BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/DS/2023-24/30047]

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

Eastern Financiers Limited
PAN No.: AAACE7613A
SEBI Regn No.: INZ000193733

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted inspection of M/s Eastern Financiers Limited (hereinafter referred to as "**Noticee/ EFL / the Company**") from July 10, 2023 to July 14, 2023 to look into various compliance requirements adhered by EFL. The period covered in inspection was from April 01, 2022 to May 31, 2023 (hereinafter referred to as "**inspection period**" / "**IP**"). Noticee is registered as stock broker with SEBI registration no. INZ000193733.

2. The findings/ observations made during the course of inspection were communicated to the Noticee by SEBI vide letter dated August 16, 2023. After examining the reply submitted by the Noticee vide letters dated August 23, 2023 and mail dated August 25, 2023, it has been alleged that the Noticee violated various provisions of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as "**Stock Brokers Regulations, 1992**") and applicable SEBI Circulars. The summary of violations alleged to have been committed by the Noticee and the

corresponding provisions of Stock Brokers Regulations, 1992 and SEBI Circulars are given in the table below:

Table 1

Sr. No.	Alleged Violations (Summarized)	Regulatory Provisions
1	Discrepancy in data pertaining to bank balance, free collateral deposited with Clearing Corporation (CC) and own securities deposited as collateral with CC.	Clause 3.2 and Clause 6.1.1.j of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P /2016/95 dated September 26, 2016
2	Discrepancies in stock reconciliation	Clause 2.3 of SEBI Circular MRD/DoP/SE/Cir-11/2008 dated April 17, 2008
3	Non reporting of bank account/ demat account	Clause 2 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
4	Non settlement of clients' funds on quarterly / monthly basis	Clause 5 of SEBI Circular SEBI/HO/ MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021
5	Non-settlement of Inactive Client Funds	Clause 5 of SEBI Circular SEBI/HO/ MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021
6	Short collection of margin	Clause 5 of SEBI Circular SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 read with Clause (iii) of Annexure of SEBI/HO/MRD2/DCAP/ CIR/P/2020/127 dated July 20, 2020

Sr. No.	Alleged Violations (Summarized)	Regulatory Provisions
7	Terminal being operated by a person, other than approved user	Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE circular NSE/MEM/3574 dated August 29, 2002
8	Mapping unique mobile numbers to more than one UCC without obtaining family declaration	Clause 2.B.iv of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011 Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with BSE Notice no. 20210401-53 dated April 01, 2021.

3. SEBI initiated adjudication proceedings against the Noticee under section 15HB of SEBI Act, 1992 for the alleged violations of the relevant provisions as stated above.

APPOINTMENT OF ADJUDICATING OFFICER

4. Ms. Soma Majumdar, General Manager, was appointed as the Adjudicating Officer **(AO)** vide Order dated October 31, 2023 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 15HB of SEBI Act, 1992, the violations of aforesaid provisions alleged to have been committed by the Noticee. Pursuant to her transfer, the undersigned was appointed as AO vide Order dated December 07, 2023.

<u>SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING</u>

5. Show Cause Notice No. SEBI/HO/EAD/EAD-3/BM/DS/OW/2024/5036/1 dated January 05, 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 section 15HB of SEBI Act, 1992 be not imposed on the Noticee.

6. The SCN was duly served on the Noticee through SPAD and digitally signed e-mail. The Noticee submitted its reply to the SCN vide emails dated February 02, 2024.

7. The submissions made by the Noticee are as summarized below:

   7.1. <u>Discrepancy in data pertaining to bank balance, free collateral deposited with Clearing Corporation (CC) and own securities deposited as collateral with CC.</u>

   7.1.1. For 1 instance, there was variation in the bank balance reported to the Exchange in which we had reported a reduced balance. The said difference was due to an inadvertent error which occurred while preparing the BRS wherein a cheque received from a client was not recorded in the Noticee's books and accordingly, its books were showing a reduced balance. It further submitted that such error has happened only once due to an unintentional negligence from the Noticee's accountant who was relatively new into the system.

   7.1.2. For another instance, there was difference in reporting the amount of Free Collateral Deposited with Clearing Corporation. It was due to erroneous consideration of the said balance from MG01_2 file instead of MG01 File. As both the files had similar naming convention, the said error occurred.

7.1.3. In few other instances verified during the inspection period, there were some mismatch in the value of own securities deposited as collateral with the clearing corporation. Upon review of these instances, it observed that these differences were due to certain securities which were pledged as collaterals with the Clearing Corporation. However, such securities were not considered as collaterals by the Clearing Corporation. As the lists of such securities were missed to be updated in the back-office, the said error occurred. Also in few instances, there were certain issues in importing the closing rates of securities. Upon the guidance of the inspecting officials, the Noticee has rectified all the errors.

7.1.4. Despite the unintentional errors, there was no ulterior motive, as even after considering the correct balances, there was no breach of any of the principles of enhanced supervision weekly reporting. In all the instances, the Noticee was having sufficient excess balances under all parameters. The same has been critically verified by the inspecting officials.

7.2. <u>Discrepancies in stock reconciliation</u>

7.2.1. The differences in respect of 4 ISINs were due to delayed accounting of corporate action credit in the back-offices software. Previously, the Noticee was following a practice of manual entry of corporate action in its database. Accordingly in certain instances, there was delay in recording of corporate actions in its back-office which has led to such discrepancies. However, as per inspecting officials' suggestions, the Noticee has automated the entire process and currently all corporate actions are incorporated in its back-office software on a real time basis and henceforth, such errors will not recur in future.

7.2.2. Although there were certain operational issues at Noticee's end, it never had any intentions of misusing client's assets since in most of the above instances, it has reported reduced quantities of pledged / repledged *securities of clients which have actually led to reduced exposures to relevant clients.*

7.3. <u>Non reporting of bank account/ demat account</u>

7.3.1. *With regards to non-reporting of closure of 3 demat accounts in MCX, Noticee submitted that upon the introduction of CUSPA demat accounts, it had closed its existing CUSA accounts. Since most of its trades take place in NSE & BSE, it had reported the closure of its CUSA accounts in both these exchanges within the prescribed timelines. However, it has inadvertently missed the reporting of closure of CUSA accounts in MCX. Upon receipt of observation from the inspecting officials, the Noticee realised the same and immediately reported on MCX portal. Noticee has submitted screenshot of the MCX member portal page wherein it has reported the closure of these accounts.*

7.3.2. *Noticee had erroneously missed reporting of one of its proprietary bank accounts to MCX. The said account is operated only for the purpose of meeting the expenses of one of its branches and accordingly is not a very active account. Thus, it missed to report the same to MCX. Upon receipt of observation from the inspecting officials, Noticee has immediately reported the same on MCX Portal. Noticee has submitted screenshots of the MCX member portal page wherein it has reported the bank account.*

7.3.3. *Noticee acknowledged the fact that delayed reporting of the status of bank and demat accounts are violations as per the relevant circulars. However, as there were no transactions in the relevant accounts, Noticee could not have derived any undue advantage by not reporting the same.*

7.4. <u>Non settlement of clients' funds on quarterly / monthly basis</u>

7.4.1. *Regarding non-settlement of running account of clients in 10 out of 500 instances, Noticee submitted that there were certain errors in its back-office software wherein its software was not considering the client* *balances available in NSE Commodity Derivative Segment while settling clients' accounts. As the Noticee had limited number of active clients in NSE commodity segment, it was unable to detect the said error. It has already rectified the said error and no such error shall recur henceforth.*

7.4.2. Out of the observed 10 instances amounting to ₹ 42.07 Lakhs, 3 instances amounting to ₹ 30.35 Lakhs were pertaining to one of Noticee's own group entity and remaining instances amounting to Rs. 11.72 Lakhs were not settled due to back-office software error as already mentioned. However, post-inspection it has rectified all the errors and has regularly settled all the accounts. The subsequent settlement details of all these clients are provided in the table below and Running Account Settlement Confirmation Statements of the relevant period have also been provided by the Noticee.

Table 2

Date of Settlement	Client Code	Shortfall in Actual Settlement	Remarks	Subsequent Settlement Dates
06.01.2023	S70102	1864370.69	Software error, However it is one of our group company.	06-Oct-2023
21.09.2022	S09102	884941.98	Software Error	06-Oct-2023
06.04.2023	S70102	653980.11	Software error, However it is one of our group company.	06-Oct-2023
07.07.2023	S70102	517238.13	Software error, However it is one of our group company.	06-Oct-2023
30.09.2022	S23927	133393.48	Software Error	06-Oct-2023
06.04.2022	S09102	69115.02	Software Error	06-Oct-2023
07.07.2023	S56901	50127.18	Software Error	06-Oct-2023
07.10.2022	S98104	20109.09	Software Error	06-Oct-2023

Date of Settlement	Client Code	Shortfall in Actual Settlement	Remarks	Subsequent Settlement Dates
07.07.2023	S98104	12048.75	Software Error	06-Oct-2023
13.04.2022	A43502	2106	Software Error	06-Oct-2023

7.5. <u>Non-settlement of Inactive Client Funds</u>

7.5.1. With respect to the 10 clients pertaining to non-settlement of inactive client accounts, Noticee submitted that the accounts of 4 clients were active because there were transactions posted in clients' ledger within past 30 days. 5 out of remaining 6 clients were duly settled as per the prescribed guidelines and 1 client was untraceable. Noticee submitted copies of the ledgers of these clients in support of its submissions. Instance-wise details are provided hereunder:

<u>Table 3</u>

Client Code	Closing Credit	Remarks	Our Status
D91402	300000	Fund Received on 30.06.23 & Settled on 07.07.23	Settled
G68934	7000	Fund Received on 30.06.23 & Settled on 07.07.23	Settled
C53707	14882	Fund Received on 07.06.23 & Settled on 07.07.23	Settled
M23926	982.3	Fund Received on 26.06.23 & Settled on 07.07.23	Settled
N80018	2626.19	As per Back-office, 30 days was expiring on 05.07.23 because Demat Charges were debited on 05.06.23	Settled
R31534	1094.22	As per Back-office, 30 days was expiring on 05.07.23 because Demat Charges were debited on 05.06.23	Settled

Client Code	*Closing Credit*	*Remarks*	*Our Status*
S19002	*68357.81*	*As per Back-office, 30 days was expiring on 05.07.23 because Demat Charges were debited on 05.06.23*	*Settled*
A59038	*829.37*	*As per Back-office, 30 days was expiring on 05.07.23 because Demat Charges were debited on 05.06.23*	*Settled*
D94024	*747.64*	*Settled on 05.07.23*	*Settled*
A27738	*9000*	*The Client was Untraceable*	*Not Settled*

7.6. <u>Short collection of margin</u>

7.6.1. In 8 out of 152 instances, the shortfall was mainly due to the cases of cheque return, auction of shares, NEFT received but entry was done at a later date etc. Noticee, as a stock broker, always requests its clients to deposit their margin on an upfront basis. However, in rare instances, such kinds of events occur. Going forward, Noticee will be more vigilant in its margin collection mechanism.

7.7. <u>Terminal being operated by a person, other than approved user</u>

7.7.1. Noticee accepted the allegation and submitted that the same has occurred due to its over sightedness. However, to comply with the same, it has changed the Admin User to a different person and added Mr. Bivas Pal Chowdhury as a Dealer in CTCL using his NISM Certificate and PAN. These details are also uploaded on Exchange Portal. CTCL Details Report and NEAT details Report as on July 31, 2023 was submitted by the Noticee in support of its submissions.

7.8. <u>Mapping unique mobile numbers to more than one UCC without obtaining family declaration</u>

7.8.1. *With respect to the observation pertaining to the mapping of same mobile numbers and email ids for multiple clients, Noticee submitted that all the observed instances were within the acceptable family definitions as per regulatory norms. All the individual accounts having common emails and mobile numbers are the members of same family. All the non-individual clients are either having Common Director, Partner, Karta etc. Supporting documents comprising of scanned copies of Family Declaration Forms were submitted by the Noticee. Therefore, there is no deviation from the prescribed norms.*

7.8.2. *For observation pertaining to the status of suspended/closed clients in BSE UCC database, Noticee submitted that it was unable to update the clients' status on BSE's portal because of certain mandatory details which are required to be updated in UCC database before categorizing the client status as "Suspended / Closed." Since it was unable to contact these clients for obtaining those mandatory details, Noticee was unable to update the same on the UCC Portal. Noticee has already informed this issue to BSE and is awaiting their clarity on any alternative methodology for changing the clients' status.*

7.9. *Noticee requested the AO to not take action against it as these were unintentional, non-deliberated errors, which it has made and has corrected the same and improved its systems and controls so that the same mistakes are not repeated.*

8. Vide letter dated February 05, 2024, hearing notice was issued to Noticee to provide opportunity of personal hearing in the interest of natural justice. The Noticee was advised to appear before the undersigned on February 15, 2024. The Noticee appeared for the scheduled hearing through its authorized representative (**AR**) via video-conferencing mode. The AR reiterated submissions already made

vide emails dated February 02, 2024 and confirmed that all submissions have been made by the Noticee.

CONSIDERATION OF ISSUES AND FINDINGS

9. Considering 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 Stock Brokers Regulations, 1992 and applicable SEBI Circulars, as given in Table 1 above?
   ISSUE II - Do the violations, if any, attract penalty under section 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?

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

    SEBI (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,-*

    (f) he shall at all times abide by the Code of Conduct as specified in Schedule II

    Schedule II – Code of Conduct for Stock Brokers

    A. General.

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

SEBI Circular No. MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008

Collateral deposited by clients with brokers

2. *In continuation of earlier circulars and in order to reiterate the need for brokers to maintain proper records of client collateral and to prevent misuse of client collateral, it is advised that :-*

2.1 …

2.2 …

2.3 The records should be periodically reconciled with the actual collateral deposited with the broker.

SEBI Circular No. CIR/MIRSD/15/2011 dated August 02, 2011

SMS and E-mail alerts to investors by stock exchanges

2. *As an additional measure, it has now been decided in consultation with the major stock exchanges and market participants that the stock exchanges shall send details of the transactions to the investors, by the end of trading day, through SMS and E-mail alerts. This would be subject to the following guidelines:*

A. …

B. Uploading of mobile number and E-mail address by stock brokers

(i) …

(ii) …

(iii) …

(iv) Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.

SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

Enhanced Supervision of Stock Brokers/Depository Participants

Annexure

2. *Reporting of Bank and Demat accounts maintained by Stock Broker:*

2.1. The stock brokers shall inform the Stock Exchanges of existing and new bank account(s) in the following format:

Name address Bank	*Name of Branch*	*Account Number*	*IFSC Co*	*Name Account*	*Purpose Account (Own/Client/ Settlement)*	*Date Opening*

2.2. The stock brokers shall inform the Stock Exchanges of existing and new demat account(s) in the following format:

Name	*Account Number/ ID*	*DP*	*Name Account H*	*PAN*	*Sub-type/ tag of D Account (Proprietary/ C Pool/ Collateral)*	*Date Opening*

2.3. Stock Exchanges and/or Depositories, as the case may be, shall ensure the following:

2.3.1. All existing demat accounts maintained by stock brokers are assigned the appropriate nomenclature as mentioned above, within three months from the date of this circular.

2.3.2. All existing bank accounts maintained by stock brokers which do not have the above mentioned nomenclature, shall be assigned appropriate nomenclature, within six months from the date of this circular.

2.3.3. Details of all existing bank and demat accounts shall be communicated to Stock Exchanges by the stock brokers in the format specified above within one month from the date of this circular.

2.3.4. All new bank and demat accounts opened by the stock brokers shall be named as per the above given nomenclature and the details shall be communicated to the Stock Exchanges within one week of the opening of the account.

2.3.5. In case of closure of any of the reported bank and demat accounts, the same shall be communicated to the Stock Exchanges within one week of its closure.

2.3.6. Depositories shall ensure that once the nomenclature for a particular demat account has been assigned by the stock broker, then the same shall not be modified.

2.3.7. Any non-compliance/non-reporting in this regard by the stock broker shall attract penal action as per the provisions of Stock Exchanges.

2.3.8. Based on the list of stock brokers (including PANs) provided by the respective stock exchanges, Depositories shall also provide stock broker-wise details of all the demat accounts opened by a stock broker to the concerned Stock Exchanges to facilitate reconciliation with the data submitted by the stock broker

2.4. In line with the prevalent regulatory requirement, it is reiterated that;

2.4.1. Stock Broker shall not use client funds and securities for proprietary purposes including settlement of proprietary obligations.

2.4.2. Transfer of funds between "Name of Stock Broker - Client Account" and "Name of Stock Broker - Settlement Account" and client's own bank accounts is *permitted. Transfer of funds from "Name of Stock Broker - Client Account" to "Name of Stock Broker - Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.*

2.4.3. Transfer of securities between "Name of the Stock Broker - Client Account " and individual client's BO account, "Name of the Stock Broker – Pool Account" and "Name of the Stock Broker – Collateral Account" is permitted. Transfer of securities between "Name of the Stock Broker - Client Account" to "Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as, implementation of any Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stock broker, etc. For such transfer of securities, stock broker shall maintain a stock transfer register clearly indicating the day-wise details of securities transferred.

2.4.4. The Stock Exchanges shall monitor compliance with the above requirements, during inspections and the same shall be reviewed by the internal auditor of the broker during the half yearly internal audits.

2.5. As per existing norms, a stock broker is entitled to have a lien on client's securities to the extent of the client's indebtedness to the stock broker and the stock broker may pledge those securities. This pledge can occur only with the explicit authorization of the client and the stock broker needs to maintain records of such authorisation. Pledge of such securities is permitted, only if, the same is done through Depository system in compliance with Regulation 58 of the SEBI (Depositories and Participants) Regulations,1996. To strengthen the existing mechanism, the stock brokers shall ensure the following:

2.5.1. Securities of only those clients can be pledged who have a debit balance in their ledger.

2.5.2. Funds raised against such pledged securities for a client shall not exceed the debit balance in the ledger of that particular client.

2.5.3. Funds raised against such pledged securities shall be credited only to the bank account named as "Name of the Stock Broker - Client Account".

2.5.4. The securities to be pledged shall be pledged from BO account tagged as "Name of the Stock Broker - Client Account".

2.5.5. Stock Brokers shall send a statement reflecting the pledge and funding to the clients as and when their securities are pledged/unpledged as given below:

A	B	C	D					E	F	G	H
Date	Clien Code	Ledg debit the e trade	Collateral of client available with B					Pledg Quant	Pledg Value	Borrow	Details Pledg
			ISIN/ Secu Name	Previo day's closing price	Total Quant	Total (Total Quant Previo day cl price)	Total Value (Adju for a able haircu				

**Ledger debit would be after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients.*

2.6. 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.

2.7. The above requirements mentioned under paras 2.4 to 2.6 shall be applicable within three months from the date of this circular.

3. Monitoring of Clients' Funds lying with the Stock Broker by the Stock Exchanges

3.1. Stock Exchanges shall put in place a mechanism for monitoring clients' funds lying with the stock broker to generate alerts on any misuse of clients' funds by stock brokers, as per the guidelines stipulated in para 3.2 & 3.3 below.

3.2. Stock brokers shall submit the following data as on last trading day of every week to the Stock Exchanges on or before the next trading day:

A- Aggregate of fund balances available in all Client Bank Accounts, including the Settlement Account, maintained by the stock broker across stock exchanges

B- Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of Cash and Cash Equivalents (Fixed deposit (FD), Bank guarantee (BG), etc.) (across Stock Exchanges). Only funded portion of the BG, i. e. the amount deposited by stock broker with the bank to obtain the BG, shall be considered as part of B.

C- Aggregate value of Credit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations)

D- Aggregate value of Debit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients, uncleared cheques issued to clients and the margin obligations)

E- Aggregate value of proprietary non-cash collaterals i.e. securities which have been deposited with the clearing corporations and/or clearing member (across Stock Exchanges)

F- Aggregate value of Non-funded part of the BG across Stock Exchanges

P - Aggregate value of Proprietary Margin Obligation across Stock Exchanges
MC - Aggregate value of Margin utilized for positions of Credit Balance Clients across Stock Exchanges
MF- Aggregate value of Unutilized collateral lying with the clearing corporations and/or clearing member across Stock Exchanges

6. Standard Operating Procedures for Stock Brokers/Depository Participants - Actions to be contemplated by Stock Exchanges/Depositories for any event based discrepancies
6.1. As per existing norms, Stock Exchanges /Depositories are required to monitor their members/depository participants. It has been decided that the Stock Exchanges and Depositories shall frame various event based monitoring criteria based on market dynamics and market intelligence. An illustrative list of such monitoring criterias are given below:
6.1.1. Monitoring criteria for Stock Brokers
a.
b.
..
..
j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

SEBI Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments
5. It is reiterated that the applicable upfront margins are required to be collected from the clients in advance of the trade. The aforesaid framework

prescribed in the Annexure is only for the purpose of verification of upfront collection of margin and levy of penalty.

Annexure

(iii)The member shall have to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:

a)EOD margin obligation of the client shall be compared with the respective client margin available with the TM/CM at EOD.

AND

b)Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the TM/CM during the day.

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty as per the extant framework.

SEBI Circular No.: SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021

Settlement of Running Account of Client's Funds lying with Trading Member (TM)

5. *In partial modification of the aforementioned circulars dated December 03, 2009 and September 26, 2016 on settlement of running account, following has been decided:*

5.1. The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of 30 / 90 days between two settlements of running account as per the preference of the client.

5.2. In case of client having any outstanding trade position on the day on which settlement of running account of funds is scheduled, a TM may retain funds calculated in the manner specified below:

5.2.1. Entire pay-in obligation of funds outstanding at the end of the day on settlement of running account, of T day & T-1 day.

5.2.2. Margin liability as on the date of settlement of running account, in all segments and additional margins (maximum upto 125% of total margin liability on the day of settlement). The margin liability shall include the end of the day margin requirement excluding the MTM and pay-in obligation, therefore, TM may retain 225% of the total margin liability in all the segments across exchanges. Computation for arriving at retention of excess client funds based on above points would be as under:

Scenario	*Fund pay in obligation of T day & T-1 day*	*EOD/peak margin requirement*	*225% of the margin*	*Securities pledged/ repledged*	*Client fund balance*	*Excess client funds retained*
	A	*B*	*C=225%*B*	*D*	*E*	*F=E-[(C-D)+A]*
1	*110000*	*100000*	*225000*	*200000*	*300000*	*165000*
2	*50000*	*20000*	*45000*	*15000*	*50000*	*0*
3	*150000*	*100000*	*225000*	*280000*	*180000*	*30000*

^ Excess securities of Rs. 55,000 (i.e. 280000-225000) is not required to be unpledged.

5.2.3. TM will first adjust the value of securities (after applying appropriate haircut) accepted as collateral from the clients by way of 'margin pledge' created in the Depository system for the purpose of margin and value of commodities (after applying appropriate haircut) respectively and thereafter TM shall adjust the client funds.

5.2.4. It is clarified that the excess securities (in the form of margin pledge) or any cash equivalent collateral identifiable with the client and deposited with CC, after adjustment of the 225% of margin liability need not be unpledged.

5.3. Client's running account shall be considered settled only by making actual payment into client's bank account and not by making any journal entries. Journal entries in client account shall be permitted only for levy / reversal of charges in client's account.

5.4. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.

5.5. In cases where physical payment instrument (cheque or demand draft) is issued by the TM towards the settlement of running account due to failure of electronic payment instructions, the date of realization of physical instrument into client's bank account shall be considered as settlement date and not the date of issue of physical instrument.

5.6. Retention of any amount towards administrative / operational difficulties in settling the accounts of regular trading clients (active clients), shall be discontinued.

5.7. The Authorized person is not permitted to accept client's funds and securities. The TM should keep a proper check. Proprietary trading by Authorized person should be permitted only on his own funds and securities and not using any of the client's fund.

5.8. Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). TM shall send the retention statement *along with the statement of running accounts to the clients as per the existing provisions within 5 working days.*

5.9. Client shall bring any dispute on the statement of running account, to the notice of TM within 30 working days from the date of the statement.

11. I will now proceed with my findings in each of the alleged violations against the Noticee in the SCN dated January 04, 2024.

12. <u>Discrepancy in data pertaining to bank balance, free collateral deposited with Clearing Corporation (CC) and own securities deposited as collateral with CC</u>

12.1. It was observed that there were discrepancies in the data provided by the Noticee to the SEBI inspection team and the weekly data uploaded by the Noticee to respective exchanges. The alleged discrepancies were found in the data submitted by the Noticee to the Exchanges for the weeks ending December 3, 2022, December 10, 2022, December 17, 2022, December 24, 2022, December 30, 2022, May 05, 2023, May 12, 2023, May 19, 2023 and May 26, 2023. As data submitted to the Exchanges was allegedly incorrect, it was alleged that the Noticee has violated the provisions of Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/2016/95 dated September 26, 2016.

12.2. As per Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/2016/95 dated September 26, 2016, a stock broker shall submit various data, including aggregate of fund balances available in all client bank accounts and aggregate value of collateral deposited with clearing corporations as on last trading day of every week to the stock exchanges on or before the next trading day.

12.3. Noticee submitted that in one instance, it had reported reduced bank balance; in another instance, the amount of free collateral deposited with CC was incorrectly reported as the Noticee had considered incorrect file which was named similarly; in other instances, some securities deposited as collateral with CC were not considered for the purpose of collateral by the CC, due to which there was mismatch in figures reported.

12.4. I note that Noticee has not denied the allegations while providing explanations for the incorrect reporting of figures to the Exchanges. I also note that the following figures were wrongly reported by the Noticee.

<u>Table 4</u>

Date	**Head**	**Figures reported by the Noticee (₹) (I)**	**Figures as per Inspecting Officials (₹) (II)**	**Difference (₹) (I) - (II)**
03/12/2022	Value of own securities deposited as collateral with CC	167330272.04	16,45,38,032.02	27,92,240.02
03/12/2022	Free/unblocked Collateral deposited with CC	123068562.17	11,85,96,677	44,71,884.85
10/12/2022	Value of own securities deposited as collateral with CC	16,63,81,640.62	16,58,95,891.74	4,85,748.88
17/12/2022	Value of own securities deposited as collateral with CC	159753565.19	159723204.8	30,360.35
24/12/2022	Total of day end balance in all Client Bank Accounts	37387026.78	37402526.78	-15,500.00
24/12/2022	Value of own securities deposited as collateral with CC	151383189.53	154290205.61	-29,07,016.08
30/12/2022	Value of own securities deposited as collateral with CC	149557350.27	14,63,30,944.93	32,26,405.34
05/05/2023	Value of own securities deposited as collateral with CC	143464683.95	137933665.35	55,31,018.60
12/05/2023	Value of own securities deposited as collateral with CC	136867138.96	137750643.6	- 8,83,504.65
19/05/2023	Value of own securities deposited as collateral with CC	137507742.11	154294897.2	-1,67,87,155.12
26/05/2023	Value of own securities deposited as collateral with CC	139200957.30	156076268.5	-1,68,75,311.22

12.5. Noticee has submitted that it has not misused any clients' funds and there is no violation of any of the principles given in the enhanced supervision circular. I note that there is no allegation regarding misuse of clients' funds.

12.6. I note that there have been 11 instances of incorrect reporting of above mentioned figures on 9 dates. I also note that the Noticee has under reported the figures in 5 out of 11 instances and over reported in the remaining 7 instances. Thus, I find that the Noticee has violated the provisions of Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/2016/95 dated September 26, 2016.

13. Discrepancies in stock reconciliation

13.1. During the inspection, Client securities pledged/ re-pledged for margin with the clearing corporation and clearing member were compared with back-office securities pledge register of the Noticee. Out of the sample of 79 clients, 15 instances pertaining to 8 clients were found, wherein the client's securities in the scrip of INFIBEAM-INE483S01020, NMDC-INE584A01023, NSLNISP-INE0NNS01018 and IRCTC-INE335Y01020 including the benefit/credit arising due to the corporate action in these scripts, which have been pledged as per Back office securities pledge register, could not be reconciled with the securities re-pledged report of the clearing corporation and/or client securities pledged in CMPA A/c-10103119. Thus, it was alleged that the Noticee has violated the provisions of Clause 2.3 of SEBI Circular MRD/DoP/SE/Cir-11/2008 dated April 17, 2008.

13.2. As per Clause 2.3 of SEBI Circular MRD/DoP/SE/Cir-11/2008 dated April 17, 2008, brokers shall maintain proper records of client collateral and the records should be periodically reconciled with the actual collateral deposited with the broker.

13.3. Noticee has submitted that the discrepancies were due to delayed accounting of corporate action credit in the back office software for four ISINs. The errors have been rectified and automated system is now in place to incorporate the actions in the back office software. Noticee has further submitted that it has not gained or provided undue advantage to its clients as it had reported reduced quantities of securities, which reduced the exposures to those clients.

13.4. Upon comparing the quantities of securities pledged / repledged for margin with the CC and Clearing Member (CM) with the back office securities pledged register of the Noticee, I note that there were 15 instances, where the quantities pledged with CC / CM were not matching with the quantities pledged as per securities pledged register of the Noticee.

13.5. Noticee's submissions that there was delay in accounting of corporate actions cannot be accepted, as the margin quantity in back office software was more than quantities of shares actually pledged with the CC / CM in 14 out of 15 instances. For the same reason, Noticee's submissions that delayed accounting led to reduced exposures to the clients, is also not acceptable.

13.6. Thus, there were discrepancies in the Client securities pledged/ re-pledged for margin with the clearing corporation and clearing member vis-à-vis back-office securities pledge register of the Noticee. In view of the above, I find that Noticee has violated the provisions of Clause 2.3 of SEBI Circular MRD/DoP/SE/Cir-11/2008 dated April 17, 2008.

14. Non reporting of bank account/ demat account

14.1. It was observed that the following bank account was not reported to the Exchange (MCX).

Account no	**Bank Name**	**A/c Open Date**	**Purpose of Account**
25010200001505	Axis Bank	05-Apr-1999	Proprietary

14.2. It was also observed that details of closure of following demat accounts were not reported to the Exchange (MCX).

Demat A/c no	Account Opening	Date of A/c closing	Purpose of Account
IN303181-10100064	21-09-2019	12-04-2023	CUSA
IN303181-10100089	21-09-2019	12-04-2023	CUSA
13012400-5713268	25-09-2019	31-03-2023	CUSA

14.3. Thus, it was alleged that the Noticee has violated the provisions of Clause 2 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/2016/95 dated September 26, 2016.

14.4. As per Clause 2 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/2016/95 dated September 26, 2016, the stock brokers shall inform the stock exchanges in a specified format, the details of existing and new bank and demat accounts within one week of the opening of the accounts and also report closure of any reported bank or demat accounts within one week of the closure of the account.

14.5. Noticee has accepted the allegations and has submitted that it has subsequently reported the aforesaid bank account to the MCX and has also reported the closure of demat accounts to MCX. In this regard, Noticee has also submitted relevant screenshots of the MCX member page. However, there has been non-reporting of a bank account and closure of three demat accounts to MCX, which could have been avoided if the Noticee was careful. Thus, I find that the Noticee has violated the provisions of Clause 2 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/2016/95 dated September 26, 2016.

15. <u>Non settlement of clients' funds on quarterly / monthly basis</u>

15.1. Out of a sample of 100 clients (500 instances), it was observed that the Noticee has not settled client funds for 6 clients (10 instances) amounting to ₹42,07,430.43. Thus, it was alleged that the Noticee has violated the provisions of Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

15.2. As per Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, a trading member shall settle running accounts of clients' funds at least once within a gap of 30 / 90 days between two settlements of running account.

15.3. Noticee has submitted that due to certain errors in its back-office software, client balances in NSE Commodity Derivative Segment were not being considered while settling clients' accounts. Noticee has informed that the error has been rectified and the balances are being properly settled. Noticee has further submitted that out of the 10 instances, three instances amounting to ₹ 30.35 lakh were pertaining to group entity of the Noticee.

15.4. I note that the group entity, whose balances were not settled is also a client of the Noticee, and the same regulatory provisions with respect to settlement of clients' balances would apply for the group entity clients too. Therefore, Noticee's contention in this regard is not acceptable. While Noticee has informed that it has settled the balances in all ten instances on October 06, 2023 and the error in software has been rectified, it cannot be denied that the balances were not settled within 30 / 90 days of the previous settlement of running account of these clients. Thus, I find that the Noticee has violated the provisions of Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

16. Non-settlement of Inactive Client Funds

16.1. It was observed that during the inspection period, the Noticee has not settled the funds of 10 inactive clients amounting to ₹ 4,05,519.53. Thus, it was alleged that the Noticee has violated the provisions of Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

16.2. As per Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP /P/CIR/2021/577 dated June 16, 2021, a trading member shall return the credit balance of the clients who have not done any transaction in the 30 calendar days since the last transaction, within next three working days, irrespective of the date when the running account was previously settled.

16.3. Noticee has submitted that 4 accounts were active as demat charges were debited to these accounts within past 30 days ; 1 client was untraceable and its balance was kept in a separate bank account ; 4 accounts were active as funds were transferred by the clients within less than 30 days of the settlement date, i.e. July 07, 2023. Thus, settlement of funds of only 1 client was not made by the Noticee.

16.4. I note that application of demat charges of funds transferred by the client to the Noticee cannot be considered as transactions in terms of Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021. Transactions in securities market through the Noticee should be considered for counting 30 days from the last 'transaction'. For the same reasons, funds transferred by clients to the Noticee also cannot be considered as 'transaction'. Noticee has submitted that one client cannot be traced and its balances are kept in a separate account, which is acceptable.

16.5. In view of the aforesaid, Noticee has not settled the balances in 9 instances, and has thus violated the provisions of Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

17. Short collection of margin

17.1. It was observed that in eight out of 152 instances, there was shortfall in margin collection from the clients, totaling to ₹11,680.20. Thus, it was alleged that the Noticee has violated provisions of Clause 5 of SEBI Circular SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 read with Clause (iii) of Annexure of SEBI/HO/MRD2/ DCAP/CIR/P/2020/127 dated July 20, 2020.

17.2. Clause 5 of SEBI Circular SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 read with Clause (iii) of Annexure of SEBI/HO/MRD2/ DCAP/CIR/P/2020/127 dated July 20, 2020, prescribes verification of upfront collection of margin, which is required to be collected from the clients in advance of the trade and, levy of penalty.

17.3. Noticee has accepted the allegation and has submitted that the shortfall of margin collection amounting to ₹11,680.20 from 8 clients was mainly due to cheque return, auction of shares, NEFT received but recorded on a later date, etc. I note that admittedly, short margin collection has been made by the Noticee. Thus, I find that the Noticee has violated the provisions of Clause 5 of SEBI Circular SEBI/HO/MRD2/DCAP/ CIR/P/2020/127 dated July 20, 2020 read with Clause (iii) of Annexure of SEBI/HO/MRD2/ DCAP/CIR/P/2020/127 dated July 20, 2020.

18. Terminal being operated by a person, other than approved user

18.1. It was observed that an employee of the Noticee, Shri Bivas Pal Choudhury was mapped as an “Admin User” as per exchange records. However, he was allegedly operating a CTCL system under “Dealer Code”. Upon enquiring, the Noticee , vide emails dated July 16, 2023 and July 20, 2023 informed that since an “Admin” cannot operate as “Dealer”, they were using another PAN number to register Shri Bivas as Dealer. Thus, it was alleged that the Noticee has violated the provisions of Clause A(5) of Schedule II read with Regulation 9(f) of Stock Brokers Regulations, 1992 read with NSE circular NSE/MEM/3574 dated August 29, 2002.

18.2. As per Clause A(5) of Schedule II read with Regulation 9(f) of Stock Brokers Regulations, 1992, a stock broker shall always abide by the applicable provisions of SEBI Act, the rules and regulations issued by the Government, SEBI and the stock exchange. As per NSE circular NSE/MEM/3574 dated August 29, 2002, titled as 'Guidelines for location of CTCL terminals and usage thereof', necessary prior approval of the Exchange is required to be obtained before any CTCL terminal is entrusted to an Approved Person and the trading member shall not entrust the CTCL terminals to persons other than Approved Person.

18.3. Noticee has accepted the allegation and has submitted that as one person can have only one user access and Mr Bivas Pal Choudhury already had 'admin user' access in CTCL, 'Dealer' access was taken by the Noticee in the name of another person, which Mr Bivas Pal Choudhury was using. Noticee further submitted that it has now provided 'Dealer' access to Mr Bivas Pal Choudhury. In this regard, it has also submitted the CTCL details report and NEAT details report as on July 31, 2023.

18.4. I note that Mr Bivas Pal Choudhury was using the 'dealer' access in CTCL, even though it was not authorised to do so as per the NSE Circular, as he was having only 'admin' user access. Thus, I find that Noticee has violated the provisions of Clause A(5) of Schedule II read with Regulation 9(f) of Stock Brokers Regulations, 1992 read with NSE circular NSE/MEM/3574 dated August 29, 2002.

19. Mapping unique mobile numbers to more than one UCC without obtaining family declaration

19.1. It was observed that the Noticee has allegedly mapped 263 unique mobile numbers to 757 Unique Client Codes (UCC) and 290 unique email ids to 823 UCC, without obtaining family declaration from the registered clients. Thus, it was alleged that the Noticee has violated the provisions of SEBI Circular No. CIR/MIRSD/15/2011 dated August 02, 2011.

19.2. It was also observed upon verification of active status of UCCs in back office system and Exchange UCC record that the Noticee allegedly failed to update suspended/closed status of 226 UCCs in BSE UCC database. Upon enquiring, the Noticee submitted that suspended/closed status of 226 UCCs in BSE UCC database could not be updated on account of non-availability of certain mandatory details as clients could not be contacted for obtaining those mandatory details. The Noticee further submitted that the issue was informed to the BSE. In this regard, broker has not submitted any evidence to substantiate his argument. Thus, it was alleged that Noticee has violated Clause A(5) of Schedule II read with Regulation 9(f) of Stock Brokers Regulations, 1992 read with BSE Notice no. 20210401-53 dated April 01, 2021.

19.3. As per Clause 2.B.iv of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011, a stock broker shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. ‘Family’ for this purpose would mean self, spouse, dependent children and dependent parents.

As per BSE Notice no. 20210401-53 dated April 01, 2021, the trading members are required to cross verify the client data for all their existing clients as well for new clients at their end to ensure that all the mandatory and important details for their clients such as Name, PAN, Category, Complete Address, PIN code, Mobile number, Email ID, Income details is updated on the UCC system of the Exchange.

In case of failure to meet the above guidelines, the status of such client codes shall be marked as “Closed” in UCC system of the Exchange. It was observed that BSE Notice no. 20210401-53 dated April 01, 2021 does not specify any requirement pertaining to updating of mandatory details in UCC database before categorizing the client status as “Suspended / Closed.

19.4. Noticee has submitted that the observation of mapping of 263 unique mobile numbers to 757 Unique Client Codes (UCC) and 290 unique email ids to 823 UCC were within the acceptable family definitions as per regulatory norms. During the hearing, the Noticee submitted that in its reply to the findings of inspection, it had submitted only a sample of forms. However, while replying to the SCN, it has submitted the declaration forms for common mobile number / email ID of clients. In view of the declaration forms submitted by the Noticee, I find that Noticee’s submissions in this regard are acceptable.

19.5. With respect to not updating suspended/closed status of 226 UCCs in BSE UCC database, Noticee has submitted that certain mandatory details were required to be filled to update the status in UCC database. The Noticee was not able to update the UCC database due to the error log generated from the BSE portal, which required the Noticee to update some details while updating the suspended / closed account status, and the Noticee was unable to fetch those details from the suspended / closed clients. It has submitted a copy of the error log file generated while uploading the batch file in the BSE portal. Noticee has further submitted that it has now updated the status manually on the BSE portal, instead of uploading the details through batch file.

In view of the submissions made by the Noticee, I find the same to be acceptable.

ISSUE II - Do the violations, if any, attract penalty under Section 15HB of the SEBI Act, 1992?

20. I note that the above violations make the Noticee liable for monetary penalty under Section 15HB of the SEBI Act, 1992, the text of which is reproduced hereunder:

<u>SEBI Act, 1992</u>

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.*

21. In context of the above, I refer to the observations of Hon'ble Supreme Court in the matter of Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361} wherein the Hon'ble Court had observed: "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant A breach ofcivil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.*"

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?

22. While determining the quantum of penalty under Section 15HB of the SEBI Act, 1992, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992, which read as under:

    SEBI Act, 1992

    15J While adjudging quantum of penalty under section 15-I, 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.

23. 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 the defaults by Noticee. Further, from the material available on record, it may not be possible to ascertain the exact monetary loss to the investors /clients on account of default by Noticee. Further, as per the available records, it is observed that Noticee has not been penalised earlier for any of the aforesaid violations. Thus, violations are not repetitive in nature. However, I cannot ignore the fact that as a SEBI registered intermediary, Noticee was under statutory obligation to comply with the applicable circulars, rules and regulations. The very purpose of the said regulations is to deter wrong doing and promote ethical conduct in the securities market. I find that in many instances, Noticee has rectified the issues, however, such non-compliance deserves and attracts penalty.

ORDER

24. Accordingly, taking into account the aforesaid observations and in exercise of power conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose following penalty upon Noticee.

Sr. No.	Name of Noticee	Violation provisions	Penal Provisions	Penalty
1	EASTERN FINANCIERS LIMITED	• Clause 2, 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 • Clause 2.3 of SEBI Circular MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 • Clause 5 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021 /577 dated June 16, 2021 • Clause 5 read with Clause (iii) of Annexure of SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 • Clause A(5) of Schedule II read with Regulation 9(f) of Stock Brokers Regulations, 1992 read with NSE circular NSE/MEM/3574 dated August 29, 2002	Section 15HB of SEBI Act, 1992	₹ 3,50,000/- (Rupees Three Lakh and Fifty Thousand)

25. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:
ENFORCEMENT → Orders → Orders of AO → PAY NOW.

26. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

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

DATE: FEBRUARY 26, 2024 **BARNALI MUKHERJEE**
PLACE: MUMBAI **ADJUDICATING OFFICER**