BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BS/KH/2025-26/31822]

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

In respect of:

Nuvama Wealth and Investment Limited

(PAN: AABCE9421H)

A. BACKGROUND

1. Nuvama Wealth and Investment Limited (hereinafter referred to as '**Noticee'**) is registered with Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**) as a Stock Broker (hereinafter referred to as '**SB'**) having registration number INZ000005231.

2. SEBI had carried out comprehensive inspection of the Noticee for the period from August 04, 2023 to August 10, 2023 (herein after referred to as the "**IP**"), to verify, inter alia, whether the books of accounts and other books are being maintained in the manner required under the Broker Regulations and the provisions of the Securities Laws.

3. The findings of the said inspection were communicated to the Noticee vide letter dated September 04, 2023. In response to the findings in the inspection report, Noticee submitted a reply vide email dated September 13, 2023.

4. Based on the findings of the inspection of the Noticee and considering the reply of the Noticee, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the following provisions:

    a. Regulation 3.6 of the Regulations (F & O) segment. Clause 2.1, 2.2, 2.4.3 & 2.5.2 of SEBI Circular No. MRD/DoP/SE/Cir-20/2005 dated 8th September, 2005 and Regulation 3.6A of the Regulations (F&O segment) and Regulation 3.5A of Part A of the Capital market Regulations of the Exchange and Exchange's circular no. NSE/INSP/6623) dated 09-Sep-05, NSE/INSP/32471, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184

    b. Clause B (ii) & B (iv) of SEBI Circular No.CIR/MIRSD/15/2011 dated August 02, 2011, exchange circulars no. NSE/INVG/21841 dated October 4, 2012, NSE/INSP/27436 dated August 26, 2014, NSE/INSP/27494 dated September 2, 2014 and NSE/INSP/32471. In addition, not in accordance with MCX Business Rule Chapter 2 point no 9.1(iv), Exchange Circular Number MCX/T&S/323/2016 dated September 29, 2016, MCX/INSP/325/2016 dated September 29, 2016, MCX/INSP/400/2017 dated October 30, 2017.

    c. Clause 1(vii) of SEBI Circular No. MISRD/Cir-26/2011 dated December 23, 2011 read with SEBI circular no. MIRSD/Cir-23/2011 dated December 2 ,2011 and SEBI circular MIRSD/Cir-5/2012 dated April 13, 2012,Exchange Circulars NSE/INSP/13606 dated Dec 03, 2009, NSE/INSP/14048 dated Feb 03, 2010 and NSE/INSP/18677 dated Aug 22, 2011, NSE/INSP/25392

DATED December 26, 2013 and NSE/INSP/29057 DATED March 05, 2015, NSE/INSP/37965 dated June 08, 2018 and NSE/INSP/32471.

d. Clause 8 (b) of SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and the circular NCDEX/COMPLIANCE-020/2017/285 dated October 31, 2017.

B. APPOINTMENT OF ADJUDICATING OFFICER

5. The undersigned was appointed as the Adjudicating Officer (hereinafter referred to as "**AO**") vide Order dated March 19, 2024 under Section 19 read with Section 15I of Securities and Exchange Board of India Act 1992 (hereinafter referred to as '**SEBI Act'**) and under the Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties), 1995 (hereinafter referred to as " **Adjudication Rules**") to inquire into and adjudge under Section 15HB of the SEBI Act, 1992, in respect of the alleged violations committed by the Noticee as mentioned above.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

6. A show cause notice dated April 05, 2024 was issued to the entity alleging the following violations.

a) **Physical Contract Note Not Delivered**: It is alleged that, in case of 63 client codes, physical contract note was not dispatched to the clients.

b) **ECN not delivered:** It is alleged that, in respect of 27 client codes out of 358 sample clients, it was observed that single email ids were mapped to multiple clients, which are not covered under definition of family as per the circular NSE/INSP/32471. Hence, it is alleged that, ECN appear mere not sent to such clients.

c) **Bounce logs not maintained**: It is alleged that, in respect of 322 instances pertaining to 63 client codes, the email ids were invalid but the ECN logs did not capture the status for such email ids as bounced. In addition, the Noticee has not taken possible steps to ensure receipt of notification of bounced mails.

Therefore, on account of the violations mentioned above at 4 (a), (b) and (c), it is alleged that Noticee has failed to comply with Clause 2.1, 2.2, 2.4.3 & 2.5.2 of SEBI Circular No. MRD/DoP/SE/Cir-20/2005 dated 8th September, 2005 and Regulation 3.6A of the Regulations (F&O segment) and Regulation 3.5A of Part A of the Capital market Regulations of the Exchange and Exchange's circular no. NSE/INSP/6623) dated 09-Sep-05, NSE/INSP/32471, Currency Derivative Circular dated Aug 26, 2008, NSE/INSP/11184

d) **Invalid Email Id/ Mobile number are uploaded in the UCC & consent forms verification**: It is alleged that, in respect of 63 client codes out of clients forming part of 49 unique dates selected for ECN logs verification, it was observed that, invalid email is uploaded in the UCC. It was also observed that, in respect of 26 client codes, common email id and/or mobile number uploaded for more than one client however, clients did not belong to definition of "relative" as per applicable circulars. Further, in case of 10 client codes, similar Mobile number and E-mail id is uploaded but Noticee has not provided the consent forms for them.

Therefore, on account of the lapses mentioned above at 4 (d), it is alleged that Noticee has failed to comply with Clause B (ii) & B (iv) of SEBI Circular No.CIR/MIRSD/15/2011 dated August 02, 2011, exchange circulars no. NSE/INVG/21841 dated October 4, 2012, NSE/INSP/27436 dated August 26, 2014, NSE/INSP/27494 dated September 2, 2014 and NSE/INSP/32471. In addition, not in accordance with MCX Business Rule Chapter 2 point no 9.1(iv), Exchange Circular Number MCX/T&S/323/2016 dated September 29, 2016, MCX/INSP/325/2016 dated September 29, 2016, MCX/INSP/400/2017 dated October 30, 2017.

e) **KYC verification:** It is alleged that, in case of 8 KYCs out of 40 KYCs checked, it was observed that the consent form given by the client contains UCC of such clients which are not covered under the definition of "family" as per circular NSE/INSP/32471 but still such clients were on boarded by mapping common email/ mobile number. Hence, due diligence was not observed by the Noticee. It has also been observed that, in case of 84 out of 274 consent forms (clients) checked, it was observed that the consent forms were not properly maintained as requisite consent for all clients where the single mobile /email id is mapped to multiple clients and UCC, is not there in the consent form. Further, in case of 47 out of 274 consent forms checked, no consent was provided for the client while mapping common mobile /email id.

Therefore, in respect of the lapses mentioned above at 4 (e), it is alleged that Noticee has failed to comply with Clause 1(vii) of SEBI Circular No. MISRD/Cir-26/2011 dated December 23, 2011 read with SEBI circular no. MIRSD/Cir-23/2011 dated December 2 ,2011 and SEBI circular MIRSD/Cir-5/2012 dated April 13, 2012,Exchange Circulars NSE/INSP/13606 dated Dec 03, 2009, NSE/INSP/14048 dated Feb 03, 2010 and NSE/INSP/18677 dated Aug 22, 2011, NSE/INSP/25392 DATED December 26, 2013 and NSE/INSP/29057 DATED March 05, 2015, NSE/INSP/37965 dated June 08, 2018 and NSE/INSP/32471.

f) **Verification of trade exposure:** It is alleged that, in the case of one particular client bearing UCC- 50074875 it was observed that the exposure of trade does not commensurate with their declared income with Exchange UCC Database.

Therefore, it is alleged that the Noticee has failed to comply with Clause 8 (b) of SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and the circular NCDEX/COMPLIANCE-020/2017/285 dated October 31, 2017.

7. The Noticee vide its replies dated May 17, 2024 stated the following:
   a. The Notice alleges that in case of 8 KYCs out of 40 KYCs checked, consent form given by the client contain UCC of such clients which are not under the definition of 'family' provided under law however such clients were on boarded with common email IDs / mobile numbers. Therefore, the Notice alleges that due diligence was not observed by the Noticee. Further, the Notice observes that in 84 out of 274 consent forms, such consent forms were not properly maintained as requisite consent for clients where the single mobile number/ email ID is mapped to multiple clients and UCC is absent. Further, it was observed that in 47 out of 274 consent forms checked, no consent was provided for the client while mapping common mobile number / email IDs.

   b. At the outset, it ·is respectfully submitted that the aforesaid charge cannot be attributed to the Noticee not having exercised due diligence. The Noticee being a reputed organization caters to numerous clients and has in place policies and systems to carry out an extensive KYC before onboarding the client. It is respectfully submitted that SEBI need not cherry pick the instances but look at the overall conduct of the Noticee before arriving at such fallacious conclusions with respect to the role of the Noticee.

   c. As already set out in paragraphs 36 to 38 of the Reply, the Noticee cannot effectively respond to vague and ambiguous charges and it is settled law that a show because notice must contain the precise charge levelled against the Noticee. Given the same, it is submitted that the Noticee cannot raise a defense against such allegations therefore, the same deserve to be set aside.

d. Therefore, as of date, there are no deficiencies from the Noticee's end. The Noticee would like to submit that such instances occurred on account of misinformation which was supplied by the Clients and not otherwise.

e. Further, as already set out in paragraph 95 of the Reply, the Noticee has taken measures to make the onboarding system more robust by onboarding 95% clients in an online manner and enabling a control to detect duplicate email IDs / mobile numbers such that only unique details of clients are permitted to be registered. Controls in the form of enhanced maker-checkers mechanism have also been implemented for the offline mode in an attempt to ensure that common email IDs / mobile numbers comply with the definition of 'Family' under the applicable law.

f. In view of the above, it is evident that the income of the client and the available collateral for the given date was commensurate with the exposure of trade given. Accordingly, the alleged violation of Clause 8 (b) of SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and the circular NCDEX/COMPLIANCE-020/2017/285 dated October 31, 2017 has not been made out and ought to be set aside.

g. Without prejudice, it is submitted that the alleged violations, if any, are technical, procedural and venial breaches with little to no adverse impact and thus lacks pervasiveness. In no manner can these alleged violations be seen to represent any systemic issue with the Noticees operations. There is no account of any loss having been caused to the investors due to actions of the Noticee and not a single investor complaint against the Noticee with respect to contents of the Notice has been recorded. Additionally, none of the alleged violations were premediated by the Noticee or were on account of any willful default.

8. Considering the reply received from the Noticee, it was decided to conduct an inquiry in the matter. Accordingly vide email dated May 21, 2024, a Hearing Notice was issued to the Noticee to provide them with an opportunity of personal hearing. The Noticee was advised to appear before the undersigned on May 31, 2024. Vide email dated May 22, 2024 Noticee has requested for a short adjournment, in view of the principles of natural justice, another opportunity of personal hearing was granted on June 12, 2024. The Noticee appeared for the scheduled hearing through its Authorized Representatives (AR). The AR made oral submission on behalf of the Noticee and reiterated the submissions already made vide letter dated May 17, 2024. Further the AR undertook to file additional reply in the said matter to SEBI in respect of certain queries raised during the personal hearing.

9. The Noticee vide its reply dated June 18, 2024 further submitted the following:

With respect to the query, it is submitted that the Noticee had received a complaint from one Mr. Parma Nand Sharma ("Complainant") dated July 07, 2023, through the Investor Services Cell of the National Stock Exchange of India Limited ("NSE") which the Noticee is a trading member of, regarding non-receipt of contract note("Complaint"). It is pertinent to note that the same is not in any manner connected to the charges sets out in the Notice against the Noticee. It is relevant to note that the Noticee submitted a response to the Complaint on July 14, 2023, *inter alia* submitting that as per the Noticee's records, the contract notes were successfully sent to the Complainant and that the Complainant could also download the contract notes. Further, steps for downloading the contract notes were provided in the Noticee's response. In view of the satisfactory response and submissions made by the Noticee, the Complaint was closed by NSE and a closure letter issued by NSE is annexed herewith as Annexure A to the Written Submissions. Apart from the aforesaid complaint, the Noticee was not in receipt of any investor complaints w.r.t. present charges as alleged in the Notice.

10. Further, vide email dated December 26, 2024 another opportunity for submitting the additional submissions in connection with conclusion of the proceedings in the matter was given to the Noticee. In this regard, the Noticee vide email dated January 02, 2025 reiterated the earlier submissions made via email/ letter dated May 17, 2024 and June 18, 2024 and also oral submissions made before the undersigned on June 12, 2024. Therefore, based on the available information, on record, the instant matter shall be proceeded for passing the final order.

D. CONSIDERATION OF ISSUES AND FINDINGS

11. The issue that arise for consideration in the instant matter are follows:

ISSUE 1: Whether the Noticee has violated the provisions as mentioned in the show cause notice?

12. From the above it is seen that the Noticee continued in all major violations stating that the same have been complied with. It is the contention of the Noticee that SEBI need not cherry pick the instances but look at the overall conduct of the Noticee before arriving at such fallacious conclusions with respect to the role of the Noticee. This reply is unacceptable. SEBI in its regulatory role has the power to pick instances wherein compliances were inadequate. In the case of an inspection of an intermediary SEBI is justified in pointing out the instances and demand compliance by the entity. The volumes handled by the entity is immaterial in this regard and it is an opportunity for the entity to put in place adequate systems and procedures and make good the lapses found in the inspection.

13. The Noticee also contended that many such instances occurred on account of misinformation which was supplied by the Clients and not otherwise. In this regard

it is incumbent upon the Noticee to verify the details submitted by the Clients with the supporting documents relied upon. The Noticee cannot absolve itself of liabilities by stating that it relied upon the information submitted by the Clients.

14. The very nature of instances depicting lack of due diligence and violation of the provisions of the Circulars on the part of Noticee ought to have been specified in the terms of reference of the Adjudication. This is necessary as the terms of reference for adjudication in the appointment order do not clearly indicate the specific acts on the part of the Noticee which resulted in the violations of the specific regulations under the SEBI Stock Brokers Regulations. Though it is pertinent to mention that the inspection report do mention certain instances indicating lapses on the part of the Noticee, leading to violation of the provisions of the Circulars same are not specified in relation to the corresponding or applicable provisions of the Stock Brokers Regulations. It is also pertinent to mention that the penalty provided under Section 15 HB is being referred to, and no specific provisions of the Act or Regulations or Rules is mentioned. Section 15 HB being a residuary penalty provision also applies in the case of failure to comply with any rules, regulations or the directions issued by the Board. However, it is necessary to clearly specify the specific provision of the Act, rules or Regulations in the terms of reference for adjudication. Further in the totality of the facts and circumstances of the case it is pertinent to mention that the matter is primarily arising out of an inspection conducted by SEBI. As there appears to be no instance of fraud in the inspection report, SEBI is justified in invoking Section 15 HB of the SEBI Act.

15. In this regard, it is also pertinent to bear in mind the observations of Hon'ble Securities Appellate Tribunal in the matter of ***Religare Securities Ltd. vs SEBI (Appeal No:23/2011)*** dated June 16, 2011and in the ***matter UPSE Securities vs SEBI (Appeal no. 109/2011)*** dated July 25, 2011 wherein the Tribunal observed

that the purpose of inspection of the books of accounts and records of any intermediary including a stock exchange or its subsidiaries is to ensure compliance with the provisions of the Act, Rules, Regulations, By-laws and circulars issued from time to time which are meant to regulate the securities market. Every little irregularity/ deficiency notice during the course of the inspection is not culpable and does not call for initiation of penalty proceedings. The purpose of the inspection in quite a few cases could be better achieved if the inspecting team at the time of the inspection were to advise the erring entity. However, if any serious lapse is discovered, it would always be open to the Board to take penal action in accordance with law. Apparently, there are no allegations of fraud as against the Noticee in the present matter.

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

ISSUE III - If yes, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act 1992 read with Rule 5 (2) of the Rules?

16. The text of the above said Section 15HB of the SEBI Act is reproduced below:

SEBI Act

"15HB. Penalty for contravention where no separate penalty has been provided.

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."

Factors Considered While Imposing Penalty:

17. While determining the quantum of penalty under Section 15HB of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:

SEBI Act

"15J. Factors to be taken into account by the adjudicating officer

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."

18. The available records neither specify the disproportionate gains/unfair advantage made by Noticee nor the loss, if any, suffered by the investors due to such violations. As mentioned in the previous paragraphs, certain lapses on the part of the Noticee do indicate non-adherence with the provisions of SEBI circulars. However, considering that the matter is arising out of inspection it is felt that lapses may not be treated as serious in nature so as to warrant imposition of monetary penalty under the provisions of Section 15 HB of the SEBI Act.

E. ORDER

19. Taking into account the aforesaid findings and in exercise of powers conferred upon me under Section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules and after considering all the facts and circumstances of the case and evidence on record, I conclude that the allegations against the Noticee do not warrant any monetary penalty.

20. Accordingly, the Adjudication proceedings initiated against the Noticee vide the SCN dated April 5, 2024 is disposed of without imposition of any monetary penalty.

21. In terms of rule 6 of the Rules, copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai	**BIJU. S**
Date: December 01, 2025	**ADJUDICATING OFFICER**