

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[SETTLEMENT ORDER No. SO/NH/YK/2024-25/7981]**

In respect of:

Sr. No.	Settlement Application No.	Name of the Applicant	PAN
1	7981/2024	ICICI Securities Limited	AAACI0996E

In the matter of ICICI Securities Limited

A. BACKGROUND

1. ICICI Securities Limited (hereinafter referred to as “**Applicant**”) has been registered with Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) as registered stock broker. The registration number of the Applicant is INZ000183631. SEBI had undertaken joint inspection of the Applicant with National Stock Exchange of India Ltd. (hereinafter referred to as “**NSE**”) on September 05, 2023 and September 06, 2023. The inspection has been conducted for the period from April 01, 2023 to May 31, 2023 (hereinafter referred to as “**Inspection period/IP**”).
2. Post the culmination of the aforesaid inspection, an Inspection Report (hereinafter referred to as ‘**IR**’) was prepared. The findings of the said Inspection were communicated to the Applicant by SEBI vide letter dated December 21, 2023. In response to the findings in the Inspection Report, the Applicant submitted a reply vide letter dated January 06, 2024 and vide e-mails dated January 07, 2024 and January 08, 2024.
3. After the receipt of the Applicant’s reply to the Inspection Report, findings of the inspection vis-a-vis the response of the Applicant were analysed by the concerned department of SEBI. Thereafter, a Post Inspection Analysis report (hereinafter referred to as ‘**PIA**’) was prepared by SEBI.

4. Based on the findings of the Inspection conducted by SEBI and the response of the Applicant submitted to SEBI, certain non-compliances of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 (hereinafter referred to as “**Brokers Regulations**”), SEBI Circulars, and NSE Circulars were alleged. The summary of the violations alleged to have been committed by the Applicant and the corresponding provisions of the securities law are given in the table below:

Table 1

Sr. No.	Alleged Violation (Summarized)	Regulatory Provisions
1.	The Applicant failed to comply with the terms and conditions under Margin Trading facility (hereinafter referred to as “ MTF ”) agreed with the clients that in case of unconfirmed pledge securities under MTF, the securities are to be squared off by the Applicant on T+1 day. The Applicant did not square off unconfirmed pledge securities on T+1 day and kept such securities in Client Unpaid Securities Account (hereinafter referred to as “ CUSA ”)/Pool account without any pledge.	Clause 38.10.1 of SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 (hereinafter referred to as “ SEBI Circular dated May 17, 2023 ”) read with Clause 27 of SEBI Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017 (hereinafter referred to as “ SEBI Circular dated June 13, 2017 ”), Clause 41.9 of SEBI Circular dated May 17, 2023 read with Clause 11 of SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 (hereinafter referred to as “ SEBI Circular dated February 25, 2020 ”), Clauses A(1) and A(2) of Schedule II of Code of Conduct read with Regulation 9 of the Brokers Regulations, and Clause 45.1.1 of SEBI Circular dated May 17, 2023 read with Clause 4.1 of SEBI

Sr. No.	Alleged Violation (Summarized)	Regulatory Provisions
		Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 (hereinafter referred to as “ SEBI Circular dated June 20, 2019 ”) and Clause 3.1 of SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022 (hereinafter referred to as “ SEBI Circular dated November 11, 2022 ”).
2.	Software module for liquidation of shares was not functional to square off securities lying in the CUSA Demat Account/ Pool account during November 11, 2022 – May 31, 2023 in respect of MTF clients. Hence, there was a malfunction in the software of the Applicant which led to business disruption/variance in the normal functions/operations/services of systems of the Applicant resulting into a technical glitch during the period November 11, 2022 – May	Clauses 61.3.1, 61.3.2, 61.3.3 and 61.3.5 of SEBI Circular dated May 17, 2023 read with Clauses 3.1, 3.2, 3.3 and 3.5 of SEBI Circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 (hereinafter referred to as “ SEBI Circular dated November 25, 2022 ”), Clause A(5) of Schedule II of Code of Conduct read with Regulation 9 of Brokers Regulations read with Clause V of Annexure A of NSE Circular No. NSE/COMP/50610 dated December 15, 2021 (hereinafter referred to as “ NSE Circular dated

Sr. No.	Alleged Violation (Summarized)	Regulatory Provisions
	31, 2023 and the aforesaid glitch was not reported to the Exchanges.	December 15, 2021 ”), Clauses A(1) and A(2) of Schedule II of Code of Conduct read with Regulation 9 of the Brokers Regulations.
3.	Instead of squaring off unconfirmed pledged securities pertaining to MTF clients as per applicable terms and conditions, the Applicant kept such securities in CUSA account/transferred securities from the current settlement ID to one future settlement ID in the Pool account during the period November 15, 2022 - October 31, 2023 which led to penalties not being levied by National Securities Depository Limited for keeping securities in the pool account beyond T+1 day (i.e. 24 hrs after the payout).	Clauses A(1) and A(2) of Schedule II of Code of Conduct read with Regulation 9 of the Brokers Regulations.
4.	The Applicant has provided incorrect submissions with respect to data relating to unconfirmed pledge securities under MTF.	Clause A(2) of Schedule II of Code of Conduct read with Regulation 9 of the Brokers Regulations.

B. APPOINTMENT OF THE ADJUDICATING OFFICER

5. SEBI had appointed the undersigned as the Adjudicating Officer (hereinafter referred to as “**AO**”) in the matter vide communique dated May 30, 2024, under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”), read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”), to inquire into and adjudge under the provisions of Section 15HB of the SEBI Act for the violations aforementioned in Sr. Nos. 1 to 3 of Table 1 alleged to have been committed by the Applicant and under Section 15A(a) of the SEBI Act for the violations aforementioned in Sr. No. 4 of Table 1 alleged to have been committed by the Applicant.

C. SHOW CAUSE NOTICE

6. A Show Cause Notice ref no. SEBI/EAD-2/NH/YK/20233/2024 dated June 19, 2024 (hereinafter referred to as “**SCN/Notice**”) was served upon the Applicant in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Applicant and why penalty, if any, not be imposed on it in terms of the provisions of Sections 15A(a) and 15HB of the SEBI Act for the violations alleged to have been committed by the Applicant.
7. Consequent to the issuance of the SCN, the Applicant, vide email dated June 27, 2024, requested for inspection of the documents which was held on July 03, 2024. Thereafter, the Applicant vide e-mail dated July 24, 2024, submitted its reply to the SCN. In the interest of natural justice, the Applicant was granted an opportunity of hearing on August 08, 2024, vide hearing notice dated July 25, 2024. Thereafter, the Applicant vide e-mail dated August 02, 2024, submitted that a settlement application was filed by the Applicant on August 02, 2024, requesting for settlement of the adjudication proceedings under the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”). The Applicant, vide e-mail dated August 05, 2024, had sought for the adjournment of hearing scheduled on

August 08, 2024. On the request of the Applicant, the hearing was adjourned to August 09, 2024. However, the Applicant, vide e-mail dated August 08, 2024, again requested to adjourn the hearing which was acceded to, and the hearing was adjourned to August 20, 2024. The hearing was held on August 20, 2024. Thereafter, the Applicant had submitted its additional submissions vide letter dated August 30, 2024.

D. SETTLEMENT PROCEEDINGS

8. Based on material available on record, it is noted that, pursuant to receipt of the Settlement Application, the authorised representatives of the Applicant had a meeting with the Internal Committee of SEBI (hereinafter referred to as “**IC**”) on November 08, 2024. The IC recommended Rs. 80,46,000/- (Rupees Eighty Lakhs Forty-Six Thousand only) as the indicative amount. During the IC meeting, the Applicant was also advised to report the technical glitch to the Exchanges and to submit the Preliminary Incident Report and Root Cause Analysis Report to the Exchanges. Thereafter, the Applicant, vide email dated November 28, 2024, submitted the revised settlement terms, wherein the Applicant agreed to the settlement terms indicated during the IC and, *inter alia*, informed that, *“the company has duly reported the “Temporary Back office issues” under the framework for reporting Technical Glitch to Exchanges vide its email dated November 27, 2024.”*
9. The High Powered Advisory Committee (hereinafter referred to as “**HPAC**”), in its meeting held on December 24, 2024, recommended that the case may be settled upon payment of Rs. 80,46,000/- (Rupees Eighty Lakhs Forty-Six Thousand only) as the settlement amount.
10. The recommendations of the HPAC were approved by a Panel of Whole Time Members (hereinafter referred to as “**WTMs**”) on February 05, 2025, and the same was communicated by SEBI to the Applicant vide email dated February 07, 2025. Subsequently, the Applicant, vide email dated February 13, 2025, informed SEBI about the remittance of the aforesaid settlement amount. The said email also provided

relevant details regarding the remittance of the said settlement amount. The material on record confirms the receipt of the said settlement amount.

E. ORDER

11. Therefore, in view of the acceptance of the settlement terms and the receipt of the amounts by SEBI as per settlement terms as mentioned above, the instant adjudication proceedings initiated against the Applicant vide Show Cause Notice ref no. SEBI/EAD-2/NH/YK/20233/2024 dated June 19, 2024, is disposed of in terms of Section 15JB of the SEBI Act read with Regulation 23(1) of the Settlement Regulations on the basis of the settlement terms.

12. This Settlement Order is, however, without prejudice to the right of SEBI to take actions under Regulation 28 of the Settlement Regulations, including restoring or initiating the proceedings in respect to which the settlement order was passed against the Applicant, if –

12.1. Any representation made by the Applicant in the present settlement proceedings is subsequently found to be untrue;

12.2. The Applicant has breached any of the clauses/conditions of undertakings/waivers filed during the present settlement proceedings.

12.3. There was a discrepancy while arriving at the settlement terms.

13. This Settlement Order is passed on this day of February 13, 2025, and shall come into force with immediate effect.

14. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicant and shall also be published on the website of SEBI.

HARIHARAN
NEELAKANTA
IYER

Digitally signed by
HARIHARAN
NEELAKANTA IYER
Date: 2025.02.13
19:32:15 +05'30'

Date: February 13, 2025

Place: Mumbai

N HARIHARAN

**CHIEF GENERAL MANAGER
AND ADJUDICATING OFFICER**