettled account as per Exchange norms. However, Noticee no. 1 had not provided any supporting documents. Further, upon perusal of HDFC bank account submitted by Noticee, I do not find entry of credit made to many clients mentioned in the inspection findings. Also, Noticee failed to show any efforts taken by Noticee to trace the clients.

ii. I note that, clause 8.1 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 specifies responsibility of stock brokers to settle accounts of their clients monthly or quarterly, as opted by the clients, and through electronic mode. Clause 12 of SEBI Circular No.: MIRSD/ SE /Cir-19/2009 dated December 03, 2009 requires stock brokers to retain requisite securities/ funds towards outstanding obligations of clients on settlement date and towards margin obligations for next 5 trading days. The stock broker is also required to send a 'statement of accounts', which shall also explain the retention of funds/ securities and details of pledge, if any.

iii. it is pertinent to mention that Hon'ble SAT in the matter of *Indira Securities Pvt Ltd vs SEBI*, *Appeal no 50 of 2014, decided on June 23, 2014*, had observed that ....."*The concept of monthly or quarterly running settlement of clients' accounts by the brokers is incorporated in the said circular dated December 3,2009,with a view to instil greater transparency and discipline in the dealings between the clients and the broker. The circular was issued by SEBI after detailed consultation with various quarters including Investors Association, Secondary Market Advisory Committee (SMAC), Market Participants and major stock exchanges. Therefore, the circular dated December 3,2009, issued by SEBI is not a directive only but a mandatory one"*

iv. Therefore, I am of the view that that the Noticee has failed to settle the funds of its clients in accordance with the 2009 circular read with the 2016 circular which require the Noticee to settle the funds of its clients within the specified period and therefore, the contentions of the Noticee, in this regard, is liable to be rejected.

v. Thus, in view of the above and in absence of valid reasons for not complying with mandatory statutory requirement cast through the above mentioned circulars and regulation, I hold that Noticee no. 1 has violated Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 12 of Annexure of SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

C. Segregation of clients' funds (SEBI & NSE Observation):

Allegation:

SEBI:

i. It was observed upon verification of Own Bank books of FIPL that, funds have been received from one client (UCC: FD166, Name: FINDOC FINVEST PRIVATE LIMITED) amounting to Rs. 2,00,00,000/- on July 06, 2021 in Own Bank a/c no. 6340340002854.

NSE:

ii. On verification of own bank books of FIPL, it was observed by NSE that, funds have been received/ paid from/to its various group/ related company during the inspection period. Trading Member has also charged interest at the end of financial year.

iii. The summary of receipt & payment of funds along with closing balance as on 31-Jul-2021 are mentioned below:

Table B (Amount in Rs. Crore)

Party Code	Opening Balance as on 01-	Total Payment during inspection period	Total Receipt during inspection period	Net Payment/ Receipt during the inspection period	Interest charged as per Ledger during the Inspection period	Balance as on 31-Jul-2021

	Apr-2020					
FFPLG	-0.26	494.42	389.33	105.09	1.15	105.35 Dr
FCAP	0.00	2.01	0.0012	2.01	0.015	2.01 Dr
FSONS	0.00	6.43	1.01	5.42	0.024	5.42 Dr
Go Green	0.00	8.77	0.0029	8.77	0.039	8.77 Dr
HIPL	0.00	20.00	0.0006	20.00	0.009	20.00 Dr
LAPL	0.00	5.00	0.00	5.00	-	5.00 Dr
Venture Den	0.00	6.51	3.60	2.91	0.018	2.91 Dr

iv. In view of the above it is alleged that, FIPL is engaged as a principal in a business other than that of securities involving personal financial liability and FIPL has failed to segregate own funds from clients' funds.

v. In view of the above, it is alleged that FIPL has violated Section 23D of SC(R) Act, 1956 read with Clause 1 of Annexure of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 2.4.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

vi. It is observed that, lending funds to others and charging interest is clearly not defined under broking business, however during the period of inspection FIPL's earning by way of interest is Rs. 1.255 Crore.

vii. As FIPL engaged in business other than that of securities or commodity derivatives, it is alleged that, FIPL has violated Rule 8 (3) (f) of the SCRR, 1957 read with circular SMD/POLICY/CIR-6 dated May 7, 1997 and Section 12 of the SEBI Act, 1992.

Reply:

With regards to the point (i) of the observation, we were in receipt of INR 2,00,00,000/- from "M/s Findoc Finvest Private Limited" and same was received in the capacity of our group company only. This fund was not related to the any kind of margin requirements. Ledger of the "M/s Findoc Finvest Private Limited" is also attached as Annexure - J for your reference which clarifies that we have received funds in the capacity of group company only and hence, did not use any of our client's fund for our *own purposes. Subsequently, we have also closed the client account of the "M/s Findoc Finvest Private Limited" to eliminate the contrary observations.*

In nutshell, neither we used clients fund for the purpose of financing to our group companies nor indulged into financing activities considering the quantum of interest income to overall yearly income from broking business during the inspection period.

During the inspection, it was observed that funds have been received from one client (UCC: FD166, Name: FINDOC FINVEST PRIVATE LIMITED) amounting to Rs. 2,00,00,000/- on July 06, 2021 in Own Bank a/c no. 6340340002854. in this regard, I note that, Noticee no. 1 has *inter-alia* stated that, *we were in receipt of INR 2,00,00,000/- from "M/s Findoc Finvest Private Limited" and same was received in the capacity of our group company only. This fund was not related to the any kind of margin requirements. Ledger of the "M/s Findoc Finvest Private Limited" is also attached as Annexure - J for your reference which clarifies that we have received funds in the capacity of group company only and hence, did not use any of our client's fund for our own purposes. Subsequently, we have also closed the client account of the "M/s Findoc Finvest Private Limited" to eliminate the contrary observations*

Findings:

i. I have perused the ledger of Findoc Finvest Private Limited, which is the ledger of client code FD166 FINDOC FINVEST as submitted by Noticee no. 1 and I find that, the code for the said transaction is "NSE_CASH-hdfc2854" and also mentions the client code. Since Noticee no. 1 has received funds from client in its own bank account and failed to segregate own funds from clients' funds. Thus, in light of the same, I am unable to accept the reply of Noticee no. 1 that the funds were received in the capacity of group company only and conclude that Noticee no. 1 has violated Section 23D of SC(R) Act, 1956 read with Clause 1 of Annexure of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 2.4.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

ii. I note that SCN has also alleged the violation of Rule 8 (3) (f) of the SCRR, 1957 read with circular SMD/POLICY/CIR-6 dated May 7, 1997 and Section 12 of the SEBI Act, 1992 for the allegation of engaging as a principal in a business other than that of securities involving personal financial liability.in this regard, it may be noted that, the said observation of inspection has been forwarded by SEBI to NSE for necessary action and the said observation was inadvertently mentioned in the SCN. Thus, the observation is not adjudicated upon in the instant proceedings.

D. Segregation of Client's Securities: (BSE observation)

Allegation:

i. It is observed by BSE, during verification of register of securities for the inspection period, that FIPL has met security pay-in obligation of PRO/OWN from other client securities. FIPL has sold 2,27,000 shares of Steel Authority of India Ltd. (SAIL) on 07-04-2020 in OWN account and as per register of securities OWN account has 11,500 shares. Therefore, it is alleged that, FIPL has met pay in obligation of 2,15,500 shares from other client's (Ritesh Properties and Industries Ltd (UCC-FD145)) securities amounting to Rs. 51.82 Lacs.

ii. In view of the above, it is alleged that, FIPL has used clients' securities to meet pay-in obligation of PRO account. It is also observed that, Ritesh Prop and industries Limited (RPIL) is a subsidiary of FINDOC group, however, there is no regulatory relaxation of any rules/regulation etc. for subsidiary who is also client of FIPL. Hence, it is alleged that, FIPL has violated Section 23D of SC(R) Act, 1956 read with SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019.

Reply:

It is submitted that "M/s Ritesh Properties and industries Limited (FD145)" is step down subsidiary of "M/s Findoc Investmart Private Limited". In given matter, the dealer inadvertently sold the share in Pro account instead of Client Code FD145 since the

instructions were received from promoter only and hundreds of trades are done on daily basis with promoters' instructions and the holding was in "M/s Ritesh Properties and industries Limited's account" and the same was closed internally at market price and hence, no mis-utilization of client's securities were done. The ERROR account could have been used for rectification if the error happened in client account only but that was happened in PRO account and rectified by closing internally by treating both the parties at par and fairly. The case was rectified in next settlement by selling shares from client account and buying in Prop account. Attaching herewith the screenshot of the NSDL DPM as Annexure - L for your reference.
Further, it is also submitted that this one-time instance occurred inadvertently and now, we already developed system so that such incident won't occur in future. Hence, we did not indulge in any mis-utilization of clients' securities.

Findings:
I note from the reply of Noticee no. 1, that, it has admitted its deficiency and stated that, the dealer wrongly sold the shares and that it was one time instance and subsequently it has developed system and ensured subsequent compliance that such incident won't occur in future. Therefore, the Noticee no. 1 has used clients' securities to meet pay-in obligation of PRO account. Further, I also note that, there is no regulatory relaxation of any rules/regulation etc. to meet security pay-in obligation of PRO/OWN from client securities who is subsidiary of broker. Thus, the violation of Section 23D of SC(R) Act, 1956 read with SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 by Noticee no. 1 stands established.

E. Mismatch in Securities Holding: (BSE, NSE observation)

Allegation:

NSE:

i. It is observed by NSE that, in 18 instances, securities worth Rs. 47.48 Lacs pertaining to 16 clients reported but not available in back office as on 31-Dec-2020.

ii. Further, it was also observed by NSE, upon reconciling reporting of daily holding of securities with actual securities available in DP statements as on 31-Jul-2021, that FIPL has not reported/ short reported securities available in own beneficiary account in 34 scrips amounting to Rs. 43.79 Crores. Details placed as Annexure H.

BSE:

iii. It is also observed by BSE that, FIPL has wrongly reported demat account wise holding on Exchange portal with actual holding in demat account on 7 different dates. Details mentioned as per Annexure I.

In view of the above, it is alleged that that FIPL has failed to act with due skill, care and diligence during dealing with securities and hence it is alleged that, FIPL has violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/ 2016 /95 dated September 26, 2016 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

Reply:

For point (i) of this observation (NSE), It is submitted that we have correctly reported all securities in the weekly file for the same date. However, due to change in Backoffice software, we were working parallelly with both the software Tech-Excel (New) and Shilpi (Old) at that time. Excess reporting of the securities amounting to Rs. 47.48 Lacs were done by us in monthly file amid duplication of scrip master only. In other words, few securities were considered by system two times. Due to error in new software, multiple codes of same scrip were being created. Although, all these securities were correctly reported in weekly files and this mismatch was only in monthly reporting for the same date. This was one-time error occurred at the time of creation of new scrip masters in the new software from which the monthly reporting was being done for Dec 31, 2020. Screenshot of the same attached as Annexure - M. We could have explained *during the onsite visit inspection officials if we were asked for these mismatches. Refer Table 5 is given below with scrip wise remarks.*

Table -5

Unique Client Code	*ISIN*	*Name of the Securities*	*Quantity Reported by Member as on 31 Dec 2020*	*As per Back Office holding as on 31 Dec 2020*	*Diff*	*Rate as on 31 Dec 2020*	*Value of Securities Diff*	*Remarks*
FD252	*INE208A01029*	*ASHOK LEYLAND LTD*	*45,000*	*-*	*45,000*	*95*	*42,95,250*	*Difference due to creation of duplicate scrip masters.*
BENTMCOLL	*INE498L01015*	*L&T FINANCE HOLDINGS LTD*	*2,000*	*-*	*2,000*	*94*	*1,87,400*	*Difference due to creation of duplicate scrip masters.*
BENTMCOLL	*INE001A01036*	*HDFC LTD*	*45*	*-*	*45*	*2,559*	*1,15,139*	*Difference due to creatio*

								n of duplica te scrip master s.
07AD011	*INE208A0 1029*	*ASHOK LEYLAND*	*700*	*-*	*700*	*95*	*66,815*	*Differe nce due to creatio n of duplica te scrip master s.*
07AD013	*INE208A0 1029*	*ASHOK LEYLAND*	*350*	*-*	*350*	*95*	*33,408*	*Differe nce due to creatio n of duplica te scrip master s.*
07AD012	*INE208A0 1029*	*ASHOK LEYLAND*	*300*	*-*	*300*	*95*	*28,635*	*Differe nce due to creatio n of duplica te scrip master s.*

09VA005	*INE452S01025*	*Suncare Traders Limited*	*14,000*	*-*	*14,000*	*1*	*14,000*	*Difference due to creation of duplicate scrip masters.*
BENTMCOLL	*INE169A01031*	*COROMANDEL INTERNTL. LTD*	*5*	*-*	*5*	*815*	*4,073*	*Difference due to creation of duplicate scrip masters.*
07GL002	*INE208A01029*	*ASHOK LEYLAND*	*25*	*-*	*25*	*95*	*2,386*	*Difference due to creation of duplicate scrip masters.*
01EU011	*INF732E01037*	*NIP IND ETF LIQUID BEES*	*1*	*-*	*1*	*1,000*	*1,000*	*Difference due to creation of duplicate scrip*

								masters.
FD638	*INF732E01037*	*NIP IND ETF LIQUID BEES*	*0.50*	*-*	*0.50*	*1,000*	*495*	*Difference due to creation of duplicate scrip masters.*
FD097	*INF732E01037*	*NIP IND ETF LIQUID BEES*	*0.16*	*-*	*0.16*	*1,000*	*155*	*Difference due to creation of duplicate scrip masters.*
FD025	*INF732E01037*	*NIP IND ETF LIQUID BEES*	*0.08*	*-*	*0.08*	*1,000*	*78*	*Difference due to creation of duplicate scrip masters.*
FD286	*INF732E01037*	*NIP IND ETF LIQUID BEES*	*0.04*	*-*	*0.04*	*1,000*	*35*	*Difference due to creatio*

								n of duplicate scrip masters.
FD144	INF732E01037	NIP IND ETF LIQUID BEES	0.03	-	0.03	1,000	34	Difference due to creation of duplicate scrip masters.
FD583	INF732E01037	NIP IND ETF LIQUID BEES	0.03	-	0.03	1,000	29	Difference due to creation of duplicate scrip masters.
03FD170	INF732E01037	NIP IND ETF LIQUID BEES	0.02	-	0.02	1,000	21	Difference due to creation of duplicate scrip masters.

FD432	*INF732E01037*	*NIP IND ETF LIQUID BEES*	*0.01*	*-*	*0.01*	*1,000*	*13*	*Difference due to creation of duplicate scrip masters.*
A1BA107	*INE294G01026*	*ROML*	*-*	*4*	*(4)*	*48*	*(193)*	*Difference due to creation of duplicate scrip masters.*
04AB004	*INE038F01029*	*TVTODAY*	*-*	*1*	*(1)*	*228*	*(228)*	*Difference due to creation of duplicate scrip masters.*

For point (ii) of the observation (NSE), as per the popular Back-office software systems available in the market like Shilpi, Techexcel and LD etc., there were no option of system generated reports for reporting of securities available in Pro account which were already pledged with Exchange/ Clearing Corporation. No reporting was being done for propriety securities which were already pledged as margin with Exchange/ Clearing Corporation. Although, now Back software systems are already updated to *generate reports including the impact of PRO securities which are already pledged for margin with Exchanges/ Clearing Corporations.*

For pledged holding in DP account number IN30408810000004 (Own beneficiary securities Account), we were under the belief that these securities are being held as margin pledged with Exchange/ Clearing Corporations and hence, the same need not to be separately reported. Now we are including pledged these securities also in the reporting to the Exchanges/ Clearing Corporation. Table 6 for scrip wise bifurcation of Pro account of total value of INR 43,79,86,216/- along with remarks is given as under for your reference.

Table -6

ISIN Code	Scrip Name	Qty reported by Member as on 31 July 2021	Qty as per DP holding statement of Own Account 0004 as on 31 July 2021	Qty of Securities not Reported (PLEDGED HOLDING QUANTITY)	Rate	Value of Securities not reported	Remarks
INF200K01636	SBI Saving Fund	0	41,97,723	(41,97,723)	33	13,82,71,317	OWN Pledged
INF754K01KN4	EBBETF0423	-	94,328	(94,328)	1,141	10,76,44,284	OWN Pledged
INF179KB1HR5	HDFC Money Market Fund	1	23,853	(23,852)	4,476	10,67,68,200	OWN Pledged
INF732E01037	LIQUIDBEES	18	20,018	(20,000)	1,000	2,00,00,000	OWN Pledged

INE599M01 018	*JUSTDIAL*	*-*	*13,920*	*(13,920)*	*964*	*1,34,20,96 8*	*OWN Pledg ed*
INE0AJG01 018	*Hemiprop*	*-*	*60,000*	*(60,000)*	*143*	*85,50,000*	*OWN Pledg ed*
INE775A01 035	*MOTHERS UMI*	*-*	*28,000*	*(28,000)*	*234*	*65,61,800*	*OWN Pledg ed*
INE669E01 016	*IDEA*	*25,652*	*5,25,652*	*(5,00,000)*	*8*	*41,35,000*	*OWN Pledg ed*
INE539A01 019	*GHCL*	*-*	*8,660*	*(8,660)*	*373*	*32,30,613*	*OWN Pledg ed*
INE081A01 012	*TATASTE EL*	*-*	*2,122*	*(2,122)*	*1,43 4*	*30,43,585*	*OWN Pledg ed*
INE883N01 014	*PARAGMI LK*	*-*	*19,000*	*(19,000)*	*139*	*26,32,450*	*OWN Pledg ed*
INE045J01 026	*FCL*	*-*	*25,000*	*(25,000)*	*105*	*26,25,000*	*OWN Pledg ed*
INE939A01 011	*STAR*	*-*	*3,300*	*(3,300)*	*771*	*25,42,650*	*OWN Pledg ed*
INE152B01 027	*GATI*	*-*	*15,000*	*(15,000)*	*164*	*24,59,250*	*OWN Pledg ed*
INE421D01 022	*CCL*	*-*	*5,000*	*(5,000)*	*443*	*22,13,750*	*OWN Pledg ed*

INE366I01010	*VRLLOG*	*-*	*7,000*	*(7,000)*	*304*	*21,29,050*	*OWN Pledged*
INE597I01028	*Sharda Motor*	*500*	*3,500*	*(3,000)*	*629*	*18,86,850*	*OWN Pledged*
INE483S01020	*INFIBEAM*	*-*	*42,500*	*(42,500)*	*44*	*18,74,250*	*OWN Pledged*
INE531E01026	*HINDCOPPER*	*650*	*11,000*	*(10,350)*	*154*	*15,90,795*	*OWN Pledged*
INE528G01035	*YESBANK*	*1,000*	*1,03,500*	*(1,02,500)*	*13*	*13,06,875*	*OWN Pledged*
INE931S01010	*ADANITRANS*	*-*	*1,294*	*(1,294)*	*904*	*11,69,453*	*OWN Pledged*
INE603A01013	*PRAKASH*	*-*	*10,000*	*(10,000)*	*84*	*8,37,000*	*OWN Pledged*
INE324A01024	*JINDALSAW*	*-*	*5,000*	*(5,000)*	*139*	*6,95,500*	*OWN Pledged*
INE594H01019	*THYROCARE*	*-*	*500*	*(500)*	*1,308*	*6,54,225*	*OWN Pledged*
INE160A01022	*PNB*	*2,983*	*18,983*	*(16,000)*	*40*	*6,32,000*	*OWN Pledged*
INE124G01033	*DELTACORP*	*-*	*2,500*	*(2,500)*	*183*	*4,58,375*	*OWN Pledged*

INE681B01017	*INDRAMEDCO*	-	*5,000*	*(5,000)*	*83*	*4,13,500*	*OWN Pledged*
INE001A01036	*HDFC*	-	*50*	*(50)*	*2,441*	*1,22,058*	*OWN Pledged*
INE584A01023	*NMDC*	-	*314*	*(314)*	*181*	*56,897*	*OWN Pledged*
INE0CT101020	*Meghmani Organics*	-	*50,000*	*(50,000)*	*1*	*50,000*	*OWN Pledged*
INE071N01016	*Meghmani Finchem*	-	*4,700*	*(4,700)*	*1*	*4,700*	*OWN Pledged*
INE999B01013	*SANGHIIND*	-	*57*	*(57)*	*66*	*3,762*	*OWN Pledged*
INE860A01027	*HCLTECH*	-	*2*	*(2)*	*1,025*	*2,051*	*OWN Pledged*
INE683A01023	*SOUTHBANK*	-	*1*	*(1)*	*11*	*11*	*OWN Pledged*

For point (iii) of the observation (BSE), It is humbly submitted that we acted with proper due skill, care, diligence during dealing with securities and hence, not violated norms of SEBI/Exchanges and relevant code of conduct of SEBI Regulation during the inspection period. We could have explained mismatches which was occurred due to Corporate Actions, PRO pledge securities, unlisted securities of PRO account, Liquid bees dividend, Direct Pay in, Early pay in etc. during inspection period but could not get opportunity to explain the same during onsite visit of inspection official. Further, Inspection official also did not take the cognizance of holding available in pool account.

All mismatches were being explainable but nobody was asked for the same. We are attaching herewith date wise scrip wise reconciliation along with required remarks as Annexure- N.

Needless to mention that whenever any corporate action is happened in the market then temporary mismatch will occur till final settlement done at depository level. In nutshell, Misappropriation of securities were never happened and none of our client has never pointed any issue pertaining to securities during the inspection period.

Findings:

I note from the reply of Noticee no. 1, that, Noticee no. 1 has not denied the allegation raised in the SCN and it has admitted its deficiency and mentioned that incorrect submissions arose due to change in back office software and lack of understanding. I note that, for the pledged securities, Noticee no. 1 submitted its explanation. However, for mismatch in holding in accounts due to corporate actions, it has not mentioned the details of corporate actions. I note that, it is broker's duty to take utmost care while changing software as it may lead to possibility of misutilization of client's securities. Thus, I conclude that the broker has failed to act with due skill, care and diligence during dealing with securities and thus, violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

F. KYC & account opening process and POA: (BSE observation)

Allegation:

i. It is observed by BSE during verification of all client details that, FIPL has not done CKYC of all active clients on CERSAI portal during inspection period. Details mentioned in Annexure J.

ii. In view of the above, it is alleged that FIPL has violated SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular CIR/MIRSD/66/2016 dated July 21, 2016

Reply:

For the point (i) of the observation, it is submitted that CKYC has been done regularly in time for all the clients and can be verified from the centralized repository of KYC records. As per data submitted by us, all the client's CKYC was being done timely (time of declaration can be verified from downloaded CKYC form), the relevant number generated after processing at CKYC Portal is attached as Annexure - O. Further, Downloaded CKYC for sample clients are also attached as Annexure – P herewith for your kind perusal. This observation could be resolved if we were being asked to explain during inspection & giving opportunity to present supporting documents on the spot. Hence, we are duly complied with all provision of the SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016, and CIR/MIRSD/120/2016 dated July 21, 2016 during the inspection period.

Findings:

I note from the perusal of proof of submission of CKYC on CERSAI portals that, Noticee no. 1 has carried out CKYC of all active clients on CERSAI portal. Since Noticee no. 1 has submitted proof of compliance mentioning the CKYC number of active clients, therefore, I take a lenient view in this regard. Thus, in view of the aforesaid, I note that the alleged violations of the provisions of SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular CIR/MIRSD/66/2016 dated July 21, 2016 by Noticee no. 1 does not stand established.

G. Enhanced Supervision Of Stock Brokers: (NSE observation)

Allegation:

i. During the comparison of the Client wise funds/securities balance reported by FIPL as on December 31, 2020 under enhanced supervision, with the Trial balance, UCC uploaded to Exchange and Register of Securities provided by FIPL, the following irregularities have been observed (Details at Annexure K)
   a. Mismatch in fund values has been observed where FIPL has reported excess funds amounting to Rs. 141.54 Lacs pertaining to 203 clients when compared with Trial Balances as on 31-Dec-2020.
   b. Mismatch in fund values has been observed where FIPL has reported less funds amounting to Rs. 2.35 Lacs pertaining to 3 clients when compared with Trial Balances as on 31-Dec-2020.

ii. In view of the above, it is alleged that, FIPL has violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

Reply:

We have been regularly furnishing information to the Stock exchanges in compliance with the requirements of “Enhanced Supervision of stockbroker" on weekly basis.

For the point (i) a and b of the observation, it is submitted that the mismatches in funds was primarily due to FPI account balances of INR 107.72 lacs which were not reported to exchange, as these FPI accounts were being settled by their respective custodian only. The funds reported were not the excess funds but the amounts receivable from FPIs through custodian towards Exchange charges/ Brokerage earned. Further, remaining mismatches were occurred amid timing difference of posting of JV entry of expenses like DP account opening charges & other charges charged to the clients and timing difference in posting of banking instruments in the system. Client wise transaction wise remarks are annexed as Annexure - Q for your kind perusal.

Therefore, the Clause 6.1.1 (j) of annexure of the SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 was not being violated during the inspection period.

Findings:

iii. With respect to reporting of excess funds, I note that, Noticee no. 1 has admitted the incorrect reporting citing the reasons for only Rs. 107.79 Lacs which pertains to FPI clients. With respect to incorrect reporting of funds for rest of the amount to stock exchange, Noticee No. 1 has not provided substantive evidence with respect to the remarks mentioned in the Annexure 'Q' submitted by it. Thus, in view of the aforesaid, I conclude that by incorrect reporting of funds to stock exchange, Noticee no. 1 has failed to act with due skill, care and diligence during reporting to stock exchange and thus, violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

H. Reporting and short collection of margin(NSE observation)

Allegation:

i. It was observed upon verification of margin reporting to exchange that, FIPL has reported incorrect margin to the Exchange in 8 instances pertaining to 8 clients amounting to Rs. 1.53 Lacs and incorrect peak margin in 7 instances pertaining to 7 clients amounting to Rs. 3.16 Lacs. Details are placed at Annexure L.

ii. In view of the above, it is alleged that, it is FIPL's duty to put proper system in place to avoid any non-compliance and therefore it is alleged that, FIPL has violated SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011

Reply:

The amount of few instances of incorrect reporting (happened due to changes in norms for margin reporting) was very negligible in comparison with our daily margin reporting during the inspection period.

The differences were there due to changes in reporting requirements for which back software required updation from retrospective effects. In few cases, difference was there, because of the software which captured closing balances of previous day for present day peak reporting whereas, after completion of 24 hours the software captured present day balance which is being considered by inspection team. In case of EOD margin, the software is adjusting the benefits of T+2 credits against cash margin and T+1 benefits in case of other margin. We didn't have any intention to do incorrect reporting. Further we have already modified our system to report the correct margins.

Due to unavoidable operational difficulties amid change in regulatory requirement pertaining to margin reporting, there might be a few instances of incorrect reporting. Margin instances along with the detailed explanation is given as under in Table -6 for your reference.

Table – 6

Margin Reporting Instances:

Sr. No.	*Trade Date*	*Client Code*	*Incorrect Margin Amount*	*Remarks*
1	*06-05-2020*	*FPI003*	*22,269.54*	*The Obligation of the FPI Clients pertain to the custodian.*
2	*26-05-2021*	*15FD023*	*25,741*	*On T Day, margin shortfall was there of Rs. 2,335.84/. However, Margin requirement fulfilled on T+1 and T+2 day along with the T day short fall.*
3	*05-05-2021*	*FD571*	*42,783*	*Incorrect Reporting*

4	*05-05-2021*	*07CR050*	*24,561*	*On T Day, margin shortfall was there. However, Margin requirement fulfilled on T+1 and T+2 day along with the T Day short fall*
5	*05-05-2021*	*07EM025*	*14,251*	*Incorrect Reporting*
6	*10-05-2021*	*FD427*	*11,753*	*On T Day, margin shortfall was there. However, Margin requirement fulfilled on T+1 and T+2 day along with the T Day short fall*
7	*11-06-2021*	*11AE012*	*6,321*	*On T Day, margin shortfall was there. However, Margin requirement fulfilled on T+1 and T+2 day along with the T Day short fall*
8	*25-05-2021*	*FD027*	*6,196*	*On T Day, margin shortfall was there. However, Margin requirement fulfilled on T+1 by Early Pay In*

Peak Margin Reporting Instances

Peak Margin reporting was recently introduced w.e.f. December 01, 2020. Since there was no clarity on calculations and reporting in early stage whether reporting will be done on intraday basis or End of the day basis. We had done our reporting on snapshots captured during the intraday. However, inspection team has calculated the peak margin on end of the day basis. Table 7 for peak margin instances along with remarks are given as under

Table -7

Sr. No.	*Trade Date*	*Client Code*	*Incorrect Peak*	*Remarks*
1	*12-05-2021*	*FD682*	*2,01,677*	*Difference in margin reporting due to timing difference in cheque entry*

2	*06-05-2021*	*07HD014*	*13,967*	*Incorrect Reporting*
3	*05-05-2021*	*07CR050*	*6,968*	*In this case, Early Pay In already done by us against shares sold by the client*
4	*07-05-2021*	*01AT351*	*5,373*	*Incorrect Reporting*
5	*11-06-2021*	*11AE012*	*79,111*	*Incorrect Reporting*
6	*02-06-2021*	*FD325*	*9,214*	*In this case, Early Pay In already done by us against shares sold by the client*
7	*07-05-2021*	*17BE001*	*217*	*In this case, Early Pay In already done by us against shares sold by the client*

Overall incorrect reporting of margin on few instances were occurred of small amount only considering the overall business size and our quantum of total margin reporting. Few Instances of incorrect reporting were happened amid implementation of new changes and corresponding required changes in the system pertaining to margin requirement. Now, we have robust Risk management system in place to monitor margin requirements of clients on real time basis in order avoid any non- compliance pertaining to margin reporting requirement.

Findings:

I note that, in order to verify any wrong reporting of Margin collection to stock exchange, the actual available margin reported by the stock broker to the Exchange is verified with the margin provided by the Client to the stock broker. Client has provided margins in the form of Funds, Securities, Bank Guarantees and Fixed Deposits. Further, the margins provided by clients are checked with Daily Margin Statement sent by stock broker to the client daily for the sample clients. It was observed that Noticee no. 1 has done incorrect margin reporting to the Exchange in 8 instances pertaining to 8 clients amounting to Rs. 1.53 Lacs and incorrect peak margin reporting in 7 instances pertaining to 7 clients amounting to Rs. 3.16 Lacs. From the perusal of reply of Noticee no. 1 with respect to the aforesaid inspection observation, I note that Noticee no. 1 has not denied the incorrect reporting of margin to stock exchange and has admitted that due to non-updation of back office software and incorrect calculation and reporting , the instances of incorrect reporting has occurred. The contentions of Noticee no. 1 in its reply is not acceptable as its broker's duty to put proper system and checks in place in order to avoid any non-compliances even if the instance or amount is miniscule. Therefore, I find that by incorrectly reporting the margins to the exchange, the Noticee no. 1 has failed to adhere to the provisions of SEBI circular no. CIR/DNPD/ 7/2011 dated August 10, 2011.

I. Client Funding: (BSE observation)

Allegation:

i. It is observed during verification of client's funds & securities that, FIPL has given further exposure of Rs. 1.14 crores to 6 clients on 131 instances in spite of debit in client ledger. Details mentioned in Annexure M.

ii. FIPL has admitted its deficiency and additionally FIPL submitted that position of client is not squared off at loss to avoid dispute with clients. In view of the same, it is alleged that FIPL is not following regulatory guidelines diligently and has violated Clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017.

Reply:

It is submitted that exposures were given to six clients in spite of their running debit balance. Although, quantum of exposure is very negligible considering the overall business size and our day trading activities. The Instances of client funding are less than 0.20% of the total creditors (Clients) of our company as of March 31, 2021 (refer table-8), which were stood at Rs. 108.53 Cr. Further, sufficient collaterals were available for these clients against debit balance. The instances where the debit balances reported, were drastically reduced. Further we are now not allowing exposure if there is debit balance beyond T+5 days.

Below the comparison of sample dates from the day wise instance of funding observed by you:

Table -8

Date	*Sum of Total Funding*	*Percentage (%) To Total Creditors (Clients as on 31 March 2021)*
21-01-2021	*18,14,129.84*	*0.1672%*
29-04-2021	*16,70,726.64*	*0.1539%*
28-05-2021	*16,48,367.00*	*0.1519%*
22-04-2021	*15,91,285.05*	*0.1466%*
20-04-2021	*15,61,289.41*	*0.1439%*
27-04-2021	*15,04,007.70*	*0.1386%*
28-04-2021	*14,57,221.03*	*0.1343%*
07-04-2021	*14,36,979.18*	*0.1324%*
12-04-2021	*14,07,387.91*	*0.1297%*
05-04-2021	*14,06,543.31*	*0.1296%*

On many observed instances, we could have explained required clarification/ explanation with supporting documents at time of inspection but could not get opportunity for the same. We further humbly submit that; if any of our reply is not satisfactory, we request your good self to grant us an opportunity to explain the same in person at your good office. We shall be glad to furnish any further clarification; explanation as may be called for.

Findings:

I note from Noticee no. 1's reply that, it has admitted the allegation and also stated that *quantum of exposure is very negligible considering the overall business size and our day trading activities. The Instances of client funding are less than 0.20% of the total creditors (Clients) of our company as of March 31, 2021 (refer table-8), which were stood at Rs. 108.53 Cr.* Further, Noticee no. 1 has not provided any substantive proof with respect to collaterals available with respect to these clients. Thus, there is no iota of doubt that Noticee no. 1 has given exposure of Rs. 1.14 crores to 6 clients on 131 instances in spite of non-recovery of debit balances after 5 days (from the 6th working day) from pay in date of securities i.e T+2+5 during inspection period. I also note that, subsequent to inspection, Noticee no. 1 has stated that it is not allowing exposure if there is debit balance beyond T+5 days. Clause 2.6 of the annexure to the SEBI circular dated September 26, 2016, *inter-alia*, requires the Noticee no. 1 to not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount. Since the Noticee no. 1 has provided exposure to its clients beyond the specified period, I find that, the Noticee no. 1 is not following regulatory guidelines diligently and has violated Clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017. The relevant parts of the said circulars are given below:

Clause 2.6 of Annexure of SEBI Circular SEBI/HO/ MIRSD/MIRSD2/ CIR/P/2016 /95 dated September 26, 2016

"Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in."

Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017

"Clause 2.6 stands modified as, "Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in, except, in accordance with the margin trading facility provided vide SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017 or as may be issued from time to time." This clause would be effective from August 1, 2017."

II. <u>Commodity Broker - Findoc Commodities Private Limited</u>

A. Misuse of Client Funds (SEBI Observations):

Allegation:

i. The following values were observed upon the calculation of the value of G, I and J for all the dates in the month of September 2020 and March 2021:

Table A

G Value	I Value	J Value
No of Instances : 27 / 43(sample instances) Range : Rs. 1.87 Crore to Rs. 55.91 Crore Average : Rs. 28.92 Crore [findings in Annexure-D]	No of Instances : 21 / 45 (sample instances) Range : Rs. 1.02 Crore to Rs. 32.2 Crore Average : Rs. 9.66 Crore [findings in Annexure-E combined]	No of Instances : 25 / 45 (sample instances) Range : Rs. 98.12 Lakh to Rs. 23.28 Crore Average : Rs. 9.7 Crore [findings in Annexure- F]

ii. It is observed that, upon calculation of value of G, the value of G is negative on 18 dates in September 2020 and 09 dates in March 2021. Further, it is noted that the value of I is positive on 12 dates in September 2020 and 8 dates in March 2021 and that the value of J is positive on 13 dates in September 2020 and 11 dates in March 2021.The negative value of G indicates utilization of clients' funds for other purposes i.e. funds of credit balance clients are being utilized either for settlement obligations of debit balance clients or for the stock brokers' own purposes. The amount of misutilization ranges from Rs. 1.87 cr. to Rs. 55.91 cr. The positive value of I indicates the extent of funds and securities of clients utilized towards proprietary margin obligations. The amount ranges from Rs. 1.02 cr. to Rs. 32.20 cr. The positive value of J indicates the extent of clients' funds utilized towards margin obligations of debit balance clients and proprietary margin obligations. The amount ranges from Rs. 98.12 lacs to Rs. 18.25 cr. (corrected Rs. 23.28 Crore). The detailed calculations are placed at Annexure G.

iii. In view of the above, it is alleged that, FCPL has violated Section 23D of SC(R) Act, 1956 read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

Reply:

Noticee mentioned the extracts of *SEBI circular reference number - SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and NSE* circular reference no- NSE/INSP/37395 dated April 02, 2018, regarding Enhance Supervision of Stock brokers (trading members) and also stated the following:

Accordingly, we have upgraded our back office system to generate required information/ data on last trading days of the week for further reporting to exchanges within stipulated time. There was also no requirement of reporting on other than last trading days of the week. In other words, we didn't have mechanism to track these three principals on other than last trading day of the week. Therefore, earlier, we tracked three principals on last trading of the week and principals were also complied on each Friday in the month of March 2021 and September 2020. In other words, three principals are complied on reporting day. Reporting days' table-1 is given below for your reference. Complete working is also attached as Annexure-C for your reference.

Table-1

Date	*Principle G*	*Principle I*	*Principle J*	*Remarks*
4th September, 2020	*31,63,88,904*	*-6,70,56,924*	*-7,90,90,628*	*Complied*
11th September, 2020	*9,03,72,230*	*-4,10,80,423*	*-11,67,76,955*	*Complied*
18th September, 2020	*12,79,47,116*	*-11,66,78,942*	*-12,81,04,725*	*Complied*
25th September, 2020	*2,23,16,208*	*-8,76,11,638*	*-13,51,42,916*	*Complied*
5th March, 2021	*14,50,53,305*	*-4,42,18,085*	*-82,74,889*	*Complied*
12th March, 2021	*12,27,45,518*	*-4,04,38,513*	*-53,08,295*	*Complied*
19th March, 2021	*17,26,447*	*-66,37,493*	*-61,49,730*	*Complied*
26th March, 2021	*9,28,51,524*	*-16,24,50,411*	*-16,06,98,271*	*Complied*

It is further submitted that we merged our commodities derivative business of M/s Findoc Commodities Private limited with effect from August 01, 2021 onwards into our another group company named "M/s Findoc Invesmart private limited" already having membership of National Stock Exchange (NSE) and Bombay Stock Exchange (NSE) for Equity/ Currency/ Future & option business. It is also informed that we were dealing *with ICICI bank for clearing activities of Equity derivatives and Currency segment in "M/s Findoc Investmart Private Limited" and with Globe Commodities also for clearing activities of Commodities derivatives in "M/s Findoc Commodities Private Limited". And subsequently, we shifted our clearing activities with ICICI bank in "M/s Findoc Investmart Private Limited" to Self-clearing.*

It is also informed that we have clients registered with us who were also the clients of our group entity named "M/s Findoc Investmart Pvt. Ltd. (FIPL)". Total clients registered with us were 2586, out of which 1800 clients were registered with our group entity FIPL. We were giving the exposure to our clients for equities and commodities segment considering the Commodity segment entity and Equity segment entity as a single entity. But after merging August 01,2022, this Issue was resolved. Amid multiple entities involved for clearing and trading of Commodities Derivatives and Equity/ Currency/ future & option on the behalf of our clients, it was not feasible to keep on track entity wise segregation for all three principals on daily basis without automatic back office system support. But still, we were complying with all three principals as mentioned above on last trading day of the week as per required SEBI and Exchanges norms. Further, it is also evident from the table -2 mentioned below for G principal on combined basis for both group entities (Commodity Segment + Equity segment) which clearly depicts that credit clients' funds were never mutualized for settlement obligation of debit Clients and for own settlement obligation. Further, none of our clients has never raised any complaint against us for non-payment of fund. Average surplus of G was more than INR 43 Crore on combined basis during the month of March 2021 and September 2020. Detailed working of Table 2 is also attached as Annexure - D for your reference.

Table -2

Date	*FIPL – G*	*FCPL - G*	*Combined G*	*Remarks*
01-09-2020	*1,04,21,16,361*	*-46,79,35,441*	*57,41,80,920*	*Complied*
02-09-2020	*97,24,76,969*	*-50,89,26,066*	*46,35,50,903*	*Complied*
07-09-2020	*75,48,52,919*	*-35,47,02,598*	*40,01,50,321*	*Complied*

09-09-2020	*81,11,73,372*	*-43,90,79,019*	*37,20,94,352*	*Complied*
11-09-2020	*52,77,71,742*	*9,03,72,230*	*61,81,43,972*	*Complied*
18-09-2020	*63,26,68,372*	*12,79,47,116*	*76,06,15,488*	*Complied*
23-09-2020	*62,68,03,374*	*-51,84,16,242*	*10,83,87,132*	*Complied*
30-09-2020	*37,48,87,682*	*-2,77,22,510*	*34,71,65,172*	*Complied*
01-Mar-21	*53,86,53,502*	*15,92,20,772*	*69,78,74,275*	*Complied*
09-Mar-21	*56,73,39,956*	*-1,87,20,591*	*54,86,19,366*	*Complied*
10-Mar-21	*46,58,88,306*	*1,04,79,698*	*47,63,68,005*	*Complied*
17-Mar-21	*51,86,44,186*	*-17,66,07,670*	*34,20,36,516*	*Complied*
25-Mar-21	*46,06,88,687*	*-1,89,16,387*	*44,17,72,299*	*Complied*
26-Mar-21	*43,33,64,488*	*9,28,51,524*	*52,62,16,012*	*Complied*
31-Mar-21	*51,13,25,727*	*3,67,88,841*	*54,81,14,568*	*Complied*

It is also informed that during the SEBI Inspection and as per the advice of Inspection officials and from robust regulatory compliance & robust risk management perspective, our management decided in company's board meeting in the month of August 2021 to track all these three principal on daily basis and accordingly, we upgraded our back office software. Considering the size of our business, it was not practical feasible to track three principals manually on daily basis. Hence accordingly back office software was upgraded and we started to track three principals on daily basis from September 2021 onwards. Copy of Board Resolution of management decision in this regard is attached as Annexure - E. Further after inspection period, we have been tracking three principal and also complying on daily basis. Table- 3 for three principals for extended period from September 01, 2021 to September 30,2022 is given as under for your kind perusal. We have average daily surplus of INR 95 crore, INR 84 Crore and INR 73 crore under Principal G, Principal I and Principal J respectively. Complete working is attached as Annexure - F for reference. Hence post inspection as a merged entity, we have successfully implemented robust Compliance and Risk Management system for our organization.

With respect to the point no. (i) & (ii) of the observation, it is also additionally humbly submitted that during the inspection period, due to non-availability of system for tracking of all three principals on other than last trading of day of the week, there might *be instances of Principal 2 and Principal 3 non complied during weekdays (excluding the last day of the week). As mentioned above, reporting was required to be done only for the last trading day of the week during the inspection period. Dates mentioned in the point no. (i) & (ii) of the observation were falling on weekdays (excluding the last day of the week). Although, we have surplus G balance on all days considering the both entities of Commodity segment and Equity segment as a single entity and hence, never used funds of credit balance client for settlement obligation of Proprietary account and debit balance clients. As stated above, we established system immediately post inspection to track three principals of enhance supervision on daily basis. Table 3 mentioned below clearly depicts surplus balances of three principals on daily basis.*

Hence, we have never misappropriated the funds of the client for purpose other than specified by the exchanges. So far as, use of Credit client funds for margin obligation of proprietary trades and debit clients is concerned, it was mainly happened earlier because of non-segregation of fund and securities at Clearing Corporation/ clearing member level and non-availability of mechanism in back office software to track three principals but now we have robust system to track required three principals and also complying with regulatory requirement on daily basis.

Noticee provided Table 3 for the period other than Inspection period viz. 01/09/2021 to 30/09/2022 depicting *balances of three principals on daily basis.*

Findings:

i. As per Clause 3 of Enhanced Supervision Circular, if net funds available with broker is negative, then the total fund is less than the ledger credit balance of clients. The value of net funds available with broker may indicate utilization of clients' funds for other purposes i.e., funds of credit balance clients are being utilized either for settlement obligations of debit balance clients or for the stock broker's own purpose. In the instant case, negative value of net funds available with broker is less than the obligations of debit balance clients which clearly shows that funds of credit balance clients have been utilized for settlement obligations of debit balance clients, which violates the provisions of the Clause 3 of Enhanced Supervision Circular.

ii. I note that, upon the calculation of the value of G, I and J for all the dates in the month of September 2020 and March 2021, it is noted that the value of G is negative on 18 dates in September 2020 and 09 dates in March 2021. Further, it is noted that the value of I is positive on 12 dates in September 2020 and 8 dates in March 2021 and that the value of J is positive on 13 dates in September 2020 and 11 dates in March 2021.

iii. I note that, the negative value of G indicates utilization of clients' funds for other purposes i.e. funds of credit balance clients are being utilized either for settlement obligations of debit balance clients or for the stock brokers' own purposes. The amount of misutilization ranges from Rs. 1.87 cr. to Rs. 55.91 cr.

iv. The positive value of I indicates the extent of funds and securities of clients utilized towards proprietary margin obligations. The amount ranges from Rs. 1.02 cr. to Rs. 32.20 cr.

v. The positive value of J indicates the extent of clients' funds utilized towards margin obligations of debit balance clients and proprietary margin obligations. The amount ranges from Rs. 98.12 lacs to Rs. 23.28 cr.

vi. Noticee no. 2 has *inter-alia* stated that, *With respect to the point no. (i) & (ii) of the observation, it is also additionally humbly submitted that during the inspection period, due to non-availability of system for tracking of all three principals on other than last trading of day of the week, there might be instances of Principal 2 and Principal 3 non complied during weekdays (excluding the last day of the week). As mentioned above, reporting was required to be done only for the last trading day of the week during the inspection period. Dates mentioned in the point no. (i) & (ii) of the observation were falling on weekdays (excluding the last day of the week). Although, we have surplus G balance on all days considering the both entities of Commodity segment and Equity segment as a single entity and hence, never used* *funds of credit balance client for settlement obligation of Proprietary account and debit balance clients. As stated above, we established system immediately post inspection to track three principals of enhance supervision on daily basis. Table 3 mentioned below clearly depicts surplus balances of three principals on daily basis.*

In this regard, I note that, during the inspection period both the entities viz. Noticee no. 1 and 2 were separate entities having separate registration no. with distinct clients and both the entities needed to adhere to SEBI circulars and regulations distinctly. I also note that, Noticee no. 2 has tacitly admitted the non-compliance of aforesaid circulars and I further note that, subsequent to the inspection observation, Noticee no. 2 has upgraded its back office software to track these principals on daily basis in order to comply with the SEBI Circular dated September 26, 2016. Further, Noticee no. 2 has not provided any substantiate documents/calculations with respect to its defense of having negative value of G on 27 dates and positive values of I on 20 dates and positive value of J on 24 dates during the inspection period as alleged in the SCN.

vii. In terms of Section 23D of SCRA, if a stock broker fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for Self or any other client, he shall be liable to a penalty as stated therein. In view of the above, I do not have any hesitation in holding that the Noticee has violated Section 23D of SC(R) Act, 1956 read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

B. Quarterly/monthly settlement of funds of clients: (SEBI, NCDEX Observations):

Allegation:

NCDEX:

i. It is observed that in 4 instances out of total 208 instances, FCPL has settled the client funds beyond prescribed time limit of 90 days as per the preference chosen by the clients for quarterly settlement of funds. So far as settlement of inactive clients are concerned, member has not settled inactive client to tune of Rs.60,687.54 as on June 30, 2021 approximately. Details attached as Annexure H for inactive clients.

SEBI:

ii. It is observed that, credit balances of clients were taken from Trial Balance during each quarter covered under inspection period. Inspection team analyzed the data and ascertained that in some instances, as detailed at Annexure I the client's credit balance for two consecutive quarters have remain unchanged and were not settled in compliance of the provisions of running account settlement. The summarized observation (for cases above 100/-) of the above analysis is as below:

Table B

<table>
<tr><td rowspan="2">Quarter Ended</td><td rowspan="2">Quarter Ended</td><td rowspan="2">UCCs whose balance remained same</td><td colspan="2">Inactive not settled</td><td rowspan="7">No of Instances : 470 clients (for 5 quarters)
Range : Rs. 0.53 Lakh to Rs. 2.34 Lakh Average : Rs. 1.53 Lakh</td></tr>
<tr><td>Maximum Amount (Rs.)</td><td>Credit balance not settled (Rs.)</td></tr>
<tr><td>Mar -20</td><td>Jun-20</td><td>122</td><td>10,000</td><td>2,34,617</td></tr>
<tr><td>Jun-20</td><td>Sep-20</td><td>115</td><td>10,000</td><td>1,78,895</td></tr>
<tr><td>Sep-20</td><td>Dec-20</td><td>140</td><td>10,000</td><td>2,04,485</td></tr>
<tr><td>Dec-20</td><td>Mar-21</td><td>42</td><td>40,000</td><td>97,936</td></tr>
<tr><td>Mar-21</td><td>Jun-21</td><td>51</td><td>9,463</td><td>53,760</td></tr>
</table>

iii. In respect of inactive clients not settled, the amount of non- settlement as observed by SEBI and NCDEX is combined and highest figure is taken.

Table C

Quarter Ended	Quarter Ended	UCCs whose balance remained same	Inactive not settled	
			Maximum Amount (Rs.)	Credit balance not settled (Rs.)
Mar -20	Jun-20	122	10,000	2,34,617

Jun-20	Sep-20	115	10,000	1,78,895
Sep-20	Dec-20	140	10,000	2,04,485
Dec-20	Mar-21	44	40,000	1,00,292
Mar-21	Jun-21	56	9,463	60,687

iv. In view of the above, it is alleged that FCPL is not acting with due skill, care and diligence in the conduct of its business and therefore, it is alleged that, FCPL has violated Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 12 of Annexure of SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

Reply:

Noticee has mentioned para number 5.6 of circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, NSE Circular Circular NSE/INSP/24849 dated October 29, 2013, and NSE/INSP/36889 dated February 02, 2018;

Therefore, as per the regulations and exchange norms, during the inspection period (April 01,2020 to July 31,2021), there was no requirement of the settlement of the running accounts where the balances are less than INR 10000/-. Further, it is submitted that total instances for all the quarters were 470 and only single client on single quarter had balances more than INR 10000/- which was settled on next quarter and actually there was no need of settlement in March 2021 quarter as fresh fund was received in March only from this client (refer table-4 below)

Table -4

Client Code	*Period where client not settled*	*Amount*	*Remarks*

LTC006	*Quarter 4th (FY 20-21)*	*40,000.00*	*After nil balance, Fund was received from the client on March 19, 2021 (INR30,000) and March 25, 2021 (INR 10,000). Account was settled on June 11, 2021 within stipulated time. Copy of ledger is attached as Annexure-J for your reference.*

In light of above-mentioned statement, it is submitted that we settled all Active clients on time as per the Exchanges/ SEBI norms within stipulated time during the inspection period. We could have explained the reason of few unsettled accounts of Inactive clients of small amount due to unavoidable external factors like IFSC code related issue, closed bank account etc. during inspection period but could not get opportunity for explanation. So far as, closed bank accounts, IFSC related issues etc. of clients are concerned, obviously, these are external unavoidable factors while settling the clients' accounts and hence, cannot rule out. Now, we are keeping the unsettled balances of clients after settlement process if any in separate bank account as per latest exchange norms. Needless to mention that we disburse payouts regularly to all the clients whenever they raise request in addition to mandatory settlement requirement without any delay and further, none of our clients has neither raised any query on delay/ non receipt of payment till date to any of exchanges.

Additionally, we would also like to submit that we have settled all the clients on October 07, 2022 (First Friday after the quarter) as per the SEBI & Exchange guidelines. Settlement details of October 7, 2022, is given as under in Table-5 for your reference only: -

No of Clients Settled	*Aggregate value of settlement done for all clients*	*Name of the bank from where payment is done*	*Bank Account Number*	*Value of amount paid from bank*
693	*INR 46,57,32,965*	*HDFC BANK LTD*	*06340340002707*	*INR 46,50,77,314.1*

Note: - Unsettled amount amid closed bank accounts, IFSC related issue etc. of clients is parked in separate client bank unsettled account as per Exchange norms.

Findings:

i. Upon perusal of material available on record, I note that the allegation at point "i" mentioned at page no. 48 was inadvertently mentioned in the SCN and no action is initiated upon by SEBI in the instant adjudication proceedings.

ii. With respect to allegation at point no. ii at page no. 49, I note that, Noticee no. 2 has not settled accounts of 477 clients across 5 quarters and total amount of non-settlement range from Rs. 0.60 Lakh to Rs. 2.34 Lakh and average amount across 5 quarters is Rs. 1.55 Lakh.in this regard, Noticee no. 2 has *inter-alia* stated that, *as per the regulations and exchange norms, during the inspection period (April 01,2020 to July 31,2021), there was no requirement of the settlement of the running accounts where the balances are less than INR 10000/- .* As, submitted by Noticee no. 2 that they didn't have knowledge as holding of client below Rs. 10,000 also to be settled is not acceptable. I note that as per NSE Circular NSE/INSP/24849 dated October 29, 2013, Members may retain an amount of up to Rs. 10,000/- (net amount across segment and across stock exchanges) after taking a one-time written consent of the client. As per submission by Noticee no. 2, I note that, Noticee no. 2 has failed to provide the proof of Consent given by clients to retain the amount in their accounts and has admittedly stated the non-settlement of inactive credit clients having balance below Rs. 10,000/- . I note that, Noticee no. 2 has stated that it has settled all the clients post receipt of SCN on October 07, 2022 except balances in accounts, whose bank accounts are closed or have IFSC related issues etc. for which amount is parked in separate client bank - unsettled account as per Exchange norms. However, Noticee no. 2 had not provided any supporting documents. Further, upon perusal of HDFC bank account submitted by Noticee, I do not find entry of credit made to many clients mentioned in the inspection findings. Also, Noticee failed to show any efforts taken by Noticee to trace the clients.

iii. I note that, clause 8.1 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 specifies responsibility of stock brokers to settle accounts of their clients monthly or quarterly, as opted by the clients, and through electronic mode. Clause 12 of SEBI Circular No.: MIRSD/ SE /Cir-19/2009 dated December 03, 2009 requires stock brokers to retain requisite securities/ funds towards outstanding obligations of clients on settlement date and towards margin obligations for next 5 trading days. The stock broker is also required to send a 'statement of accounts', which shall also explain the retention of funds/ securities and details of pledge, if any.

iv. it is pertinent to mention that Hon'ble SAT in the matter of *Indira Securities Pvt Ltd vs SEBI*, *Appeal no 50 of 2014, decided on June 23, 2014*, had observed that ....."*The concept of monthly or quarterly running settlement of clients' accounts by the brokers is incorporated in the said circular dated December 3,2009,with a view to instil greater transparency and discipline in the dealings between the clients and the broker. The circular was issued by SEBI after detailed consultation with various quarters including Investors Association, Secondary Market Advisory Committee (SMAC), Market Participants and major stock exchanges. Therefore, the circular dated December 3, 2009, issued by SEBI is not a directive only but a mandatory one"*

v. It is clearly established that, Noticee no. 2 has not settled the clients within prescribed time which is not in compliance of the provisions of running account settlement. Thus, in view of the above and in absence of valid reasons for not complying with mandatory statutory requirement cast through the above mentioned circulars and regulation, I hold that Noticee no. 2 has violated Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 12 of Annexure of SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 read with Clause A(2) & A(5) of the code of conduct, read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992.

C. KYC & Account Opening Process and POA: (MCX, NCDEX Observations)

Allegation:

i. It is observed that, out of 15 clients (selected for KYC sample), in respect of clients (as per Annexure J), following contradictory clause has been observed in 'Standing Instructions/ Authorisation Letter' (voluntary document- Sample document attached as Annexure K forming part of Client Registration Documents: -

"*I/ we authorize you to inter-se-transfer or hold funds, securities/ commodities, debits, credits etc. among my/ our family member's /Group/ Associate Companies/ Firms/ Entities' account with you and or 'Findoc Group' Companies*."

ii. Further, upon verification of sample client registration documents following discrepancies were observed (Details enclosed at Annexure 29) (L):

Table D

Particulars	Instances
Contradictory clause for inter exchange adjustment under different entity	9
Periodic client financials not updated / Not available	8

iii. In view of the above, it is alleged that, FCPL has violated clause 6, clause 12 of Annexure A to SEBI Circular MIRSD/ SE /Cir-19/2009 dated December 03, 2009 and Clause 10 of Rights and Obligations document for Stock Broker, Sub-brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

D. Reply:

It is submitted that the one contradictory clause was in our old KYC docket only, however, subsequently same contradictory clause was being removed at the time of new KYC docket printing. Although this observed clause was never being used for any of the clients and further, said clause was also strike off with help of marker in our old KYC form after advice from Inspection official.

With respect to the periodic financial/income proof of mentioned clients, financial proofs were available for all sample clients at the time of inspection but kept the same in separate folder. Hence, Proof could not provide with KYC form. Although, proofs for observed clients were available. Needless to mention that we update financial proof on yearly basis for active clients as per the regulatory requirement. Please refer Annexure - K for income proofs of the observed clients. Hence, we have complied with all SEBI/ Exchanges' relevant regulation and circulars of KYC and account opening process during the inspection period.

Findings:

i. I note that, there were 7 clients who registered during inspection period and their Standing Instructions/ Authorisation Letter' (voluntary document) forming part of Client Registration Documents (KYC docket) mentions the contradictory clause. I note that Noticee no. 2 has accepted the mentioning of contradictory clause in their KYC docket. I also note that, Noticee no. 2 has taken corrective measures and removed the same from the new KYC docket.

ii. With respect obtaining client financials such as bank statements, ITR copy or any other documents as specified by the Regulators / Exchange and updating it periodically with the client registration documents and updating the same as Income details in Exchange records periodically, I note that Noticee no. 2 has only provided proof of 3 clients out of 8 clients.

iii. In view of the above, I conclude that Noticee no. 2 has violated clause 6, clause 12 of Annexure A to SEBI Circular MIRSD/ SE /Cir-19/2009 dated December 03, 2009 and Clause 10 of Rights and Obligations document for Stock Broker, Sub-brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

Issue – II:- Whether the Noticee no. 1 and 2 is liable for imposition of monetary penalty under section 15HB of SEBI Act and section 23-D of SCRA?

14. SEBI takes various steps and measures from time to time in order to protect the interest of investors in securities market and also to promote orderly, fair and transparent dealings by the stock brokers. Further, SEBI also prescribes various checks and balances by issuing various circulars to prevent any misuse by stock brokers while dealing in the market and with their clients.

15. The object of inspection of the books of accounts and records of any intermediary is to monitor and identity any non-compliances with respect process, procedure and systems prescribed through various provisions of the SEBI Act, 1992 and Regulations made thereunder and Circulars issued from time to time and thereafter take necessary corrective steps for orderly, fair and transparent conduct of market participants. In the present case, I find that the Noticee no. 1 and 2 had failed to comply with the provisions mentioned at para 04 (page no. 2-4) above.

16. In this connection I would also like to refer to the order of the Hon'ble Securities Appellate Tribunal in the matter of *Religare Securities Limited v. Securities and Exchange Board of India (Appeal No. 23 of 2011 dated June 16, 2011)* wherein, the Hon'ble SAT has observed, "*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 time of inspection and making it compliant. This will, of course, depend on the nature of the irregularity 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*."

17. The Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) 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...".*

18. In view of the above, I find that the Noticee no. 1 and 2 have violated the provisions of law as stated at in pre-paras of this order. The violations, as brought out above, make the Noticee 1 and 2 liable for monetary penalty under Section 23D of the SCRA and Section 15HB of the SEBI Act. The text of the said provisions is produced hereunder for ready reference:

SCRA

Penalty for failure to segregate securities or moneys of client or clients

*"**23D.** If any person, who is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) as a stock broker or sub-broker, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

SEBI Act

Penalty for contravention where no separate penalty has been provided.

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

19. While determining the penalty for Findoc Commodities Private limited, I note from FCPL reply that, it has merged its commodities derivative business of *M/s Findoc*

Commodities Private limited with effect from August 01, 2021 onwards into its another group company named "*M/s Findoc Invesmart private limited*" *already* having membership of National Stock Exchange (NSE) and Bombay Stock Exchange (NSE) for Equity/ Currency/ Future & option business. I have also perused the NCLT order dated 09.04.2021 ,wherein , it has been specifically mentioned that ,

"2. *That all the liabilities and duties of the Transferor Company be transferred, without further act or deed, to the Transferee Company and accordingly the same shall pursuant to Sections 230 to 232 of the Companies Act, 2013, be transferred to and become the liabilities and duties of the Transferee Company; and*

3. That all the proceedings now pending by or against the Transferor Company be continued by or against the Transferee Company;"

The order also *inter-alia* states that:

"the National company Law Tribunal approved the 'scheme' with the clarification that this order should not be construed as an order in any way granting exemption from payment of any stamp duty, taxes, or any other charges, if any, and payment in accordance with law or in respect of any permission/compliance with any other requirement which may be specifically required under any law"

20. Thus, liability of penalty imposed upon Noticee no. 2 in the instant adjudication proceedings is to be levied upon Noticee no. 1 in the instant adjudication proceedings as Noticee no. 2 has been merged into Noticee no. 1.

ISSUE NO III: If yes, what would be the monetary penalty that can be imposed upon the Noticee no. 1 and 2 taking into consideration the factors stipulated in Section 23J of the SCRA and Section 15J of the SEBI Act, 1992 ?

21. While determining the quantum of penalty under Section 23D of SCRA and Section 15HB of the SEBI Act, the relevant factors as stipulated in Section 23J of the SCRA and Section 15J of the SEBI Act needs to be considered. The said Sections are given below: -

*“**SCRA***

Factors to be taken into account while adjudging quantum of penalty

23J. While adjudging the quantum of penalty under section 12A or section 23-I, the Securities and Exchange Board of India 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 of an adjudicating officer to adjudge the quantum of penalty under sections 23A to 23C shall be and shall always be deemed to have been exercised under the provisions of this section.”*

SEBI Act

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

***15J.** While adjudging quantum of penalty under section 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.”*

22. In the present matter, it is noted that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of such default by the Noticees. Further, from the material available on record, it is not possible to ascertain the exact monetary loss to the investors /clients on account of default by the Noticees. At the same time, I also note from the submissions made by the Noticee no.1 that it had rectified/taken corrective steps in respect of certain violations.

23. Further, I note that the Noticee no 2 is merged with Noticee no. 1 and Noticee no. 1, being a registered intermediary is required to comply with the various Circulars and Regulations as laid down by the SEBI, with objective of promoting prudential norms for protecting the investors in the securities market. The very purpose of the said provisions is to deter wrong doing and promote ethical conduct in the securities market. I note that the Noticee has remedied the lapses in certain cases subsequently, post-inspection by SEBI which will be considered as mitigating factor while imposing quantum of penalty. However, such non- compliances, unearthed during time of inspection deserves and attracts penalty.

ORDER

24. Having considered all the facts and circumstances of the case, the material available on record including the submissions made by the Noticees, the factors mentioned in Section 23J of the Securities (Contracts) Regulation Act, 1956 and Section 15J of the Securities and Exchange Board of India Act, 1992, I, in exercise of the powers conferred upon me under Section 23-I of the Securities (Contracts) Regulation Act, 1956 and Section 15-I of the Securities and Exchange Board of India Act, 1992 read with rule 5 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and rule 5 of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, hereby impose the following penalty on Noticees:

Penalty	**Charging Provisions**

₹ 6,00,000 (Rupees Six Lakhs only)	Section 23-D of SCRA, 1956
₹ 4,00,000 (Rupees Four Lakhs only)	Section 15HB of SEBI Act, 1992
₹ 10,00,000 (Rupees Ten Lakhs only)	**Total**

25. I am of the view that the said penalty is commensurate with the violations committed by the Noticees.

PENALTY PAYMENT OPTIONS

26. The amount of penalty shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

27. The said demand draft and its details or details of online payments made (in the format as given in table below) should be forwarded to "The Division Chief (Enforcement Department-1-DRA-3), the Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051."

1. Case Name :	
2. Name of Payee :	
3. Date of Payment:	
4. Amount Paid :	
5. Transaction No. :	
6. Bank Details in which payment is made :	
7. Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

28. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated 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.

29. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticee no. 1 and also to the Securities and Exchange Board of India.

Date : November 30, 2022 **Vijayant Kumar Verma**

Place : Mumbai **Adjudicating Officer**