

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/GR/BM/2023-24/26581-26585)**

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 AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 (HEREINAFTER REFERRED TO AS "SCRA, 1956") AND RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005.

In respect of:

Name of the Entity	Registration Number	PAN
CPR Capital Services Ltd.	INB230876935, INF230876935, INE230876935, INB010876937, INF010876937, INE010876937, INB260876934, INF260876934 and INE260876935	AAACC3235A
Pawan Kumar Garg		AAPPG1517R
Anuj Garg		AHEPG5644F
Dinesh Kumar		ABKPK0853A
Shashi Garg		AIGPG7786F

FACTS OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had conducted an inspection of stock broker CPR Capital Service Ltd. (hereinafter referred to as “**Noticee No.1/CPR**”). The focus of the inspection was to ascertain instances of misuse of client securities, non-settlement of client accounts, non-settlement of stocks, non-segregation of client and Trading Member(TM) bank account, funding to clients and whether Email ID and mobile No of clients were uploaded in UCC of active clients as was observed by the National Stock Exchange (hereinafter referred to as “**NSE/Exchange**”) in its limited purpose inspection of the Noticee No.1. The period of inspection was from 01-Apr-2015 to December 05, 2016 (hereinafter referred to as “**Inspection Period/IP**”).
2. The aforesaid inspection prima facie revealed the irregularities with respect to the violation of anti-money laundering (AML)/CFT and KYC norms, irregularities with respect to running account settlement, failure to segregate funds and securities, mis-utilization of client’s securities, not following the nomenclature of accounts and misuse of client’s securities by pledging.
3. Accordingly, the findings of the inspection were communicated to Noticee No.1 vide letter dated November 08, 2017, pursuant to which Noticee No.1, vide letter dated November 27, 2017, submitted its reply.
4. Based on the submitted replies, following alleged violations of provisions of SEBI Circulars, Stock Brokers Regulations and non-compliance of directions vide SEBI Interim Order dated September 25, 2018 were observed in the Inspection Report (IR):
 - a) Clause 5.1(f), (g) of the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 & Clause 3 and 4 of SEBI circular CIR/ MIRSD/ 2/ 2013 January 24, 2013.
 - b) Clause 4, 15 and 33 of Annexure 4 of SEBI circular CIR/MIRSD/16/2011 dated Aug 22, 2011.

- c) Clause 12 (d), (e) of Annexure A of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.
 - d) Clause 1 and 2 of Circular no. SMD/ SED/ CIR/ 93/ 23321 dated 18 Nov, 1993.
 - e) Clause 1 and 2.4 and 2.5 of Annexure of SEBI circular SEBI/ HO/ MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.
 - f) Clause 2.1 and 4 of SEBI Circulars no. MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008.
 - g) Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock Brokers under Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992.
 - h) Regulation 26(ii) and Regulation 26(iv) of the SB Regulations.
 - i) Non-compliance of direction given at para 19(c) of SEBI Interim Order dated September 25,2018
5. In view of the above, SEBI initiated adjudication proceedings under Section 15HB, 15A(a), 15C of the SEBI Act, and Section 23D of Securities Contract Regulation Act,1956 (hereinafter referred to as “**SCRA**”) against Noticee No.1 as well as against Mr. Pawan Kumar Garg (“**Noticee No.2**”), Mr. Anuj Garg (“**Noticee No.3**”), Mr. Dinesh Kumar (“**Noticee No.4**”) and Ms. Shashi Garg (“**Noticee No.5**”), by virtue of being the directors of Noticee No.1, during the relevant period for the aforesaid alleged violations. The aforesaid entities are hereinafter referred to by their respective names/serial numbers or collectively as the “**Noticees**”.

APPOINTMENT OF ADJUDICATING OFFICER

6. In this regard, the undersigned has been appointed as the Adjudicating Officer (“**AO**”) by SEBI, vide communique dated December 23, 2022 under sub-section 1 of Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure of Holding Inquire and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”) and Section 23-I of the Securities Contract Regulation Act,1956 (hereinafter referred to as “**SCRA**”) read with Rule 3 of the Securities Contract (Regulation) (Procedure

for Holding Inquire and Imposing Penalties) Rules, 2005 to inquire into and adjudge under Section 15HB, 15A(a), 15C of the SEBI Act, and Section 23D of the SCRA for the alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

7. A Common Show Cause Notice dated February 13, 2023 (hereinafter referred to as 'SCN') was issued to the Noticees under rule 4 of the Adjudication Rules, to show cause as to why an inquiry should not be held and penalty be not imposed under Section 15HB, 15A (a), 15C of the SEBI Act, and Section 23D of the SCRA for the aforesaid alleged violations.
8. The said SCN was served on the Noticees via SPAD and vide email dated February 13, 2023. The proof of service is on record. There was no response to the SCN from the Noticees. Accordingly, in the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, an opportunity of personal hearing was granted on March 21, 2023 through video conferencing on the Webex platform which was communicated vide hearing Notice dated March 13, 2023 through email to all the Noticees and through physical letters to the Noticee No. 2, 4 and 5. In response to the same, Noticee No.1 vide email dated March 20, 2023 submitted reply to the SCN stating that the reply is on behalf of all the Noticees, however, the same was devoid of authorization letters from the Noticees. The Noticee No.1 also requested to be granted some more time for hearing. Accordingly, vide email dated March 21, 2023, the Noticees were granted another opportunity of hearing on March 23, 2023 with an advise to provide Authorization letters from all other Noticees.
9. Subsequently, vide email dated March 21, 2023, Authorized Representative (AR) requested to provide further extension of time for hearing. In this connection AR submitted the Authorization Letters of all the Noticees vide email dated March 23, 2023. Pursuant to which vide email dated March 29, 2023, the Noticees were granted

an another opportunity of hearing on April 12, 2023 which was further rescheduled to April 13, 2023 as per request of the AR. The said hearing was attended by AR on April 13, 2023.

10. The reply of the Noticees vide letter dated March 20, 2023 is summarized as under:

- a) *As per practice prevailing if a client pays the margin applicable and fulfills all the KYC formalities then he was considered eligible for trading in share market. This practice of risk categorization is taken seriously now days only and that it was a small concern and never did risk categorization at a high standard level.*
- b) *The net payment made by the clients to the broker cannot be commensurate with the declared income of the client. It is the responsibility of the client to make the payment required for the trading done by him and it is his prerogative to see whether the declared income is commensurate with the payments made by him during the year. Further it is very impossible for the Noticee to verify how much trading is going to be made by him and how much payment he is going to make during the year. Further to enquire about the source of income of a client is next to impossible for a broker.*
- c) *The supporting documents for identification of Beneficial Ownership in case of corporate clients viz c173, c182. 505022, and 505213 are available with the Noticees and the same were duly produced for verification. The income proof might not be uploaded in back office software, however it was available with them.*
- d) *Noticees submitted that their staff carried out KYC of all the three codes N162, S276 and R57. In the back office software necessary entries may not be due to carelessness of the back office staff and mismanagement.*

- e) *The also submitted that all the clients had insisted for non settlement of the account on quarterly basis as they all were regularly dealing and trading and that it was penalized by the exchange for this non-compliance.*
- f) *They never used client's funds for their own requirements. Money was routed through client accounts instead of own accounts that again due to carelessness of the staff.*
- g) *Noticees submitted that they used the securities of the clients and non-segregated the clients and own securities resulting in violations of the SEBI circular. But almost the securities of those clients were used only which were having either debit balances or our own sister concerns/related parties like IFL PROMOTERS LTD and CHP Finance Pvt. Ltd.*
- h) *There was shortage of funds of approx. 2.5 crores for a short span of time because of the reason of default in making the payment obligation by clients of the Noticee to the tune of approx. ten crores which resulted in shortage of funds and mis-utilization of client securities, resulting in non-segregation of client securities from own securities.*
- i) *Omission of word "Client A/C" in the client beneficiary account was the mistake of the Noticees' bank which issued us the cheque books without mentioning the client account on the face of the cheque book. However, a monetary penalty imposed by the exchange has already been paid by it and the mistake has been rectified.*
- j) *Noticees did supply every possible information available with it but due to shortage of funds of 2.5 crores aprox, they were so much disturbed that it might have been possible that timely reply might not have been given but there was no bad intention of any kind whatsoever. Noticees further submitted that they never did anything which showed that the Noticees were non cooperative with the inspecting*

authority, except one time when one of the directors faced with acute disease and had undergone a massive surgery which resulted in delay in providing information to the inspection team since all were disturbed in the hospital for almost two months.

k) There is no immovable assets on the name of the Noticees which is free of charge either from bank or financial institutions. The properties held with on the name of the companies were mortgaged with Punjab national bank and have been sold out for paying the bank dues settlement of OD accounts. Noticees also provided details of movable and immovable assets on their names.

11. Taking into account the aforesaid facts, I am of the view that principle of natural justice has been followed in the matter by granting the Noticees ample opportunities for replying to the SCN and of being heard. Therefore, I deem it appropriate to decide the matter on the basis of facts/material available on record and reply submitted by the Noticees.

CONSIDERATION OF ISSUES AND FINDINGS: -

12. I have carefully perused the charges levelled against the Noticees and the documents / material available on record. The issues that arise for consideration in the present case are:

Issue No. I: Whether Noticees are in violation of the following provisions of SEBI Circulars, Stock Brokers Regulations and non-compliance of directions vide SEBI Interim Order dated September 25, 2018?

- a) Clause 5.1(f), (g) of the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010.
- b) Clause 3 and 4 of SEBI circular CIR/ MIRSD/ 2/ 2013 January 24, 2013.

- c) Clause 4, 15 and 33 of Annexure 4 of SEBI circular CIR/MIRSD/16/2011 dated Aug 22, 2011.
- d) Clause 12 (d), (e) of Annexure A of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.
- e) Clause 1 and 2 of Circular no. SMD/ SED/ CIR/ 93/ 23321 dated 18 Nov, 1993.
- f) Clause 1 and 2.4 and 2.5 of Annexure of SEBI circular SEBI/ HO/ MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.
- g) Clause 2.1 and 4 of SEBI Circulars no. MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008.
- h) Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock Brokers under Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992.
- i) Regulation 26(ii) and Regulation 26(iv) of the Stock Brokers Regulations.
- j) Non-compliance of direction given at para 19(c) of SEBI Interim Order dated September 25, 2018.

Issue No. II: If yes, does the violation, on the part of the Noticees would attract monetary penalty under Section 15HB, 15A (a) ,15C of the SEBI Act and Section 23D of SCRA as applicable?

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of SCRA?

13. Before proceeding further, I would like to refer to the relevant provisions of law:

Relevant provisions of Regulation 9 of SEBI (Stock Brokers and Sub-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 one month 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. 30[

(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.]

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.

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

The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:

13(b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted.

Liability for monetary penalty.

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

(ii) Failure to furnish any information, books or other documents within 15 days of issue of notice by the Board.

(iv) Failure to redress the grievances of investors within 30 days of receipts of notice from the Board.

Relevant provisions of Clause 5.1(f), (g) of the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010.

Relevant provisions are specified under the below mentioned link:

https://www.sebi.gov.in/legal/master-circulars/dec-2010/aml-cft-master-circular_14421.html

Relevant provisions of Clause 3 and 4 of SEBI circular CIR/ MIRSD/ 2/ 2013 January 24, 2013.

Relevant provisions are specified under the below mentioned link:

https://www.sebi.gov.in/legal/circulars/jan-2013/guidelines-on-identification-of-beneficial-ownership_24206.html

Relevant provisions of Clause 4, 15 and 33 of Annexure 4 of SEBI circular CIR/MIRSD/16/2011 dated Aug 22, 2011.

Relevant provisions are specified under the below mentioned link:

https://www.sebi.gov.in/sebi_data/commondocs/ann4rights_p.pdf

Relevant provisions of Clause 12 (d), (e) of Annexure A of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.

Relevant provisions are specified under the below mentioned link:

https://www.sebi.gov.in/legal/circulars/dec-2009/dealings-between-a-client-and-a-stock-broker-trading-members-included_2891.html

Relevant provisions of Clause 1 and 2 of Circular no. SMD/ SED/ CIR/ 93/ 23321 dated 18 Nov, 1993.

Relevant provisions are specified under the below mentioned link:

https://www.sebi.gov.in/legal/circulars/nov-1993/regulation-of-transactions-between-clients-and-brokers_19445.html

Relevant provisions of Clause 1 and 2.4 and 2.5 of Annexure of SEBI circular SEBI/ HO/ MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Relevant provisions are specified under the below mentioned link:

https://www.sebi.gov.in/legal/circulars/sep-2016/enhanced-supervision-of-stock-brokers-and-depository-participants_33334.html

Relevant provisions of Clause 2.1 and 4 of SEBI Circulars no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008..

Relevant provisions are specified under the below mentioned link:

https://www.sebi.gov.in/sebi_data/docfiles/7159_t.html

Relevant provisions of SEBI Act, 1992

Power to adjudicate.

15-I.

(1) For the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15F, 15G, 15H, 15HA and 15HB, the Board shall appoint any officer not below the rank of a Division Chief to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty.

(2) While holding an inquiry the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in the opinion of the adjudicating officer, may be useful for or relevant to the subject-matter of the inquiry and if, on such inquiry, he is satisfied that the person has failed to comply with the provisions of any of the sections specified in sub-section (1), he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.

Issue No. I: Whether Noticees are in violation of the following provisions of SEBI Circulars, Stock Brokers Regulations and non-compliance of directions vide SEBI Interim Order dated September 25, 2018?

- (a) Clause 5.1(f), (g) of the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010.
- (b) Clause 3 and 4 of SEBI circular CIR/ MIRSD/ 2/ 2013 January 24, 2013.
- (c) Clause 4, 15 and 33 of Annexure 4 of SEBI circular CIR/MIRSD/16/2011 dated Aug 22, 2011.
- (d) Clause 12 (d), (e) of Annexure A of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.
- (e) Clause 1 and 2 of Circular no. SMD/ SED/ CIR/ 93/ 23321 dated 18 Nov, 1993.
- (f) Clause 1 and 2.4 and 2.5 of Annexure of SEBI circular SEBI/ HO/ MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.
- (g) Clause 2.1 and 4 of SEBI Circulars no. MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008.
- (h) Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock Brokers under Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992.
- (i) Regulation 26(ii) and Regulation 26(iv) of the Stock Brokers Regulations.
- (j) Non-compliance of direction given at para 19(c) of SEBI Interim Order dated September 25, 2018.

14. Before delving into the issues further, it is pertinent to add here that as a company cannot act on its own, it being a legal entity and the Noticee No. 2, 3, 4 and 5 being the Directors of CPR Capital Services Ltd and in charge of the day to day affairs of the company at the relevant point in time, are also liable for the irregularities/violations committed by the company/Noticee No.1.

Alleged violation 1: Violation of Anti Money Laundering (AML)/CFT and KYC Norms:

15. With regard to the captioned alleged violation, I note from IR that in respect of the compliance with the AML, a sample of 44 clients was shortlisted during the course of Inspection for the period April 2015 to December 2016 wherein the KYCs and the back office software of the shortlisted clients were perused to examine whether the income level of the clients was in commensuration with the payments made by the clients during the said financial year. I further note that in the following 21 cases (out of a sample of 44 clients), the net payment made by the clients to the broker during the financial year was not commensurate with the declared income of the clients i.e. the net payment made by the clients to the broker was much higher than the income levels of the clients as mentioned in the KYC. It was further observed that the details of risk categorization of clients into low, medium and high risk was not available in any of the shortlisted clients.

Table 1: AML observation of selected clients:

S. No.	Client Code	Net funds paid to broker	Income as per KYC
1	C173	61,20,12,000	<1 lac
2	C182	4,23,00,000	<1 lac
3	505022	1,79,06,26,568	NW=3.66 crores
4	C151	18,85,86,896	NW = 78,000
5	I5	2,48,82,01,945	10-25 lacs
6	A188	36,80,19,713	>25 lacs
7	C154	73,98,31,599	<1 lacs
8	505214	1,44,60,000	<25 lacs
9	R344	1,03,00,000	1-5 lacs
10	GN15	650,000	<1 lacs
11	R290	28,35,000	2-5 lacs
12	505213	1,64,45,000	>25 lacs
13	A129	9,07,35,700	1-5 lacs
14	MB71	12,58,550	1- 2 lac
15	121179	20,86,30,000	1-5 lacs

16	P34	1,66,70,000	1-5 lacs
17	C195	2,50,00,000	1-5 lacs
18	V660	20,00,000	1-5 lacs
19	P4	1,67,43,050	5-10 lac
20	J483	7,70,000	<1 lac
21	P105	8,30,000	1-2 lacs

16. With regard to the aforesaid, the Noticees submitted that the practice of risk categorization is taken seriously nowadays only and that it being a small concern, they never did risk categorization at a high standard level. In this regard, I note that Noticee No.1 being a broker, does not have a professional approach with respect to compliance of the mandatory regulatory requirement and the same is also evident from the admitted failure on its part to carry out the risk categorization.

17. It is further submitted by the Noticees that net payment made by the clients to the broker cannot be commensurate with the declared income of the client and that it is the responsibility of the client to make the payment required for the trading done by him/her and it is the clients' prerogative to see whether the declared income is commensurate with the payments made by him during the year. Noticees further submitted that it is impossible for a broker to enquire about the source of income from its clients and also to quantify the trading a client is going to undertake and the corresponding amount which the client would be depositing for carrying out such trades.

In this regard, I note that the Noticees are shifting their responsibility on the clients by stating that the clients themselves are responsible for the amount being deposited for trading. However, as per the Master Circular on AML/CFT, it is the responsibility of Noticee No.1 to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds. Accordingly, the Noticees

cannot be absolved because of simply expressing their inability or shifting responsibility on to clients to carry out the duties/ faults committed at their end.

In view of the above, it stands established that the Noticees had failed to carry out any verification with respect to the source of income of the clients and failed to update the financial details of the clients.

18. I further note from IR that in respect of corporate clients such as C173, C182, 505022, and 505213, the supporting documents pertaining to identification of Beneficial Owner was not available as part of KYC documents and also on perusal of KYC forms of three clients, viz., N162, S276, and R57, the income details were found to be not available either in the KYC or in the back office software.
19. In this regard, Noticees submitted that the supporting documents for identification of Beneficial Ownership pertaining to aforementioned clients were available with them and were duly produced for verification and that the income proof with respect to the aforesaid clients might not have been uploaded in back office software due to carelessness of the back office staff and mismanagement and they claimed that the same was available with them. However, I note that the Noticees have failed to provide any documentary evidence in support of their aforesaid claim. I further note that Noticees have admitted the carelessness on their part with regard to non-updating of the income details in their back office software.
20. In view of the aforesaid, it stands established that the Noticees have violated the provisions of Clause 5.1(f), (g) of the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 for non-compliance of AML/CFT and KYC norms and risk based non categorization of clients; Clause 3 and 4 of SEBI circular CIR/ MIRSD/ 2/ 2013 dated January 24, 2013 for not following guidelines on identification of beneficial owners and Clause 4 of Annexure 4 of SEBI circular CIR/MIRSD/16/2011 dated Aug

22, 2011 for not obtaining/maintaining the income details of the clients in the KYC as well as in its back office software.

Alleged violation 2: Irregularities with respect to Running Account Settlement:

21. I note from IR that on examination of the quarter wise settlement compliance data of the Noticee No.1, the following was observed:

Table 2: Quarter wise settlement compliance:

Quarterly settlement	Total number of active clients during inspection period	No of clients required to be settled	No. of clients settled	No. of clients unsettled	No of Clients having continuous credit balance more than Rs.10,000/- for more than 90 days	Active clients who remain unsettled (in %)
April to June 2015	450	450	288	162	135	30%
July to Sep 2015	468	468	303	165	138	29%
Oct to Dec 2015	387	387	266	121	97	25%
Jan to March 2016	419	419	278	141	42	10%
April to June 2016	400	400	258	142	81	36%
July to Sep 2016	429	429	257	172	74	17%

22. From the table above, I note that in every quarter around 121-172 clients were not settled by Noticee No. 1 and among the unsettled clients, many of the clients were observed to have credit balance of more than Rs.10,000/-. Further, as on quarter ending June 2015 and September 2015, it was observed that nearly 30% of the clients with credit balance of more than Rs.10,000/- were not settled. The same trend continued again in the first quarter of 2016-17 for around 36% of the clients.

23. This apart, it was further observed that the funds of 21 inactive clients and securities of 15 inactive clients were not settled during the inspection period, the details of which are under:

Table 3: Inactive Clients Fund Balance:

Quarter ending	Amount not settled (Rs.)	CC	Amount not settled (Rs.)
Jun 2015	45,47,768	C158 R443 P204 J73 S582	2900000 688232 366843 299085 293608
Sep 2015	27,52,296	R443 S622 C174 V415 P204	687932 677428 520093 500000 366843
Dec 2015	24,53,648	V163 V415 P204 S582 V416	999960 500000 366843 293608 293237
Mar 2016	12,41,211	M103 K19 K645 AF562 D124	954401 114408 77297 53322 41783
Jun 2016	42,88,016	L29 K19 K645 AF562 I68	3991989 115408 77297 53322 50000
Sep 2016	24,61,324	A485 C501 P264 K19 C186	1000039 980000 272229 115908 93148
Total amount not settled for sample clients			Cumulative: Rs.1,77,44,263/- Max unsettled: Rs.39,91,989/-

Table 4: Inactive Clients Securities Balance:

Quarter ending	Demat Stock	CC	Not settled
Jun 2015	39,84,385	C164 AF562 S298 K18 R126	22,31,045 10,94,783 2,52,527 2,08,505 1,97,526
Sep 2015	44,62,700	C164 AF562 R233 N536 S298	26,02,886 9,28,128 3,14,653 3,11,177 3,05,857
Dec 2015	44,62,700	C164 AF562 R233 N536 S298	26,02,886 9,28,128 3,14,653 3,11,177 3,05,857
Mar 2016	20,56,169	AF562 S298 N536 R233 U3	9,37,846 3,33,615 2,99,044 2,68,119 2,17,544
Jun 2016	62,38,708	C183 AF562 M268 N536 R233	36,50,903 10,04,944 9,85,400 3,11,899 2,85,563
Total amount not settled for sample clients			Cumulative: Rs.2,12,04,665/- Max unsettled: Rs.36,50,903/-

24. With regard to the aforesaid, Noticees submitted that all their clients being regular traders had insisted for non-settlement of accounts on quarterly basis and that exchange had already penalized Noticee No.1 for the aforesaid non-compliance. In this regard, I note that the extant provisions of the SEBI circulars do not grant any relaxation on the aforementioned reasons cited by the Noticees. Further, I note that the Noticees submission with respect to penalizing by exchange is devoid of merits since the current Adjudication proceedings are not on the same pedestal as the penal action by exchange. Noticees were duty bound to settle the accounts as per the extant provisions of SEBI circulars.

25. In view of the above, it stands established that the Noticees have violated the provisions of Clause 12 (d), (e) of Annexure A of SEBI Circular no. MIRSD/SE/Cir-

19/2009 dated December 03, 2009, Clause 33 of Annexure 4 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011 and Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 for failing to carry out the actual settlement of running accounts of active as well as inactive clients during the IP.

Alleged violation 3(a): Failure to segregate Funds and Securities

26. As regards to the aforesaid allegation w.r.t. segregation of funds and securities, the following was observed in the inspection:

- a) On perusal of policies and procedures for segregation of proprietary and client funds and securities submitted by Noticee No.1, it was observed that no segregation was maintained by Noticee No.1 between own and client's funds and securities i.e. its own funds and securities were kept in client bank account and Client Beneficiary account respectively.
- b) Noticee No.1's own securities were kept in the Client Beneficiary account no. 1205870000000016 along with client securities. For pay-in/ pay-out in case of own trades, securities were transferred from/to the Client Beneficiary account to/from the pool accounts (NSE: 1205870000000020 or BSE: 1205870000000054).
- c) With reference to funds, Noticee No.1's own funds were kept in client bank accounts and pay-in/ pay-out for own trades is made from/ to client bank accounts. The main client bank accounts of Noticee No.1 were IndusInd NSE A/c no. 200999458367, IndusInd BSE A/c no. 200999458381 and IndusInd CDS A/c no. 200999458404.

27. With regard to the aforesaid, Noticees made a submission that it never used clients funds for its own requirements and that money routed through client accounts instead of own accounts was due to carelessness of the staff. In this regard, I note that the Noticees have admitted that the funds were being routed from clients' accounts due

to the carelessness of its staff though the Noticees were required to keep a strict segregation between its own funds and clients' funds at all times.

28. In view of the above mentioned failure on part of the Noticees, I find that the Noticee No.1 had not segregated own and client's funds and securities i.e. its own funds and securities were kept in client bank account and Client Beneficiary account respectively.

Alleged violation 3(b): Mis-utilization of client's securities:

29. I further note from SCN that the securities details of 5 days with highest net sale (based on value of sale) on proprietary/own account during each of the years in the inspection period (F.Y. 2015-16 & FY 2016-17) was sought from Noticee No.1. Out of the securities that were sold on these days, certain sample securities were checked to see whether the securities are delivered for settlement (pay-in of the securities) from Noticee No.1's proprietary/own beneficiary demat account (1205870000003251) or not.

30. In all instances taken up for examination, it was observed that pay-in of own shares was made from Client Beneficiary A/c (1205870000000016) and transferred to pool account. Further, it was observed that in most of the cases, shares were first received from A/c no. 1205870000009967, which is the account of CHP Finance Pvt. Ltd. (hereinafter referred to as **CHP**), the sister concern of Noticee No.1, into its Client Beneficiary A/c and thereafter, were transferred to pool account.

31. Further, on analysis of the selected scrips in the demat statement of Client Beneficiary A/c no. 1205870000000016, it was observed that in most of the cases, shares purchased from the market for various clients were transferred by Noticee No.1 to the account of CHP on the same day. Thereafter, the same were received back from CHP for the purpose of pay-in and transferred to pool account. Similarly, shares were also observed to be transferred (and received back at the time of pay-in) to the account of

IFL Promoters Ltd. (hereinafter referred to as **IFL**), another sister concern of Noticee No.1.

32. Since numerous instances of transfer of shares to the account of CHP were observed from the Client Beneficiary account, certain entries were selected at random and details of client codes in which such purchase/ sale had been done were sought from NSE. It was observed that on various occasions, shares purchased by clients had been transferred to the account of CHP from the Client Beneficiary account of Noticee No.1.

Details of such transfer of shares (on a sample basis) are depicted in the table below:

Table 5:

Settlement No.	Date of trade	Scrip	Buy Client Code	Net Purchase Qty	Qty received in client Ben A/c no. 12058700 00000016)	Date of receipt	Qty transferred to A/c of CHP Finance (A/c no. 120587000 0009967)	Date of Transfer
2016009	13-Jan-16	Bank of India	N907	100	740*	15-Jan-16	740*	15-Jan-16
2017017	24-Jan-17	Goa Carbon Ltd.	C182	400	400	27-Jan-17	400	27-Jan-17
2017027	08-Feb-17	SAIL	S26	100	100	10-Feb-17	100	10-Feb-17
2017062	31-Mar-17	Goa Carbon Ltd.	A702	1150	1150	05-Apr-17	1150	05-Apr-17
2017062	31-Mar-17	GOL Offshore Ltd.	K672	1000	1000	05-Apr-17	1005	05-Apr-17
* Includes 640 shares purchased by CHP Finance Ltd.								

33. From the above table, it is evident that client shares were transferred by Noticee No.1 to the account of CHP which shows mis-utilization of client securities by Noticee No.1.
34. During inspection, the broker admitted that CHP and IFL Promoters are related parties of Noticee No.1. It further stated that funds had been raised from these related parties, and for this purpose, shares had been given as collateral. Such shares belong to both the clients as well as PRO (proprietary a/c).
35. With regard to the aforesaid, Noticees submitted that though they used the securities of the clients and non-segregated the clients' and own securities resulting in violations of the SEBI circular, the securities of only those clients were used which were having either debit balances or Noticee No.1's own sister concerns/related parties like IFL PROMOTERS LTD and CHP FINANCE PVT LTD. Noticees also submitted that there was a shortage of funds of approx. Rs.2.5 crores because of default in the payment by its clients to the tune of rupees ten crores which resulted in shortage of funds and mis-utilization of client securities. In this regard, I note that the Noticees admitted that Noticee No.1 used the securities of the clients and non-segregated the clients' and own securities and that the same is in violations of the SEBI circular. Accordingly, this shows that Noticee No.1 mis-utilized the funds and securities of its clients to meet the payment obligation which is grossly erroneous.
36. In view of the above admitted failure/non-compliance on the part of the Noticees, I conclude that the Noticees did not segregate their own securities from client securities as well as mis-utilized client securities by transferring the same to its related parties.

Alleged violation 3(c): Nomenclature of accounts not followed:

37. I further note from IR that the “**Client A/c**” was not mentioned in nomenclature of the below mentioned eight Client Bank Accounts:

Table 6:

Sl. No.	Bank Account number	Name of bank & branch	Purpose
1	2577201017471	Canara Bank, Connaught Circus , New Delhi , 110001	CLIENT
2	00030340002185	HDFC Bank, K.G. Marg, New delhi -110001	CLIENT
3	05250340000098	HDFC Bank Ltd, Ambala Road, Kaithal, Haryana - 1360	CLIENT
4	200999458367	Indusind Bank, Barakhamaba road, Delhi - 110001	NSE CLIENT
5	200999010657	Indusind Bank, Barakhamaba road, Delhi - 110001	CLIENT
6	200999458381	Indusind Bank, Barakhamaba road, Delhi - 110001	BSE CLIENT
7	200999458404	Indusind Bank, Barakhamaba road, Delhi - 110001	NSE CDS CLIENT
8	1399009300039851	PNB, Preet Vihar, Delhi - 110092	CLIENT

38. With respect to the captioned allegation, Noticees have submitted that the omission of the “Client A/C” in the client beneficiary account was a mistake of their bank which had issued the cheque books without mentioning the client account on face of the cheque book and the same has also been rectified. In this regard, I note that even if the submission advanced by the Noticees is accepted that it was bank’s mistake, ultimately, Noticee No.1, being the account holder, was responsible to get the same rectified as early as possible which was not done as evident from the observations during the inspection. Further, as observed from the table 6, above, the said omission was not only in one but in eight client accounts implying that the same error was repeated at the banks’ end in all the aforementioned accounts, which is unreasonable. Moreover, Noticee also didn’t provide any documentary evidence regarding taking the

issue with banks at the time of opening the said accounts or in support of rectifying the mistake, as claimed hereinabove.

39. In view of the aforesaid conclusions, mentioned at 3(a), (b) and (c), it stands established that Noticees had violated provisions of Clause 1 and 2 of SEBI circular no. SMD/SED/ CIR/93/23321 dated November 18, 1993, Clause 1 and 2.4 of Annexure of SEBI circular SEBI/ HO/MIRSD/MIRSD2/CIR/P/2016/95 dated Sept 26, 2016, Clause 15 of Annexure 4 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011 and Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.

Alleged violation 4: Misuse of Client's Securities by Pledging:

40. With regard to the captioned allegation against the Noticees, I note from IR that during the inspection, Noticee No.1 admitted that CHP and IFL Promoters Ltd. are its related parties and that funds had been raised from these related parties in lieu of its own shares and those of clients and that said shares had been given as collateral.
41. Noticee No.1 also informed during the inspection that it had availed the facility of Loan Against Securities (LAS) from financial institutions namely, Aditya Birla Finance Ltd., ECL Finance Ltd., Canara Bank and Windpipe Finvest Pvt. Ltd.
42. During Inspection, the date, on which highest LAS was availed, was selected for each year and Noticee No.1 was advised to provide the following details:
- a) Total value of shares pledged and amount availed.
 - b) Client-wise details of securities pledged
 - c) Financial Ledger balance of such clients

43. I note that Notice No.1 submitted only partial data to the inspection team. Based on analysis of the same, observations in respect of each date was as below:

Table 7:

Date	Total Amount Raised	No. of clients whose securities pledged (A)	Out of A, no. of clients with credit balance/ NIL balance whose securities were pledged	Total value of Securities Pledged (B)	Out of B, Value of securities pledged of clients with credit balance/ NIL balance
30-09-2015	116517310.60	233	76*	344773281.10	176065813.97
31-08-2016	122531455.18	246	132	424554994.84	347171362.53

**Noticee 1 provided ledger balances only in respect of 112 clients, out of which 76 had positive ledger balances. In respect of balance 121 clients, no ledger balances were provided.*

44. With regard to the aforesaid, Noticees has made the same submissions as is also made with regards to the allegation of mis-utilizing client's securities and subsequently dealt with at para 35 above of this order.

45. Accordingly, in view of the above, it stands established that the Noticees have violated the provisions of SEBI Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993, Clause 2.5 of Annexure of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Clause 2.1 and 4 of SEBI Circular no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 and Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 by having transactions with the related parties.

Alleged violation 5: Non-submission of Information

a) Non-submission of certain information sought vide emails, letters and during meetings:

46. From the IR, I note that a meeting dated August 9, 2017 was held at SEBI-NRO with Mr. Pawan Garg, Director of CPR Capital Services Ltd. (Noticee No. 2), wherein Noticee No.1 was advised to submit certain information not later than August 14, 2017. The same was also reiterated vide email dated August 9, 2017 and reminder dated August 22, 2017.
47. Thereafter, vide email dated August 24, 2017, Noticee No.1 requested for extension until September 15, 2017. Vide email dated September 11, 2017, the broker was again advised to ensure that its response reaches SEBI latest by September 15, 2017.
48. Since no response was received from Noticee No.1, email dated September 25, 2017 was sent to them advising them to appear in SEBI-NRO at 3:30 p.m. on September 25, 2017. However, Noticee No.1 neither appeared, nor sought any extension in respect of the above email. Vide email dated September 25, 2017, another opportunity was provided to it and was advised to appear in SEBI-NRO at 11 a.m. on September 27, 2017. It again failed to appear. Thereafter, letter dated September 28, 2017 was sent to it once again advising them to submit the information sought during the meeting dated August 9, 2017 latest by October 5, 2017.
49. Noticee No.1, vide email dated October 18, 2017, informed that it would submit its reply within 2-3 days. However, no response was received from it.
50. In this regard, Noticees submitted that they supplied every possible information available with them but due to shortage of funds of approximately Rs 2.5 crores as mentioned above, they were so much disturbed that it might have been possible that timely reply might not have been given. Noticees further submitted that they never did anything which showed that they were non cooperative with the inspecting authority, except one time when one of the directors faced with acute disease and had

undergone a massive surgery which resulted in delay in providing information to the inspection team since all of them were disturbed in the hospital for almost two months.

In this regard, I note that in contrary to their claims, despite repeated communications, Noticees refrained from submitting the information sought by SEBI or hardly heeded to respond to the same. Noticees also did not provide any documents to further their aforesaid claim on the health related issues detailed above by it in one occasion, out of multiple occasions as mentioned above.

51. In view of the aforesaid, I find that the Noticees have violated the provisions of Regulation 26 (ii) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992, Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 and Conditions of registration as specified under Regulation 9(b) and (f) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992

b) Non-submission of full inventory of all their assets:

52. As regards the captioned allegation, I note from IR that WTM SEBI, vide an interim order dated September 25, 2018 (para 19 c of the order) had directed Noticee No. 1 to 5 to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual fund investments immediately but not later than 5 working days from the date of receipt of these directions. However, it was observed that the Noticees did not complied with the aforesaid direction

53. In this regard, Noticees submitted that there were no immovable assets on the name of the Noticees which were free of charge either from bank or financial institutions. The properties held on the name of the companies were mortgaged with Punjab national bank and had been sold out for paying the bank dues settlement of OD

accounts. Noticees also provided details of movable and immovable assets on their names.

54. In this regard, I note that though Noticees were required to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual fund investments within 5 working days from the date of receipt of the directions, the same was not provided. Instead, the Noticees now provided some list of movable and immovable assets on their names that too without any proper details of the said assets. Further, this does not absolve the Noticees w.r.t. the allegation of non-compliance of the aforementioned WTM SEBI Order dated September 25, 2018 wherein the details were required to be provided within 5 working days from the date of receipt of the directions.

55. Accordingly, in view of the above, I note that the Noticees did not comply with the directions given at para 19 (c) of SEBI interim order dated September 25, 2018.

Alleged violation 6: Non-redressal of Investor Grievance

56. I further note from IR that Noticee No.1 failed to resolve the complaints of its clients. The number of the complaints and the value of the claim pending against Noticees based on the communication received from exchanges on various dates and the same is detailed as under:

Table 8:

Exchange	No. of complaints	Value of Claim
NSE As on Jul 5, 2018	112	Rs. 6.41 crore
As on 8.1.2020	36	Rs 2.86 crore
BSE As on July 6, 2018	61	Rs. 1.73 crore
As on Dec 13, 2019	70	Rs 1.93 crore

57. With regard to the aforesaid, Noticees have submitted that as on 05-03-2018 there was not even a single complaint on NSE or SEBI platform against them. It was only after SEBI issued circular for declaring Noticee No.1 as a defaulter and asked the investors to file their claims, the complaints were filed against them. They further submitted that it communicated NSE and BSE vide emails to be provided with the details of those clients who had been settled by the investor grievances funds and the remaining ones who could be settled. In this regard, I note that the Noticees have not provided any evidence in support of its aforesaid claim viz, email communication to concrete its aforementioned claim.

58. In view of the above, it stands established that the Noticees have violated the provisions of Regulation 26 (iv) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and Conditions of registration as specified under Regulation 9(e) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

Issue No. II: If yes, does the violation, on the part of the Noticees would attract monetary penalty under Section 15HB, 15A(a), 15(C) of the SEBI Act, and Section 23D of the SCRA?

59. As it has been established that the Noticees have violated following provisions of the SEBI Circulars, Stock Brokers Regulations and non-compliance of directions vide SEBI Interim Order dated September 25,2018:

- a) Clause 5.1(f), (g) of the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010.
- b) Clause 3 and 4 of SEBI circular CIR/ MIRSD/ 2/ 2013 January 24, 2013.
- c) Clause 4, 15 and 33 of Annexure 4 of SEBI circular CIR/MIRSD/16/2011 dated Aug 22, 2011.
- d) Clause 12 (d), (e) of Annexure A of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.

- e) Clause 1 and 2 of Circular no. SMD/ SED/ CIR/ 93/ 23321 dated 18 Nov, 1993.
- f) Clause 1 and 2.4 and 2.5 of Annexure of SEBI circular SEBI/ HO/ MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.
- g) Clause 2.1 and 4 of SEBI Circulars no. MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008.
- h) Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock Brokers under Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992.
- i) Regulation 26(ii) and Regulation 26(iv) of the SB Regulations.
- j) Non-compliance of direction given at para 19(c) of SEBI Interim Order dated September 25, 2018

I am of the view that the Noticees are liable for imposition of monetary penalty under Section 15HB, 15A(a), 15C of the SEBI Act and Section 23D of SCRA, which are reproduced hereunder:

Penalty for default in case of Stock Brokers.

Relevant provisions of SEBI Act, 1992

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder,—*

(a) to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty 65[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

Penalty for failure to redress investors' grievances.

15C. *If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing including by any means of electronic communication, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.*

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.*

Relevant provisions of SC(R) Act, 1956

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

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

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of the SCRA?

60. While determining the quantum of penalty under Section 15HB, 15A(a), 15(C) of the SEBI Act and Section 23D of the SCRA, it is important to consider the factors stipulated in Section 15J of the SEBI Act and Section 23J of the SCRA which reads 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.*

Section 23J of SCRA, 1956

Factors to be taken into account by adjudicating officer.

23J. *While adjudging the quantum of penalty under section 23-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.*

61. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on the part of the said Noticee. From the documents available on record, it is not ascertainable whether the acts of the Noticee are repetitive in nature. However, it is pertinent to that the role of a Broker/Trading Member (TM) is crucial to the development of the securities market, especially for the entry of the small investors for whom the broker is the first mile of contact. In this regard, the role of a TM is crucial as a facilitator of small investors into the securities market. So, it is of utmost importance that every TM abides by the

relevant regulations, provisions of SEBI/Exchange circulars and various guidelines issued by SEBI/Exchanges. The non-compliances on the part of the Noticee as brought out in the preceding paragraphs clearly shows that it has failed in its fiduciary duties owed to its clients.

ORDER

62. 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 Adjudication Rules, 1995, Section 23 I of the SCRA read with Rule 5 of the Securities Contract (Regulation) (Procedure for Holding Inquire and Imposing Penalties) Rules, 2005, I hereby impose following penalty under Section 15HB, 15A(a), 15(C) of the SEBI Act and Section 23D of the SCRA on the Noticees for violations of the following provisions of SEBI Circulars, Stock Brokers Regulations and non-compliance of directions vide SEBI Interim Order dated September 25, 2018:

- a) Clause 5.1(f), (g) of the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010.
- b) Clause 3 and 4 of SEBI circular CIR/ MIRSD/ 2/ 2013 January 24, 2013.
- c) Clause 4, 15 and 33 of Annexure 4 of SEBI circular CIR/MIRSD/16/2011 dated Aug 22, 2011.
- d) Clause 12 (d), (e) of Annexure A of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.
- e) Clause 1 and 2 of Circular no. SMD/ SED/ CIR/ 93/ 23321 dated 18 Nov, 1993.
- f) Clause 1 and 2.4 and 2.5 of Annexure of SEBI circular SEBI/ HO/ MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.
- g) Clause 2.1 and 4 of SEBI Circulars no. MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008.
- h) Clause A (1), (2) and (5) of the Code of Conduct prescribed for the Stock Brokers under Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992.

- i) Regulation 26(ii) and Regulation 26(iv) of the SB Regulations.
- j) Non-compliance of direction given at para 19(c) of SEBI Interim Order dated September 25,2018

Name of Noticees	Penal provisions	Penalty
CPR Capital Services Ltd	15HB, 15A(a), 15(C) of the SEBI Act and	Rs.4,00,000/- (Rupees Four lakhs Only)
Pawan Kumar Garg	Section 23D of the SCRA	Rs.4,00,000/- (Rupees Four lakhs Only)
Anuj Garg		Rs.4,00,000/- (Rupees Four lakhs Only)
Dinesh Kumar		Rs.4,00,000/- (Rupees Four lakhs Only)
Shashi Garg		Rs.4,00,000/- (Rupees Four lakhs Only)

63. 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

64. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD-I DRA -II, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in:

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	

65. 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.

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

Date: May 22, 2023

G RAMAR

Place: Mumbai

ADJUDICATING OFFICER