

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BM/DS/2023-24/30186]

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

IN THE MATTER OF

CNB Finwiz Private Limited

PAN No.: AABCB2613A

SEBI Regn No.: INZ000204238

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted inspection of M/s CNB Finwiz Private Limited (hereinafter referred to as “**Noticee/ CNB Finwiz / the Company**”) to check compliance with provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) and SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as “**Stock Brokers Regulations, 1992**”) on November 6-7, 2023. The period covered in inspection was from April 01, 2022 till October 31, 2023 (hereinafter referred to as “**inspection period**” / “**IP**”). Noticee is registered as stock broker with SEBI registration no. INZ000204238.
2. The findings / observations made during the course of inspection were communicated to the Noticee by SEBI vide letter dated November 29, 2023. After examining the reply submitted by the Noticee vide letter dated December 05, 2023, it has been alleged that the Noticee violated provisions of Regulation 26(xix)

and Clauses A(1) and A(2) of the Code of Conduct for Stock Brokers - Schedule II read with Regulation 9 of Stock Brokers Regulations, 1992.

3. SEBI initiated adjudication proceedings against the Noticee under Sections 15A(a) 15HB of SEBI Act, 1992 for the aforesaid alleged violations.

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer (**AO**) vide Order dated January 30, 2024 under Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules**"), to inquire into and adjudge under Section 15A(a) and Section 15HB of SEBI Act, 1992, the violations of aforesaid provisions alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING

5. Show Cause Notice No. SEBI/EAD/BM/DS/7355/1/2024 dated February 23, 2024 (hereinafter referred to as "**SCN**") was issued to the Noticee in terms of Section 15-I of the SEBI Act, 1992 and Rule 4 of SEBI Adjudication Rules, to show cause as to why an inquiry should not be held against it and why penalty, if any, under sections 15A(a) and 15HB of SEBI Act, 1992 be not imposed on the Noticee.
6. The SCN issued to the Noticee alleged as follows:
 - 6.1. It was observed that users of two CTCL terminals at the registered office of the Noticee, with Terminal IDs 110002001460 and 110002001275, were not present on the day when inspection was being carried out, i.e. November 06, 2023. However, trades were carried out through these terminals.
 - 6.2. In this regard, the Noticee explained to the inspecting officials that users were on leave and only existing position was squared off by other users.

6.3. However, upon verification of trade data as on November 06, 2023 from these terminals, following was observed.

6.3.1. Terminal ID 110002001460 - Three trades were carried out from this terminal as on November 06, 2023, i.e. date of inspection. Existing positions (created from 02-11-2023) had been squared off on 06-11-2023.

6.3.2. Terminal ID 110002001275 - Intraday transactions were also carried out during the day.

6.4. It was also observed that the intra-day trades from terminal 110002001275 pertained to the proprietary account of the Noticee, and therefore, the trades could have been squared off through other terminals of the Noticee where approved users were available. Despite this, terminal 110002001275 was used to execute the trades when the approved users were not available.

6.5. Thus, it was inferred that aforesaid two terminals were used by other than approved users. Further, the Noticee had allegedly provided incorrect submission that user of Terminal id – 110002001275 was on leave and only existing position was squared off by other users whereas intraday transactions had also been carried out during the day.

6.6. In view of the foregoing observations, it was alleged that the Noticee has not maintained high standards of integrity and has not been acting with due skill, care and diligence in the conduct of its business and has thus, violated the provisions of Regulation 26(xix) and Clauses A(1) and A(2) of the Code of Conduct for Stock Brokers - Schedule II read with Regulation 9 of Stock Brokers Regulations, 1992.

7. The SCN was duly served on the Noticee through SPAD and digitally signed e-mail. Vide letter dated March 11, 2024, the Noticee submitted its response to the SCN, which has been summarized below.

- 7.1. All trades were executed using Algo trading software/Strategy, and they were duly approved by the Exchange. The trades contained in SCN cit. 23.02.2024 were conducted with the intention of managing risk and squaring off existing positions in accordance with the approved strategies of the exchange, without any intent to create fresh positions.
- 7.2. Terminal ID - 110002001460: The user associated with this terminal was on leave, and consequently, only the existing position (Created from 02.11.2023) had been squared off on 06.11.2023. The ID was closed at 09:17 A.M., and no further trades were executed throughout the day.
- 7.3. Terminal ID - 110002001275: The User associated with this terminal was on leave due to a medical emergency and only the existing position had been squared off on 06.11.2023. Intraday Transactions carried out during the day as a part of squaring off the existing positions and according to the duly approved strategy of the exchange. Copy of medical certificate of the user was enclosed in support of the submissions.
- 7.4. With respect to terminal ID 110002001275, it was submitted that User is a dealer employed with the Noticee and had an existing position with 87 Lakh margin but was on leave due to medical urgency. It is essential that, in the absence of the dealer, risk is managed on a real time basis otherwise it may lead to extraordinary losses.
- 7.5. It may be noted that the dealer deploys Multi leg IOC strategies and it is important that all the legs within the same strategy are squared off together and not in isolation. Also, it takes much longer to trade using Multi leg IOCs since all 3 legs must be executed at the same time.
- 7.6. The risk management entails managing the risk by either taking an offsetting position which reduces risk or by squaring off the existing position. In case an offsetting position is created and later squared off along with the existing

position, the offsetting position comes across as intra-day trade but in essence it was a necessary to manage risk at that point in time.

7.7. With regard to the allegation that why Noticee had not carried trade at other terminal or at any other trader, it was submitted that there is a very high chance of mixing of trades with other dealer. This entails three crucial issues. Firstly, the position of the traders gets mixed up and the risk cannot be ascertained since the trades cannot be allocated to each trader on the real time basis. Secondly, Noticee has to track performance of individual dealers and it is not possible if the positions are mixed up. Thirdly, the position and risk management is very challenging to execute on any other terminal but on the terminal where the position is so created. Noticee submitted 2 samples of files as annex to explain this practical situation. In the first attachment, there is the total position in each security that the trader has worked on which is received from risk team. Looking at this file, it is not possible to ascertain the combination of hedged position created by the trader and in the absence of this critical information, it is not possible to square off hedged position in the exact manner that it was created. In the second attachment, we have shown the exact hedged position that the trader has created and from the second attachment it is very clear what is the strategy, underlying, contracts, spread and price at which the hedged position has been created. Hence, it is imperative that the position is squared off or hedged on the same trading terminal for swift and correct action.

7.8. It is pertinent to note that out of 310 number of trading terminals across the branches under inspection, only 1 trading terminal was found to be in use without the presence of the trader, which is less than 0.30 % of the terminals in operation, representing a minuscule fractions of the Total Terminals and the only purposes is to reduce the risk of existing positions. It is also pertinent to highlight that out of a total of 19 terminal users who were on leave including

those who left early due to emergency on that day, only 2 terminals had existing positions which were squared off only to manage the risk. This demonstrates Noticee's clear intention not to use terminals without authorization and indicates its commitment to maintaining integrity and transparency in our operations.

7.9. Noticee also submitted screenshot of Trading Terminal and sample of Back office report to report that the positions taken on the terminal are based on specific strategies wise, whereas the report generated from the back office is script-wise. This discrepancy makes it difficult to accurately determine the actual position of the user on other terminals. Therefore, it is not practically feasible to square off existing positions across different terminals.

8. Vide hearing notice dated March 11, 2024, the Noticee was provided an opportunity of personal hearing in the interest of natural justice. The Noticee was advised to appear before the undersigned on March 19, 2024. The Noticee appeared for the scheduled hearing through an authorised representative (AR). The AR reiterated the submissions already made vide letter dated March 11, 2024. The AR also made additional submissions during the hearing, which were submitted in writing, along with supporting documents. The additional submissions are summarized below.

8.1. Noticee submitted the net position of the user with terminal ID 110002001275 as on November 03, 2023 and November 06, 2023.

8.2. Allocation of trading strategies to the Traders - As per its risk management system, Noticee allocates traders specific strategies that they can work on. This ensures that the risk management team is aware of the riskiness of each trader's strategy and can identify any aberration quickly. In the specific instance of the trader on terminal ID 110002001275, the trader was permitted to trade only hedged position i.e. only spread trades were permitted for trading.

Additionally, only multi-leg IOC trades were allowed for trading. The trader was allowed to create multi leg spreads ranging from 2L, 3L & 4L. Moreover, the trades so created could be squared off in spread form only and not as individual contracts. The trading team does not look at price of option contracts to execute trades but looks at the spread difference to decide which combination of spread to trade and create a portfolio of hedged spread positions.

8.3. Trading Strategies using spread trades - There are multiple combination of spread trades possible and a trader does create variations of spread trades by trading across different expiries or by varying differences between strike prices. Generally, the following types of spreads are traded in our Proprietary portfolio.

8.3.1. 2L ratio spread - Buying 1 contract and selling 2 or 3 contracts of the same expiry.

8.3.2. 2L calendar spread - Buying 1 contract of 1 expiry and selling 1 contract of far expiry.

8.3.3. 3L spread - This comes in various forms like a butterfly spread which has a combination of long 1 lot of a strike A, short 2 lots of strike B, long 1 lot of Strike C ,but all strikes are equidistant from each other.

8.3.4. 3L complex spreads - It could be a more complex spread like long 1 lot of strike A, short 4 lots of Strike B, long 3 lots of Strike C. Hence, many more such 3L combinations are possible.

8.3.5. 4L spreads - Pulse - This is a combination of 2 butterfly spreads, where at the conceptual level we are buying one butterfly spread and selling another butterfly spread to reduce the risk in trading. We call it the pulse spread. Even though, there are 2 butterfly spreads traded, it can be executed in a combination of 4L spread as there is an overlap of the strikes in either 1-2-2-1 or 1-3-3-1 ratio combination.

- 8.4. Implication of Spread trades on net position of traders – Since we are primarily working in spreads, there is a very high possibility that the trader has made multiple spreads which are overlapping a particular contract leading to non-existence of a contract in net position of the trader. Noticee provided an example to explain the possibility.
- 8.5. Noticee explained with another example, how squaring off existing spread can lead to a contract changing from long in the net position to short in the net position; and how squaring off existing spread can lead to creation of same strike price in a different expiry.
- 8.6. Since it is trading in spread strategies, there is a very high probability that the individual contracts are in an overlap. Even though closing one spread position reduces the overall risk margins and positions but the net position in some of the contracts can show an increase.
- 8.7. It is also pertinent to note that as part of team management, a team of junior traders is managed by a senior trader, called team leader, who guides them on what positions to take and advises on risk management of the positions. As part of the same process, in the absence of a junior trader, the team leader manages the position by squaring off the spread trades on the trading terminal of the absent trader so that the trades are directly attributed to the trader account and risk is managed on real time basis.
- 8.8. On 6th November, 2023, team leader, Hemant Kumar (PAN BVWPK8232Q) (NISM Registration No. 202100086562), who is an approved user and employee of the Noticee, squared off the spread positions of the absent trader leading to reduction in margin from 87 Lakh to 48 Lakh, a reduction of about 39 lakhs.

9. Vide mail dated March 22, 2024, Noticee submitted appointment letter of the approved user of terminal ID 110002001275, in support of its submissions that the user is an employee of the Noticee.

CONSIDERATION OF ISSUES AND FINDINGS

10. Considering the findings of Investigation, the allegations made out in the SCN and the submissions made by the Noticee, I find that following issues require consideration in the present case:

ISSUE I - Whether the Noticee is in violation of the provisions of Regulation 26(xix) and Clauses A(1) and A(2) of the Code of Conduct for Stock Brokers - Schedule II read with Regulation 9 of Stock Brokers Regulations, 1992?

ISSUE II - Do the violations, if any, attract penalty under sections 15A(a) and 15HB of the SEBI Act, 1992?

ISSUE III - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

ISSUE I - Whether the Noticee is in violation of the provisions of Regulation 26(xix) and Clauses A(1) and A(2) of the Code of Conduct for Stock Brokers - Schedule II read with Regulation 9 of Stock Brokers Regulations, 1992?

11. The said provisions under which violations have been alleged against the Noticee are reproduced below –

Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 ***Conditions of registration.***

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

(a) the stock broker holds the membership of any stock exchange;

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

- (c) where the stock broker proposes change in control, he shall obtain prior approval of the Board for continuing to act as such after the change;*
- (d) he shall pay fees charged by the Board in the manner provided in these regulations;*
- (e) he shall take adequate steps for redressal of grievances, of the investors within twenty-one calendar days of the date of receipt of the complaint and inform the Board as and when required by the Board;*
- (f) he shall at all times abide by the Code of Conduct as specified in Schedule II; and*
- (g) he shall at all times maintain the minimum networth as specified in Schedule VI.*
- (h) Every stock broker who act as an underwriter shall enter into a valid agreement with the body corporate on whose behalf it is acting as underwriter and shall abide by the regulations made under the Act in respect of the activities carried on by it as underwriter.*
- (i) Every Stock Broker shall be entitled to act as an underwriter only out of its own net worth/funds as may be prescribed from time to time.*

Liability for monetary penalty.

26. *A stock broker shall be liable for monetary penalty in respect of the following violations, namely—*

- (i) ...*
- (ii) ...*
- ...*
- (xix) Extending use of trading terminal to any unauthorized person or place.*

Schedule II – Code of Conduct for Stock Brokers

A. General.

(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(2) Exercise of due skill and care : A stock-broker shall act with due skill, care and diligence in the conduct of all his business.

12. I will now proceed with my findings in each of the alleged violations against the Noticee in the SCN dated February 23, 2024. It has been alleged that the Noticee has violated the provisions of Regulation 26(xix) and Clauses A(1) and A(2) of the Code of Conduct for Stock Brokers - Schedule II read with Regulation 9 of Stock Brokers Regulations, 1992 with respect to the following observations.

12.1. Two terminals were used by other than approved users

12.2. Incorrect information was provided by the Noticee that the terminal – 110002001275 was used only to square off the existing positions whereas it was observed that intraday transactions were also carried out through aforesaid terminal.

Two terminals used by other than approved users

13. It was observed that users of two terminals at the registered office of the Noticee, with terminal IDs 110002001460 and 110002001275 were not present on November 06, 2023, i.e. when inspection was being carried out and allegedly, the said terminals were used by persons other than approved users.

14. As per the provisions of Regulation 26(xix) of Stock Brokers Regulations, 1992, a stock broker shall not extend use of trading terminal to any unauthorized person or place.

15. Noticee has submitted that the two employees who were allocated the CTCL terminals with terminal IDs 110002001460 and 110002001275, were on leave due to personal exigencies and the Noticee had used the terminals only for squaring off the existing positions of the proprietary trades of the Noticee, which the terminal users had taken on behalf of the Noticee. Noticee has submitted that Mr. Hemant Kumar made the trades on November 06, 2023 from the aforesaid terminals of the absent employees. Mr Hemant Kumar is also an approved user for another CTCL terminal of the Noticee and has completed the NISM Series VIII – Equity Derivatives Certification Examination, which was valid on November 06, 2023. Noticee has also provided a copy of the certificate in support of its submissions. The two absent employees were part of the team which was being headed by Mr. Hemant Kumar.

16. I note that NSE Circular no. 282 with ref no. NSE/MEM/3574 dated August 29, 2002 inter-alia states that the *Trading Members shall not entrust the CTCL terminals to their clients or to any unregistered intermediary other than Approved users*. From the submissions made by the Noticee, I observe that Mr. Hemant Kumar who used the terminals was an Approved User in terms of the aforesaid NSE Circular and was not any unauthorized person. I, therefore, accept the submissions made by the Noticee. In view of the above, the allegation of violation of the provisions of Regulation 26(xix) of Stock Brokers Regulations, 1992 by the Noticee does not stand established.

Terminal ID 110002001275

17. With regard to terminal with terminal ID 110002001275, it was alleged that the Noticee provided incorrect submission that when user of Terminal ID - 110002001275 was on leave, only existing position was squared off by other user, whereas the said terminal was used to carry out intraday transactions. It was also

alleged that as the existing positions were pertaining to proprietary trading of the Noticee, the squaring off trades could have been executed through any other CTCL terminal of the Noticee where the approved users were present.

18. In this regard, I note the following from Noticee's submissions.

- 18.1. Each trader is allotted specific strategies using which it can place proprietary trades. The user of terminal 110002001275 was permitted to trade only in hedged positions, thus, only multi-leg positions were allowed for trading using this terminal.
- 18.2. The user was on leave and the Noticee's portfolio on the user's terminal was of ₹ 87 lakh approximately, which was brought down to ₹ 48 lakh on November 06, 2023, i.e. net position was reduced by around ₹ 39 lakh.
- 18.3. The user had deployed multi-leg IOC (Immediate or Cancel) strategies, and the positions were squared off as strategy, and not as individual positions. For example, a three leg butterfly spread was being squared off completely or partially in a specified ratio. Therefore, each of the three legs was not being squared off individually.
- 18.4. There were instances wherein offsetting positions were present in different existing strategy positions. Thus, squaring off some of the strategy positions resulted in execution of intra-day trades as well as exposure of some positions, which were earlier offset by one or more legs of the previously existing positions. In the stock statement as on November 06, 2023, these earlier-not-visible positions were not new positions. Some examples of scenarios which could result in intra-day trades or new positions being visible due to squaring off, were provided by the Noticee.
- 18.5. Noticee also submitted a screenshot of the trading terminal to show that it takes positions and squares them off, based on strategies, like butterfly,

pulse, etc. It does not take positions in individual scrips. The screenshot is provided below.

StratType	Leg	BuyQty	SellQty	BuyTotal	SellTotal	TotalQty	HedgeRate	DWH	HedgeBook	Symbol	Net	SigTh	Sta
PULSE_IOC	IOC_PULSE_MIDCPNIFTY_04MAR_10975_11000_CE_75_1_3_3_1	-2.76	3.3	525	4275	-3750		.54		MIDCPNIFTY	-3	15.9	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_MIDCPNIFTY_11MAR_11000_CE_100	15.72		900	-900		15.72			MIDCPNIFTY	-9	15.8	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_FINNIFTY_05MAR_20900_CE_50	0.0			-680	4.83	-680			FINNIFTY	-0.6	0.6	BL
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_06MAR_47700_CE_200	0.0			-495	18.8	-495			BANKNIFTY	-0.6	0.6	BL
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_27MAR_48000_CE_500	0.0			-465	56.47	-465			BANKNIFTY	-0.6	0.6	BL
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_06MAR_47500_CE_200	0.0			-435	19.86	-435			BANKNIFTY	-0.6	0.6	BL
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_07MAR_22400_CE_50	0.0			-400	4.25	-400			NIFTY	-0.6	0.6	BL
PULSE_IOC	IOC_PULSE_FINNIFTY_05MAR_20750_20650_PE_100_1_3_3_1	-4.35		40	-400	5.09	-4.35	-440		FINNIFTY	4	2.7	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_FINNIFTY_05MAR_20900_PE_50	5.9		320	-320		5.9			FINNIFTY	-3	15.8	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_06MAR_47000_PE_200	20.38		270	-270		20.38			BANKNIFTY	-2	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_28MAR_22800_CE_200	0.0			-250	23.07	-250			NIFTY	-15.6	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_28MAR_22500_CE_50	0.0			-250	4.91	-250			NIFTY	6.4	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_FINNIFTY_05MAR_20850_CE_50	-4.3	6.4	120	80	-240	4.1	2.1	-280	FINNIFTY	4	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_28MAR_47000_PE_500	0.0			-150	53.71	-150			BANKNIFTY	-15.6	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_27MAR_49000_CE_500	0.0			-135	49.22	-135			BANKNIFTY	-3.1	0.6	BL
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_27MAR_49000_CE_400	37.19		105	-105		37.19			BANKNIFTY	-1	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_07MAR_22500_CE_50	0.0			-100	3.82	-100			NIFTY	-3	2.7	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_28MAR_22000_PE_50	0.0			-100	4.65	-100			NIFTY	15.6	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_28MAR_46500_PE_500	0.0			-75	50.13	-75			BANKNIFTY	-15.6	15.6	SE
BUTTERFLY_IOC	IOC_BTFF_1:2:1_MIDCPNIFTY_11MAR_11000_PE_100	16.2		75	-75		16.2			MIDCPNIFTY	-1		
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_06MAR_47600_CE_200	0.0			-60	18.69	-60			BANKNIFTY	-0.6		
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_28MAR_22600_CE_200	0.0			-50	23.15	-50			NIFTY	-0.6		
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_28MAR_22700_CE_50	0.0			-50	3.85	-50			NIFTY	-0.6		
BUTTERFLY_IOC	IOC_BTFF_1:2:1_BANKNIFTY_06MAR_47800_CE_200	0.0			-15	19.9	-15			BANKNIFTY	-0.6		
PULSE_IOC	IOC_PULSE_NIFTY_07MAR_22850_22950_CE_100_1_3_3_1	2.79		1350		2.83	2.79	-1350		NIFTY	13		
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_07MAR_22500_PE_100	12.6		450		11.67	12.6	-450		NIFTY	4		
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_07MAR_22500_CE_100	12.6		800		11.3	12.6	-800		NIFTY	8		
PULSE_IOC	IOC_PULSE_MIDCPNIFTY_04MAR_11025_11075_CE_25_1_2_2_1	0.72	1.03	2850						MIDCPNIFTY			
BUTTERFLY_IOC	IOC_BTFF_1:2:1_NIFTY_07MAR_22300_PE_50	2.5		50		-2.66	2.5	50		NIFTY	-1		
PULSE_IOC	IOC_PULSE_MIDCPNIFTY_04MAR_10900_10850_PE_50_1_3_3_1	3.14	4.23	2625	2625				1.09	MIDCPNIFTY			
BUTTERFLY_IOC	IOC_BTFF_1:2:1_MIDCPNIFTY_04MAR_10950_CE_75	1.54	5.65	3635	3635				3.6	MIDCPNIFTY			

19. Noticee further submitted that for the purpose of risk management, only multi-leg trades with hedged positions were allowed to be placed from terminal 110002001275. In the absence of the approved user, the team leader, Mr. Hemant Kumar had placed the trades from the same terminal, because strategy-wise existing position of proprietary trades can be seen only from the trading terminal from which the trades were placed. Scrip-wise net position of the Noticee can be generated from the back-office report, however, user-wise strategy-wise position cannot be known from back office reports. From the back office report, it is not possible to find the positions to be reversed, as the positions in all the scrips which were traded using strategies, are totalled and thus, only net scrip-wise positions are seen in the back-office report. Thus, it is not possible to square off the hedged positions using the back office scrip-wise net position report. Also, the portfolio of

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proprietary positions taken by each trader / approved user is used to gauge their performance, and it will not be practically feasible to accurately gauge the performance if positions taken by an existing trader are squared off from another terminal, because substantial time and efforts will be required to reconcile positions at the end of a period to ascertain their performance.

20. From the submissions made by the Noticee I observe that Noticee was squaring off the existing positions by using multi-leg IOC strategies. Thus, I find merit in the submissions of the Noticee.

21. Thus, the allegation of violation of provisions of Clauses A(1) and A(2) of the Code of Conduct for Stock Brokers - Schedule II read with Regulation 9 of Stock Brokers Regulations, 1992 by the Noticee does not stand established.

ORDER

22. In view of the above, I do not find it to be a fit case for imposition of penalty under section 15A(a) and section 15HB of SEBI Act, 1992. Hence, the SCN dated February 23, 2024 is disposed of, without imposition of penalty.

23. In terms of Rule 6 of the SEBI Adjudication Rules, 1995, copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

DATE: MARCH 28, 2024
PLACE: MUMBAI

BARNALI MUKHERJEE
ADJUDICATING OFFICER