

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

SETTLEMENT ORDER

[SETTLEMENT ORDER NO.: SO/AN/SM/2024-25/8101]

In respect of:

Settlement Application No.	Name of Applicant	PAN	SEBI Registration No.
8101/2024	HDFC Securities Limited	AAACH8215R	INZ000186937

In the matter of HDFC Securities Limited

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) initiated adjudication proceedings under Section 15-I of the Securities and Exchange Board of India Act, 1992 (‘SEBI Act, 1992’, in short) in respect of HDFC Securities Limited (‘Noticee’/ ‘Applicant’ / ‘HDFC’ / ‘Broker’ / ‘the Company’) in the matter of HDFC Securities Limited for the alleged violation of following provisions:
 - 1.1. Clause 61.4.3 of SEBI Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 read with Clause 4.3 of SEBI Circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/ 2022/160 dated November 25, 2022 read with para 3(vi) of Annexure-1 of NSE circular No. NSE/COMP/54876 dated December 16, 2022.
 - 1.2. Clause 61.6.1 of SEBI Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 read with Clause 6.1 of SEBI Circular No. SEBI/HO/MIRSD/TPD-1/P/ CIR/2022/160 dated November 25, 2022 read with NSE Circular No. NSE/COMP/56027 dated March 16, 2023 read with para 5 of Annexure-1 of NSE circular No. NSE/COMP/54876 dated December 16, 2022.
 - 1.3. Clause 61.7.4 of SEBI Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023; Clause 7.4 of SEBI Circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 read with Sr. No. 15 of Annexure A of NSE Circular No. NSE/INSP/56927 dated

June 01, 2023 read with para 6(v) of Annexure-1 of NSE circular No. NSE/COMP/54876 dated December 16, 2022.

1.4. Clause No. 53, 54 and 56 of Annexure-1 of SEBI Circular No. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018.

1.5. Clause 58.5(a) and 58.13 of SEBI Master Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023 /71 dated May 17, 2023 read with Clause 3(a) and 11 of Annexure-1 of SEBI Circular No. SEBI /HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018.

2. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violation by the Noticee, as stated and therefore, in exercise of the powers conferred under Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ('Adjudication Rules') read with Section 19 of the SEBI Act, 1992, the Competent Authority appointed Ms. Barnali Mukherjee, then CGM, as the Adjudicating Officer (erstwhile AO) vide order dated June 18, 2024 to inquire into and adjudge under Section 15HB of the SEBI Act, 1992 for the alleged violation by the Noticee, as stated. Pursuant to superannuation of erstwhile AO, the matter was re-allocated to the undersigned vide order dated January 15, 2025 and the proceedings of appointment were communicated to the undersigned vide Communique dated January 24, 2025.

3. A Show Cause Notice No. SEBI/EAD/BM/DS/25507/1/2024 dated August 08, 2024 ('SCN' / 'SCN dated August 08, 2024') was served upon the Noticee in terms of provisions of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, inter alia calling upon to show cause why an inquiry should not be held and penalty not be imposed, under section 15HB of the SEBI Act, 1992 for the alleged violations of the provisions, as stated. Briefly stated, following was inter alia observed and alleged in respect of the Noticee:

3.1. The clause /requirement of generating alerts for current capacity utilization of critical assets going beyond 70 % was not available in the Broker IT policies and procedures w.r.t to capacity management procedure; Broker has set alerts at more than 80 % and 75% for their tool like Meap application

and CPU utilisation & memory in lieu of prescribed 70 % for critical assets. Accordingly, it was alleged that Noticee had violated Clause 61.4.3 of SEBI Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 read with Clause 4.3 of SEBI Circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/ 2022/160 dated November 25, 2022 read with para 3(vi) of Annexure-1 of NSE circular No. NSE/COMP/54876 dated December 16, 2022.

- 3.2. Broker had not implemented LAMA system for its 47 servers out of 52 servers during the inspection period. Accordingly, it was alleged that Noticee had violated Clause 61.6.1 of SEBI Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 read with Clause 6.1 of SEBI Circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 read with NSE Circular No. NSE/COMP/56027 dated March 16, 2023 read with para 5 of Annexure-1 of NSE circular No. NSE/COMP/54876 dated December 16, 2022.
- 3.3. Broker had not conducted DR drill for 1 full trading day (For 110 Minutes only against 375 Minutes) during the inspection period on quarterly basis. Accordingly, it was alleged that Noticee had violated Clause 61.7.4 of SEBI Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023; Clause 7.4 of SEBI Circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 read with Sr. No. 15 of Annexure A of NSE Circular No. NSE/INSP/56927 dated June 01, 2023 read with para 6(v) of Annexure-1 of NSE circular No. NSE/COMP/54876 dated December 16, 2022
- 3.4. Broker Cyber security and cyber resilience policy failed to define the frequency for periodic Cyber and Information security awareness training and identify critical and non-critical vendors. Accordingly, it was alleged that Noticee had violated Clause No. 53, 54 and 56 of Annexure-1 of SEBI Circular No. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018.
- 3.5. Broker's policy for identifying critical and non-critical assets had not categorised all the critical applications and their servers (such as active

directory for employee's login, HSL internet facing website (www.hdfcsec.com) as critical during the inspection period. Accordingly, it was alleged that Noticee had violated Clause 58.5(a) and 58.13 of SEBI Master Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023 /71 dated May 17, 2023 read with Clause 3(a) and 11 of Annexure-1 of SEBI Circular No. SEBI /HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018.

4. In this regard, pending Adjudication Proceedings initiated vide Show Cause Notice No. SEBI/EAD/BM/DS/25507/1/2024 dated August 08, 2024, the Noticee filed Settlement Application, bearing Settlement Application No. 8101/2024 ('Application') proposing to settle the instant proceedings initiated against them vide Show Cause Notice No. SEBI/EAD/BM/DS/25507/1/2024 dated August 08, 2024, without admitting or denying the findings of facts and conclusions of law, through a settlement order in terms of the provisions of SEBI (Settlement Proceedings) Regulations, 2018 ('Settlement Regulations' / 'SEBI Settlement Regulations').
5. In this regard, I note that Internal Committee meeting ('IC') in the matter was held on October 23, 2024, wherein Ms. Shruti Rajan and Mr. Vivek Shah, the authorised representative appeared on behalf of the applicant. IC recommended ₹ 65,00,000/- (Rupees Sixty-Five Lakh Only) as the Indicative Amount being the amount computed in terms of Schedule II r/w Regulation 10 of SEBI (Settlement Proceedings) Regulations, 2018. The same was communicated to the authorised representative of the applicant. In this regard, I also note from material available on record that the Applicant vide email dated October 21, 2024 submitted the compliance certificate with respect to the defaults alleged against it.
6. The applicant was informed to submit Revised Settlement Terms (RST) within 15 working days from the date of the IC meeting in terms of Regulation 13(2)(c) of SEBI (Settlement Proceedings) Regulations, 2018. The applicant had submitted RST vide letter dated November 12, 2024. SEBI observed that the RST was in line with the recommendations of the IC in the matter and accordingly recommended placing of the Application before High Powered Advisory Committee (HPAC) for its consideration and recommendations.

7. The subject application was placed before the HPAC in its meeting held on December 24, 2024. The recommendations of the HPAC were approved by the Panel of WTMs on February 05, 2025. Subsequently, the applicant vide email dated March 04, 2025 informed about the remittance of the settlement amount and the same has been confirmed by the concerned department.
8. In view thereof, the instant Adjudication Proceedings initiated against the Noticee viz., HDFC Securities Limited vide SCN No. SEBI/EAD/BM/DS/25507/1/2024 dated August 08, 2024, are hereby disposed of in terms of Section 15JB of the SEBI Act, 1992 read with Regulation 23(1) of SEBI (Settlement Proceedings) Regulations, 2018.
9. The passing of this Settlement Order shall however be without prejudice to the rights of SEBI under Regulation 28 and 31 of the SEBI (Settlement Proceedings) Regulations, 2018, to initiate appropriate actions, including restoring or initiating the proceedings in respect of which this settlement order is passed against the Applicant, if:
 - 9.1. it comes to the notice of the Board that the applicant has not made full and true disclosure;
 - 9.2. applicant has violated the undertakings or waivers;
 - 9.3. there was a discrepancy while arriving at the settlement terms.
10. This Settlement Order shall come into force with immediate effect.
11. In terms of Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this Order shall be sent to the Applicant and be published on website of SEBI.

DATE: March 11, 2025
PLACE: MUMBAI

AMAR NAVLANI
ADJUDICATING OFFICER