BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SM/DD/2022-23/19877]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,1992 READ WITH RULE 5 OF SEBI(PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICERS), RULES, 1995 AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS(REGULATION)(PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005 AND UNDER SECTION 19H OF DEPOSITOIRES ACT, 1996 READ WITH RULE 5 OF DEPOSITORIES (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of

M/s. Quantum Global Securities Limited
(SEBI Registration Number: INZ000214334)

In the matter of M/s. Quantum Global Securities Limited

<u>BACKGROUND</u>

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**), BSE Limited (herein after referred to as '**BSE'**), National Stock Exchange of India Ltd. (herein after referred to as '**NSE')** (both BSE and NSE collectively being referred to as **'Exchange'),** and Central Depository Services (India) Limited (hereinafter referred to as '**CDSL'**) conducted a comprehensive joint inspection of M/s. Quantum Global Securities Limited) (hereinafter referred to as **'Quantum/Stock Broker/ Noticee'**) from March 18-20, 2019, at its registered office w.r.t. its Stock Broking and Depository Participants (hereinafter referred to as '**DP**') activities at its head office i.e. C-88,4th Floor, Sector 2, Noida-UP The period covered in the inspection was from April 01, 2017 till February 28, 2019 (hereinafter referred to as '**Inspection Period'**).

2. Noticee is a SEBI-registered Stock Broker, having SEBI registration number as INZ000214334 and is a Stock Broker of BSE and NSE. Further, Noticee is registered DP of CDSL bearing registration number as CDSL-286-2008.

3. Based on the findings of inspection and the reply of Noticee, SEBI initiated adjudication proceedings against Noticee in terms of Section 23D of Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "**SCRA/SC(R)A**"), Section 15HB of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") AND Section 19G of Depositories Act, 1996 (herein after referred to as **Depositories Act**") for the alleged violations of the following provisions by Noticee:
   a) Section 23D of SCRA, 1956 read with Clauses 1, 2 of Annexure of SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993(herein after referred to as "**Transaction Regulation Circular**) and Clauses 1, 2, 2.5, 2.5.5, 3, 3.2,6.1.1 6.1.1 (j), 7.1.1, 7.1.2, 7.1.3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016(herein after referred to as "**Enhanced Supervision Circular**").
   b) Clause 2.6 of Annexure of Enhanced Supervision Circular read with Clause 2(d) of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017.
   c) Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of SEBI (Stock Broker- Sub Broker Regulations)1992(herein after referred to as "**Broker Regulations/ Stock Broker Regulations"**).
   d) Clause 12 of Annexure to SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 (herein after referred to as **SEBI Circular dated December 03, 2009**).
   e) SEBI Circular no CIR/DNPD/7/2011 dated August 10, 2011.
   f) Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011
   g) Clause 2 of SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011 read with SEBI Circular no. 23/2011 dated December 2, 2011 and SEBI Circular MIRSD/ Cir – 5/ 2012 dated April 13, 2012.
   h) SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI Circular CIR/MIRSD/66/2016 dated July 21, 2016.
   i) Circular no SMDRP/ Policy/ Cir-49/ 2011 dated October 22, 2001.
   j) Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of Broker Regulations and NSE Circular NSE/MEM/3574 dated August 29, 2002.
   k) SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011.
   l) Regulation 3 (2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with CDSL communique no 4650.

m) SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018, CDSL Communication no. 2236 and 4664.
n) CDSL Operation Instruction No 2.3, 3.4.4, 3.4.8 and 3.4.14
o) CDSL Operation Instruction 3.4.1, 4.4.19 and 4.10.3
p) CDSL Operation Instruction 3.4, 3.4.15, 3.4.10 and 6.5.4.2
q) CDSL Communique 4685 dated 04.09.2014 and 4729 dated 25.09.2014.
r) SEBI circular SEBI/MRD/Dep/Cir-03/2007 dated February 13, 2007
s) CDSL Operation Instruction no. 6.5.1.9
t) CDSL Communique no 3500, 4671, 4677 and 5547

APPOINTMENT OF ADJUDICATING OFFICER

4. Vide order dated February 17, 2020, Ms. Sangeeta Rathod was appointed as Adjudicating Officer (hereinafter referred to as '**AO**') under Section 15-I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995(herein after referred to as "**SEBI Adjudication Rules**"), Section 23-I of the SCRA and Rule 3 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005(herein after referred to as "**SCRA Adjudication Rules**") and Rule 4 of Depositories Regulation(Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 (herein after referred to as Depositories Adjudication Rules)(all the three rules collectively referred to as "**Adjudication Rules**") to inquire into and adjudge under Section 23D of the SCRA, Section 15HB of the SEBI Act AND Section 19G of Depositories Act, the aforesaid alleged violations by the Noticee. Subsequent to transfer of Ms. Sangeeta Rathod, Shri Prasanta Mahapatra was appointed as the AO in the matter. Thereafter, the undersigned was appointed as the AO in the matter by SEBI vide Communiqué dated December 04, 2020.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice (hereinafter being referred to as the "**SCN**") dated February 04, 2022 was issued to Noticee in terms Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be initiated against it and why penalty, if any, should not be imposed upon Noticee under Section 23D of SCRA, Section 15HB of SEBI Act and Section 19G of Depositories Act for the aforesaid violations alleged to have been committed by Noticee..

6. The SCN was sent to Noticee through Speed Post AD("**SPAD**") and through digitally signed email dated February 08,2022 at its registered office address, i.e., Flat No. 608, Pragati Bhavan, 26, Rajendra Place, New Delhi- 110 008. SCN issued to Noticees through SPAD returned undelivered. Accordingly, vide email dated May 19, 2022, NSE and BSE were requested to provide the current address of Noticee. Vide email dated May 19, 2022 and June 20, 2022, NSE vide email dated May 19, 2022 provided the following address of Noticee:

    i. **Registered office address**- Flat No. 608, Pragati Bhavan, 26, Rajendra Place, Pusa Road, East Delhi- 110 008

    ii. **Dealing address**- C-88, 3rd Floor, Sector 2, Near Metro Station Sector 15, Noida- 201301

    iii. **Dealing address**- 2nd Floor, A-89, Second Floor, Lajpat Nagar Ii, Near Bikanarewala, Central Market, Delhi- 110024

    iv. **Dealing address**- C-88, Fourth Floor, Sector 2, Noida, Ghaziabad- 401301

    v. **Dealing address**- D-25, Deen Dayal Nagar, Moradabad- 244001

    vi. **Dealing address**- C/O Goyal Consultancy,C-18/104,Satkar Co-Op Hsg.Soc., Sector 6, Shanti Nagar, Mira Road, Mumbai- 401107

    vii. **Dealing address**- 75/3,Link Road, Lajpat Nagar Iii, East Delhi- 110024

7. Vide email dated June 20, 2022 BSE provided the following additional address of Noticee:

    C-88, 4th Floor, Sector 2, Noida – 201301.

8. In line with information provided by NSE & BSE, SCN was sent to all the addresses as provided by NSE and BSE. However, I note from the documents available on record that SCN was delivered only at - C/O Goyal Consultancy, C-18/104, Satkar Co-Op Hsg. Soc., Sector 6, Shanti Nagar, Mira Road, Mumbai- 401107 on May 26, 2022 and returned undelivered at all other addresses as provided by NSE and BSE. SCN issued through digitally signed email duly delivered to Noticee. Noticee was given fifteen (15) days' time to submit the reply to the SCN. However, no reply was received from Noticee.

9. In the interest of natural justice, an opportunity of personal hearing was granted to Noticee on July 11, 2022, vide hearing notice dated June 24, 2022. The said hearing notice was sent to Noticee through SPAD at the "*C/o Goyal Consultancy, C-18/104, Satkar Co-Op Hsg. Soc., Sector 6, Shanti Nagar, Mira Road, Mumbai- 401107*" and through digitally signed email dated June 24, 2022 and was duly served upon Noticee. However, Noticee failed to avail the opportunity of personal hearing scheduled on July 11, 2022. Accordingly, in the interest of natural justice another opportunity of hearing was granted to Noticee on July 29, 2022, vide hearing notice dated July 20, 2022. The said hearing notice was duly served upon Noticee through SPAD at the *C/o Goyal Consultancy, C-18/104, Satkar Co-Op Hsg. Soc., Sector 6, Shanti Nagar, Mira Road, Mumbai- 401107*. However, Noticee again failed to avail the opportunity of personal hearing scheduled on July 29, 2022.

10. In view of the above, I am of the view that principles of natural justice have been duly complied with, as SCN and hearing Notice were duly served upon the Noticee and sufficient opportunity was also granted to the Noticee to reply to the SCN and appear for hearing. It is noted that the Noticee has neither filed any reply nor has availed the opportunity of personal hearing despite service of notices upon it. In the facts and circumstances of this case, I am of the view that the Noticee has nothing to submit and in terms of Rule 4(7) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 the matter can be proceeded exparte on the basis of material available on record. In the absence of any response from the Noticee to the SCN, I presume that the Noticee has admitted the charges levelled against it. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal (**SAT**) in the matter of Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, observed that, *"......the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*". Further, the Hon'ble SAT in the matter of Sanjay Kumar Tayal & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, and observed that: *"........... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."*

11. Additionally, the same position reiterated by the Hon'ble SAT in the matter of Dave Harihar Kirtibhai Vs SEBI (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT observed as under*:"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal..*."

12. In view of the observations made by the Hon'ble SAT, I find no reason to take a different view and accordingly, I deem it appropriate to proceed against the Noticee exparte, based on the material available on record.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

13. I have carefully perused the charges levelled against Noticee in the SCN and the material available on record. I note that the issues that arise for consideration in the present case are:

    I. Whether Noticee has violated the provisions as mentioned in para 3 of the order?
    II. Do the violations, if any, attract monetary penalty under Section 23D of SCRA, Section 15HB and Section 19G of SEBI Act as specified in para 3 of the order?
    III. If the answer to issue no. II is in affirmative, then what should be the quantum of monetary penalty?

Issue I: Whether Noticee has violated the following provisions:

a) Section 23D of SCRA, 1956 read with Clauses 1,2 of Annexure of Transaction Regulation Circular and Clauses 1, 2, 2.5, 2.5.5, 3, 3.2,6.1.1, 6.1.1 (j), 7.1.1, 7.1.2, 7.1.3 of Annexure of SEBI Enhanced Supervision Circular
b) Clause 2.6 of Annexure of Enhanced Supervision Circular read with Clause 2(d) of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017.

c) Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of Broker Regulations.

d) Clause 12 of Annexure to **SEBI Circular dated December 03, 2009"**)

e) SEBI Circular no CIR/DNPD/7/2011 dated August 10, 2011.

f) Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011

g) Clause 2 of SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011 read with SEBI Circular no. 23/2011 dated December 2, 2011 and SEBI Circular MIRSD/ Cir – 5/ 2012 dated April 13, 2012.

h) SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI Circular CIR/MIRSD/66/2016 dated July 21, 2016.

i) Circular no SMDRP/ Policy/ Cir-49/ 2011 dated October 22, 2001.

j) Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of Broker Regulations and NSE Circular NSE/MEM/3574 dated August 29, 2002.

k) SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011.

l) Regulation 3 (2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with CDSL communique no 4650.

m) SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018, CDSL Communication no. 2236 and 4664.

n) CDSL Operation Instruction No 2.3, 3.4.4, 3.4.8 and 3.4.14

o) CDSL Operation Instruction 3.4.1, 4.4.19 and 4.10.3

p) CDSL Operation Instruction 3.4, 3.4.15, 3.4.10 and 6.5.4.2

q) CDSL Communique 4685 dated 04.09.2014 and 4729 dated 25.09.2014.

r) SEBI circular SEBI/MRD/Dep/Cir-03/2007 dated February 13, 2007

s) CDSL Operation Instruction no. 6.5.1.9

t) CDSL Communique no 3500, 4671, 4677 and 5547

STOCK BROKING ACTIVITIES

Non- segregation/mis-utilization of clients' funds and /or securities

Misuse of client funds:

14. I observe that, during the course of inspection, to ascertain misutlization of clients' funds the data w.r.t. total funds available in all clients bank accounts maintained by Noticee, aggregate value of collateral deposited with clearing corporation and /or clearing member

in the form of cash and cash equivalents(only funded portion) , aggregate value of credit balance of all clients(as obtained from trial balance, after making necessary adjustment), aggregate value of debit balance of all clients(as obtained from trial balance after making necessary adjustments) were obtained from Noticee for 25 sample dates. I observe from available records that in 20 days out of sample 25 days, the value of G (i.e. A+B-C) was found negative. The details of the same are given below:

Sr. No.	Date	Balance Of Client Bank Account	Exchange/ CM Deposit - Cash And Equivalents Cash + FD + Funded BG	Balance Of Credit Clients	Difference		Where G – ve, |G|<D Funds of CBC used for DBC on 21days	% of CBC funds misused for DBC
		A	B	C	G	D	|G|	|G\ /C
1	12.6.17	4,71,631	80,87,785	37,80,533	47,78,882	18,16,047	-	-
2	15.6.17	19,70,294	85,99,465	48,30,823	57,38,936	11,72,770	-	-
3	18.7.17	16,51,590	1,51,29,829	1,02,78,603	65,02,816	15,26,942	-	-
4	8.9.17	39,68,664	97,14,170	1,43,76,918	-6,94,083	4,14,19,961	694,083 #	4.8 *
5	20.9.17	38,48,128	1,63,93,490	1,94,08,049	8,33,569	4,14,62,346	-	-
6	16.10.17	6,08,929	1,09,17,847	1,41,10,938	-25,84,162	4,47,06,887	25,84,162	18.3
7	13.11.17	95,89,717	2,11,09,638	3,87,30,555	-80,31,200	4,62,01,086	80,31,200	20.7
8	16.2.18	56,19,256	2,27,31,042	4,79,79,140	-1,96,28,843	9,13,00,985	1,96,28,843	40.9
9	9.4.18	3,36,88,695	1,73,00,000	3,61,97,175	1,47,91,520	7,49,19,227	-	-
10	19.6.18	1,12,75,194	1,29,76,810	3,61,97,175	-1,19,45,171	7,49,19,227	1,19,45,171	33
11	24.7.18	85,01,285	3,75,64,951	8,70,61,492	-4,09,95,256	7,10,71,570	40,995,256 #	47.1
12	1.9.18	2,07,04,989	4,39,30,414	7,23,19,162	-76,83,759	7,70,84,681	76,83,759	10.6
13	21.9.18	1,48,68,639	7,54,86,066	11,18,08,472	-2,14,53,768	7,35,96,724	2,14,53,768	19.2
14	3.10.18	41,21,009	1,93,00,000	2,98,40,870	-64,19,862	11,25,94,588	64,19,862	21.5
15	10.10.18	39,90,896	1,93,00,000	4,80,88,791	-2,47,97,895	11,56,27,727	2,47,97,895	51.6
16	24.10.18	92,76,326	1,59,27,398	5,51,40,410	-2,99,36,686	7,92,81,565	2,99,36,686	54.3
17	5.11.18	1,89,12,544	2,35,32,575	5,84,57,447	-1,60,12,328	8,87,88,212	1,60,12,328	27.4
18	20.11.18	39,17,007	1,79,76,282	5,39,52,626	-3,20,59,337	8,78,83,760	3,20,59,337	59.4 *
19	3.12.18	1,07,99,487	1,43,00,000	3,46,59,757	-95,60,270	9,14,72,484	95,60,270	27.6
20	12.12.18	1,07,67,616	1,55,47,786	5,36,50,058	-2,73,34,656	8,46,75,623	2,73,34,656	50.9
21	26.12.18	2,30,28,075	1,77,06,049	5,04,62,271	-97,28,147	8,62,70,667	97,28,147	19.3
22	24.1.19	58,47,682	1,72,52,773	4,56,47,465	-2,25,47,010	8,90,92,931	2,25,47,010	49.4
23	8.2.19	1,47,52,010	1,70,73,243	4,39,83,715	-1,21,58,461	8,19,27,739	1,21,58,461	27.6
24	20.2.19	54,54,414	1,94,36,675	4,29,47,535	-1,80,56,445	8,11,60,936	1,80,56,445	42
25	1.3.19	76,10,107	1,94,27,397	4,77,37,778	-2,07,00,274	8,74,60,587	2,07,00,274	43.4

15. From the above table, I note that the value of G was negative for 20 out of 25 dates which were inspected. Thus, I find that in 20 out of 25 sample instances, Noticee had misused

clients' funds wherein funds of credit balance clients was used for the debit balance clients. The amount of mis-utilization ranges from Rs. 6.9 lakh to Rs. 4.09 crore and mis-utilization as a percent of credit balance ranges from 4.8% to 59.4%.

16. As per Clause 3 of Enhanced Supervision Circular, if net funds available with broker is negative, then the total fund is less than the ledger credit balance of clients. The value of net funds available with broker may indicate utilization of clients' funds for other purposes i.e., funds of credit balance clients are being utilized either for settlement obligations of debit balance clients or for the stock broker's own purpose. In the instant case, negative value of net funds available with broker is less than the obligations of debit balance clients which clearly shows that funds of credit balance clients have been utilized for settlement obligations of debit balance clients, which violates the provisions of the Clause 3 of Enhanced Supervision Circular.

17. I note from proceedings of the inspection conducted by SEBI that client funds amounting to Rs. 1.36 crore were not available with Noticee as on February 22, 2019. The details of the same are given below:

Particular	**Amount as on 22-Feb-2019 (Cr)**
Creditor Payable (C)	4.23
Funds available with trading member with Exchange/Clearing member/Bank) (A+B)	2.87
Shortfall of funds (A+B-C)	**1.36**
Debtors (D)	7.86

18. Therefore, it is seen that Noticee used fund of credit balance clients for settlement obligation of debit balance clients as on February 22, 2019, which is a non-compliance of the provisions of the Clause 3 of Enhanced Supervision Circular.

19. From the records, I note that during the course of inspection, to ascertain whether funds of credit balance client was used for Margin obligation of debit balance clients and proprietary trading, weekly submission made by Noticee for the week ended February 22, 2019, was verified. I observe from the proceeding of inspection that Noticee gave excess deposits with Exchange/clearing member and thus, Clients' Margin deposited with Exchange was used by Noticee for own/debit clients obligation to the extent of Rs. 1.85 crores, which is a contravention of Section 23D of SCRA, read with Clause 1 of Annexure to Transactions Regulation Circular read with Clause 3 of Annexure to Enhanced Supervision Circular.

20. I note that Noticee has not filed any reply in this respect nor has it disputed the above findings. In view of the foregoing, I hold that the allegation levelled against Noticee that it has violated Section 23D of SCRA read with Clause 1 of Annexure to Transactions Regulation Circular and Clause 3 of Annexure Enhanced Supervision Circular stands established.

Misuse of clients' securities

21. I observe from records that during inspection, client securities amounting to Rs. 1.20 crore, recorded in the back office book of Noticee as on February 28, 2019, were not available in the beneficiary account or with the clearing member which showed that as on February 28, 2019, client securities to the extent of Rs. 1.20 crore were misused by Noticee. The details of the same are given below:

Particular (position as on 28-Feb-2019)	**Amount (Crores)**
Value of securities as per Register of Securities – A	14.33
Value of securities in member DP/Clearing member-B	13.13
Shortfall of securities (A-B)	**1.20**

22. I further note that during the course of inspection, securities worth Rs. 0.73 crore which were observed to have been recorded in beneficiary accounts, were not actually found to have been recorded in the back office of Noticee/Register of Securities ('ROS'). I also observe that Noticee had used client securities worth Rs. 39 lakhs for proprietary (herein after referred to as "PRO") obligation as on February 28, 2019, since Noticee had either sold securities in PRO account or transferred to PRO-DP account without possessing the sufficient quantity in its ROS. Further, it is seen that as on February 28, 2019, Noticee had diverted client securities amounting to Rs. 20.08 lakh to its group company, Chaitanya Commodities Private Limited. Therefore, it is clear that client securities, to the extent of Rs.1.20 crore, 0.73 crores, Rs. 39 lakh and Rs. 20.08 lakh, was misutilized by Noticee.

23. I find that Noticee has neither refuted the finding nor filed any reply in respect of the same. Therefore, I conclude that the allegation that Noticee has violated Section 23D of SCRA read with Clause 2 of Annexure to Transactions Regulation Circular and Clause 2 of Annexure to Enhanced Supervision Circular stands established.

<u>Pledging of client's securities/ Non issuance of statement of pledge and unpledged securities</u>

24. As per the Clause 2.5 of Annexure to Enhanced Supervision Circular which came into effect from July 01, 2017, 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. Clause 2.5.1 of Annexure to Enhanced Supervision circular states that securities of only those clients can be pledged who have a debit balance in their ledger. Further, as per Clause 2.5.2 of Annexure to Enhanced Supervision circular the funds raised against pledged securities for a client should not exceed the debit balance in the ledger of that particular client.

25. On perusal of trial balance as on February 28, 2019, ROS and details of securities pledged by Noticee as on February 28, 2019, I note that Noticee had pledged securities worth Rs. 1.51 crores of 167 clients having credit balance which is in contravention of the provisions of the Clause 2.5.1 of Enhanced Supervision Circular. Therefore, it is clear that Noticee misutilized client funds by pledging clients' securities having credit balance to the extent of Rs. 1.51 crore.

26. I also observe from proceedings of inspection and perusal of bank accounts, details of securities pledged with banks to raise funds and client ledgers that as on February 28, 2019, Noticee had availed overdraft facility from Non-Banking Financial Companies, namely, Anand Rathi and Axis Bank, by pledging client securities. I also observe that on February 28, 2019, Noticee had availed overdraft of Rs.2.12 crore by pledging Rs. 4.44 crore worth of client securities. Further, as on February 28, 2019, the funds raised by Noticee by pledging securities of 232 clients was in excess of their debit obligation to the tune of Rs. 1.13 crore. Therefore, I observe that Noticee has misutilised client funds by pledging client securities in excess of their debit obligation to the extent of Rs.1.13 crore on February 28, 2019, which was not in accordance with Clause 2.5.2 of Annexure to Enhanced Supervision Circular. I find that Noticee has neither refuted the finding nor filed any reply in respect of the aforesaid findings. Therefore, in the absence any defense made by the Noticee, I am inclined to agree with the finding of the SEBI inspection that Noticee misultised the securities of clients by pledging for more value than the obligation of the debit balance clients and particularly, pledging of the securities of

credit balance clients. Therefore, I conclude that the allegation that Noticee has violated Clause 2.5 of Annexure to Enhanced Supervision Circular stands established.

27. As per the Clause 2.5.5 of Annexure to Enhanced Supervision Circular, which came in to effect from July 01, 2017, members who are pledging the client securities, were required to send a statement reflecting the pledge and funding to their clients as and when their securities were pledged/unpledged. In this regard, I observe that there is no evidence placed on record to show that Noticee had furnished the requisite statement of pledged/unpledged securities to its clients during the inspection period. Therefore, I conclude that the allegation that Noticee has violated Clause 2.5.5 of Annexure to Enhanced Supervision Circular stands established.

Incorrect naming/Tagging of bank and demat accounts/ Non declaration of bank account

28. On perusal of the bank accounts and demat account details provided by Noticee, I observe that 2 bank accounts were designated as Client accounts, 2 bank accounts were designated as Own accounts and 1 account was designated as settlement account. As per Clause1 of Annexure to Enhanced Supervision Circular, bank accounts and demat accounts maintained by all stock brokers shall have appropriate nomenclature to reflect the purpose for which those bank/demat accounts are being maintained. Further, Clause 1.2 of Annexure to Enhanced Supervision Circular specifies the nomenclature to be used for bank account and demat accounts.

29. I note that the words “Client”/” Proprietary”/” Settlement” were not mentioned in the names of any of the bank accounts maintained by Noticee for the purpose of Client/ Own/ Settlement respectively. The same are illustrated below: -

Sl. No.	Bank Account Number	Bank and purpose of account	Bank account name
1	00030340002515	HDFC BANK , Client	Quantum Global Securities Ltd
2	37797273320	SBI, Client	
3	00031340069295	HDFC Bank, Own	
4	37965944449	SBI, Own	
5	00990610004489	HDFC Bank, Settlement	
6	57500000315146	HDFC Bank,	
7	57500000175191	HDFC Bank,	

30. Therefore, I find that Noticee failed to maintain appropriate nomenclature for its bank accounts. I further observe that 7 demat accounts have not been given appropriate nomenclature. The deficiencies observed are given below:

Sl. No.	Depository	DP Name	DP ID	DP A/c No	A/c Holder Name	Sub Type	Segment	A/c Opening Date
1	CDSL	Quantum Global Securities Limited	12084700	8817	Quantum Global Securities Limited	Any Other	CMFOCDS	17-Jan-18
2			12084700	1085		Own/Proprietary Account	CMFOCDS	08-Sep-17
3			12084700	16110		Any Other	CMFOCDS	24-Mar-18
4			12084700	16013		Any Other	CMFOCDS	24-Mar-18
5			12084700	4261		Client Account	CMFOCDS	20-Nov-17
6	NSDL	Globe Capital Market Limited-In300966	IN300966	10789051		Own/Proprietary Account	CMFOCDS	08-Dec-16
7			IN300966	10776033		Own/Proprietary Account	CMFOCDS	19-Aug-16

31. Therefore, I find that Noticee failed to maintain appropriate nomenclature for it's demat accounts. Noticee has not disputed the findings. Accordingly, I find that by not maintaining appropriate nomenclature for bank account and demat account, Noticee has violated Clause 1 of Annexure to Enhanced Supervision Circular stands established.

32. I note from the documents available on record that SEBI vide its letter dated December 18, 2018, forwarded a pre-inspection questionnaire to Notice, wherein, inter-alia, bank accounts maintained by Noticee was sought. However, in the said response to SEBI, Noticee did not furnish any information about the bank account ending with 5191. I also observe that other accounts seen in Noticee's back office system, viz. HDFC client 70638 and HDFC client 686, were not declared to SEBI in pre-inspection questioner.

33. I note from records that Noticee has not refuted the above finding. Therefore, I hold that allegation levelled against Noticee that it has violated Clause A(5) of the Code of Conduct as specified in Schedule II read with Regulation 9 (f) of Broker Regulations, stands established.

Client funding beyond permissible limits

34. As per Clause 2.6 of Annexure to Enhanced Supervision Circular, 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 continue beyond the fifth trading day, as reckoned from date of pay-in.

35. From perusal of available records of sample selected during inspection, I observe that Noticee had granted further exposures to the tune of Rs. 1 crore to 3 clients, having client

code FMN7004, AGR 23 and AMD0003 in spite of non-recovery of debit balances within 5 days from the date of pay-in i.e. Noticee granted exposures to 3 clients beyond T+2+5 days. Further, from sample of top 10 clients selected for the period April 01, 2018 to March 31, 2019, to ascertain whether Noticee has funded debit balance clients, I note that 4 clients having client code AGR223, MUMT002, MUM0105 and NSP049 were given further exposure despite having debit balance in their account. The details of the same are tabulated below: -

SR. NO.	Client code	Debit start date	T+7	Amount of debit	Recovery till t+7 or exposure whichever is later	Amount not recovered	Exposure date	Exposure amount	Amount funded
1	AGR223	26/11/2018	05/12/2018	2065321.2	5340	2059981.2	06/12/2018	514966.00	25,74,947.23
2	MUMT002	05/07/2018	16/07/2018	4959825	47858	4911967	20/07/2018	2198307.81	71,10,274.81
3	MUM0105	10-09-2018	19/09/2018	1567518.64	1549479	18039.64	29-10-2018	1703960.13	17,21,999.77
4	NSP049	28/06/2018	09/07/2018	121377	10450	110927	11/07/2018	1771.91	1,12,698.91

36. From the above table, I note that Noticee had granted exposures to four clients despite having debit balance in their account. I note that the sample dates selected by SEBI Inspection were almost a year after the applicability of the circular which means that the above provisions were already applicable to the Noticee.

37. As the client had a debit balances, in terms of the aforesaid provision, Noticee should have ensured the debit balance was first cleared before giving the client further exposure. However, the Noticee failed to do so. I note that no reply has been furnished by Noticee in this regard from Noticee and Noticee has also not disputed the findings. Therefore, I conclude that the allegation levelled against Noticee that it has violated the provisions of Clause 2.6 of Annexure Enhanced Supervision Circular read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, stands established.

<u>Non settlement of clients' funds and securities</u>

38. As per Clause 12 of Annexure to SEBI circular dated December 03, 2009, a stock broker is required to settle the accounts of clients on monthly or quarterly basis. On perusal of trial balance and ROS for 7 quarters during the inspection period, I observe that Noticee did not settle the funds and securities of inactive clients (balance of clients above Rs.

1,000/-) ranging from 16 clients in April 2017 quarter to 600 clients in September 2018 quarter. The amount ranged from Rs.2,52,847/- to Rs.1,69,80,404/-. The details of the same are given below: -

Quarter	Clients	Amount in Rs.
Q-1April 2017	16	2,52,847.15
Q-2 July 2017	37	10,35,069.06
Q-3 October 2017	69	11,47,716.52
Q-4Jan 2017	258	82,44,881.22
Q-5April 2018	221	55,27,740.71
Q-6June 2018	388	1,04,52,355.09
Q-7Sep-2018	660	1,69,80,404.74

39. Further, on perusal of trial balance and ROS as on February 28, 2019, I find that Noticee did not settle funds & securities amounting to Rs. 3.37 Crore of 1377 clients, who had not traded in the preceding 3 months from July 31, 2018, and were having value of securities/funds with Noticee more than Rs. 100/- .

40. SEBI Circular dated December 3, 2009, allows brokers to retain the funds of the clients expected to be required to meet margin obligations for next 5 trading days, calculated in the manner specified by the exchanges. However, in case of inactive clients in the absence of any trading and consequential obligations of the clients towards the broker, the broker should not retain funds and securities of such inactive clients. From the foregoing, I find that Noticee failed to settle the accounts of inactive clients as mandated in terms of Clause 12 of Annexure to SEBI Circular dated December 03, 2009. Hence, I find that by not settling the funds and securities balances of inactive clients, the Noticee was not only using the idle client funds but also exposing the accounts of such clients to the risk of misuse/fraud/ unauthorized trading etc.

41. I note that Noticee has not filed any submissions in respect of the above and has not disputed the findings. Therefore, it is concluded that the allegation that Noticee violated Clause 12 of Annexure to SEBI Circular dated December 03, 2009 stands established.

Incorrect Margin Reporting to Exchange

42. I note from the documents available on record that in respect of 2 clients having client code DEL0159 and FUP402, Noticee had incorrectly reported the margin collected by it amounting to Rs.28,20,140/- in 2 instances in the Future and Option Segment. The details of the same are given below:

Amount in Rs.

Date	Client Code	Margin reported as collected	Free balance as per Books including collaterals	Wrong Reporting
27-Mar-18	DEL0159	28,20,000	-5,51,413	28,20,000
17-Jan-19	FUP402	5,78,683	5,78,543	140

43. Therefore, I find that by incorrectly reporting the margin collected from 2 clients in the Future and Option Segment to the exchange in two instances, the Noticee has failed to adhere to the provisions of SEBI circular no. CIR/DNPD/ 7/2011 dated August 10, 2011. I note from records that Noticee has not refuted the above findings. Therefore, I find that allegation levelled against Noticee that it has violated SEBI circular no. CIR/DNPD/ 7/2011 dated August 10, 2011 stands established.

Incorrect Net worth Reporting to Exchange

44. The net-worth certificate submitted by Noticee was verified to ascertain that the same is in line of L.C. Gupta Committee method. I note that as per the formula prescribed by Dr. LC Gupta committee for computation of net worth for brokers, all debts and loans/advances overdue for more than 3 months are to be deducted from the capital & reserves of the firm. I note from the documents available on record that for the half year ended September 30, 2018, Noticee was having a net-worth of Rs. 4.13 crores. I note that Noticee did not deduct debit balances amounting to Rs. 0.60 crores and loans/ advances of Rs. 6.65 crores due for more than 3 months for the half year ended September 30, 2018. The deduction of the said debit/loans/advances balance will result in negative net worth of Rs 3.12 crore. Accordingly, I find that Noticee has reported incorrect networth to the extent of Rs. 7.25 crore.

45. I note that no reply has been furnished by Noticee in this regard and Noticee has not disputed the findings. Therefore, I conclude that the allegation leveled against Noticee that it has violated Clause 6.1.1(j) of Annexure to Enhanced Supervision Circular stands established.

<u>Incorrect reporting of data under Enhanced Supervision and Risk based supervision</u>

46. As per Clause 7 of Annexure to Enhanced Supervision Circular, stock broker is required to upload fund balance and securities balance on the exchange system. It has been alleged in the SCN that Noticee had incorrectly reported monthly upload of clients' securities balance for Enhanced Supervision as on February 28, 2019. The details are as under:-

Sr. No.	*Particular*	*No. of instances/clients*
1	*Clients wise funds balances mismatch*	*222 Clients*
2	*Mismatch in Clients wise Qty reporting*	*137 Instances pertain to 91 clients*
3	*Client securities not reported*	*19 Scrips pertain to 1 client*
4	*Mismatch in email id*	*97 clients*
5	*Mismatch in Mobile no*	*87 clients*

47. Accordingly, it has been alleged that Noticee has violated Clauses 7.1.1 and 7.1.2. of Annexure to Enhanced Supervision Circular. At this juncture, I find it pertinent to refer to the provision of Clause 7 of Annexure to Enhanced Supervision Circular which is reproduced below:

"<u>Clause 7: Uploading clients 'fund balance and securities balance by the Stock Brokers on Stock Exchange system</u>

The Stock Exchanges shall put in place a mechanism and ensure that stock brokers upload the following data on a monthly basis for every client onto each Stock Exchange system where the broker is a member.

7.1.1.Exchange-wise end of day fund balance as per the client ledger, consolidated across all segments and also net funds payable or receivable by the broker to/from the client across all Exchanges.

7.1.2.End of day securities balances (as on last trading day of the month) consolidated ISIN wise (i.e., total number of ISINs and number of securities across all ISINs).

7.1.3.For every client, number of securities pledged, if any, and the funds raised from the pledging of such securities.

7.1.4.The data at Para 7.1.1, 7.1.2 and 7.1.3 pertains to the last trading day of the month. The stock broker shall submit the aforesaid data within seven days of the last trading day of the month.

7.2.Each Stock Exchange shall in turn forward this information to clients via Email and/or SMS on theemail IDs and mobile numbers uploaded by the stock broker to the Exchange for their clients.

7.3. The above provisions shall be applicable three months from the date of this circular."

48. Thus, on reading of the aforesaid provision, I note that the aforesaid provision merely deals with submission/ uploading of clients funds and securities data on the Stock Exchange system but is silent about submission/ uploading of incorrect data/ information. In this regard, I find it pertinent to refer to Clause 6.1.1.j of Annexure to Enhanced Supervision Circular which is given hereunder:

"*6.1.1."Monitoring criteria for Stock Brokers:.......*
j. "In case stock broker shares incomplete/wrong data or fails to submit data on time"

49. In the above facts and circumstances, I find that the applicable charging provision would be Clause 6.1.1.j of Annexure to Enhanced Supervision Circular. Hence, I find that Clause 7of Annexure to Enhanced Supervision Circular is not applicable to facts and circumstances involved in the aforementioned allegation. In view of the foregoing, I am inclined to drop the said allegation without going into its merits.

50. As per Clause 3.2. of Annexure to Enhanced Supervision Circular, stock broker has to submit the following data as on last trading day of every week to the Stock Exchanges on or before the next trading day:
    - Aggregate of fund balances available in all Client Bank Accounts, including the Settlement Account, maintained by the stock broker across stock exchanges
    - 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.

- 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)
- 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

51. On perusal of inspection records, I note that the weekly data submitted by Noticee for the week ended February 22, 2019, under Enhanced Supervision when compared with the Trial balance/ROS/Exchange records/clearing member data/bank statements shows that Noticee had not reported correct data/information to the exchange, i.e., Noticee had not reported correct data/information to the exchange towards weekly data submitted as on February 22, 2019, w.r.t. collateral deposited with clearing corporation/ clearing member in form of cash and cash Equivalents and free/unblocked collateral deposited with clearing corporation/ clearing member. The details of the same are given as under:

Sr. No.	***Head***	***Amount Reported by the member (Rs.)***	***Balance Should be reported (Rs.)***
1	*Collateral deposited with clearing corporation/ clearing member in form of Cash and Cash Equivalents*	*2,34,46,339*	*1,91,46,339*
2	*Free/unblocked Collateral deposited with clearing corporation/ clearing member(MF)*	*1,59,18,456*	*1,86,18,456*

52. The above details shows that Noticee had wrongly submitted the figures of collateral deposited with the Clearing Corporation and Free unblocked collateral deposited with the clearing corporation.

53. I also observe that the inspection found that Noticee had not uploaded details of the following four bank accounts to the Exchange:

Sr. No.	Account No.	Account type
1	`00030340070638	HDFC - Client
2	`57500000175191	HDFC-Sett
3	`57500000175146	HDFC-Sett
4	37965944449	SBI

54. As per Clause 2.1 of Annexure to Enhanced Supervision Circular, Noticee is required to inform the Stock Exchanges of existing and new bank account which it failed to comply with.

55. As per Clause 2(B)(iv) of SEBI Circular no. CIR/ MIRSD/15/2011 dated August 02, 2011, stock brokers have to ensure that separate mobile number/ email address is uploaded for each client under exceptional circumstances the stock broker at the specific request of client can upload same mobile number/ email id for more than one client provided such clients belongs to one family. However, I observe from inspection records that there were mismatches in the details of clients' email IDs (in 7 instances) and mobile numbers (in 13 instances) between the back-office database of Noticee and UCC database of Exchange which is a violation of the aforesaid provision.

56. I note that Noticee has not refuted the above findings. In view of the forgoing, I hold that the allegation that Noticee has violated Clause 3.2 and Clause 2 of Annexure to Enhanced Supervision Circular and Clause 2(B) of SEBI Circular no. CIR/ MIRSD/15/2011 dated August 02, 2011, respectively, stands established.

57. Further, perusal of inspection related documents placed on records show that the Noticee had defaulted on the following aspects relating to data submitted to exchange :

    a) In respect of data submitted to Exchange in the Clients' Funds and Securities for the months of December 2018 and February 2019, Noticee had not uploaded the details of one eligible client and wrongly reported the details of pledge, funds and securities of clients to the Exchange on monthly basis.

b) Noticee had wrongly reported the details in Clients' Asset Report submitted to Exchange on six sample dates i.e. 01-02-2019, 01-06-2018, 04-01-2019, 16-11-2018, 28-12-2018 and 29-06-2018.

c) Noticee had misreported the figures of total debits, collaterals of debtors, amount of debits without collateral, DPC and Brokerage Ledger as 68620223.77, 92769295.92, -24149072.15, 30491615.76 and 33276453.51 in place of 204976675, 140158979, 64817696, 4797956.77 and 484899.18 respectively in the RBS data submitted to the Exchange for the half year ended September 2018

58. I find that Noticee has not furnished any reply in respect of the above and has not disputed the findings. Therefore, in view of the aforesaid findings, I hold that the allegation that Noticee has violated the clauses 7.1.3, 3.2 and 6.1.1(j) of Annexure to Enhanced Supervision Circular, stands established.

Discrepancies in Know Your Client (KYC) Process

59. On perusal of details w.r.t. uploading of data with KYC Registration Authority ('**KRA**') and with Central Registry of Securitization and Asset Reconstruction and Security interest of India (**CERSAI**) KYC Registration Authority, I observe that Noticee had neither provided the mandatory documents i.e. Rights and Obligations, Policies and Procedures, Internet and Wireless trading disclosure, Combined Risk Disclosure Documents and Do's and Don'ts to the SEBI inspection team nor maintained the acknowledgement of receiving the mandatory documents from the Clients. Moreover, there was no evidence of Noticee having obtained the declaration from the sample clients for providing contract notes electronically. Therefore, I find that Noticee failed to comply with the requisite provisions relating to the KYC process.

60. Noticee has not filed any reply in respect of the aforesaid finding and has not disputed the findings. Therefore, I hold that the allegation that Noticee has violated Clause 3 of SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 stands established. .

61. I also note from documents relating to the inspection that there is no evidence of Noticee having registered the details of 121 clients with KRA. I also note that there is no evidence of Noticee having registered details of 12 active clients with CERSAI KYC Registration Authority.

62. Since Noticee has not refuted the above findings, I find that Noticee failed to register the details of 121 clients with KRA and the details of 12 active clients with CERSAI KYC Registration Authority. Therefore, I conclude that, Noticee has violated Clause 1 of SEBI circular no. MIRSD/Cir-26/2011 dated December 23, 2011 read with SEBI circular no. MIRSD/Cir-23/2011 dated December 02, 2011 and SEBI circular MIRSD/Cir-5/2012 dated April 13, 2012 and SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular no. CIR/MIRSD/66/2016 dated July 21, 2016, respectively.

<u>Discrepancies in terminal related requirements</u>

63. I note from the documents available on record that 3 trading terminals of Notice, i.e., terminal no. 3800091001015001, 1100341001002001 and 1100341001001001, were registered at the location which was neither the branch office nor at office of the Authorized Person of Noticee. Noticee has not disputed the findings. In view of the same, I find that Noticee has violated SEBI Circular SMDRP/Policy/Cir-49/2001 dated October 22, 2001.

64. I further find from inspection related records that terminal no. 2013011001002001, at the office Noticee was operated by unregistered user. Noticee has not submitted any reply in respect of the aforesaid findings and has not disputed the findings. Therefore, I find that Noticee has violated Clause A (5) of Code of Conduct as specified in Schedule II read with Regulation 9(f) of Brokers Regulations and NSE circular NSE/MEM/3574 dated August 29, 2002

<u>DP related activities</u>

<u>Client Registration Process (KYC and KRA Process)</u>

65. I note from documents available on record that Noticee failed to take corrective action in case of “Hold cases” as per KRA record for the BOID(s), viz., 35349, 52793, 54807, 62 and 4603. Details are as under:

S. No.	BOID	PAN	Reason for Hold
1.	35349	AQOPB4357P	Proof Of Permanent Address Not Submitted
2.	52793	HUOPK4541M	Applicant Signature Not Available On Pan Card
3.	54807	AAUFS9506M	Society Stamp Not Proper On Application Form And Supporting Document And Pan Card Copy Not Submitted And Authorised Signatory List With Specimen Signature Not Submitted
4.	62	CNEPP7570B	Proof Of Correspondence Address Not Provided

S. No.	BOID	PAN	Reason for Hold
5.	4603	AANFV1223F	1 Year's Balance Sheet Submitted

66. Noticee has not furnished any reply in respect of the above and has not disputed the findings. Therefore, I hold that Noticee has violated SEBI circular no. MIRSD/Cir-26/2011 dated December 23, 2011.Therefore, allegation levelled against Noticee that it has violated SEBI circular no. MIRSD/Cir-26/2011 dated December 23, 2011, stands established.

67. I note from the documents available on record that in 14 instances, Noticee failed to update the Risk Category of clients, i.e. Low, Medium, High category in its back office software. The aforesaid for Beneficial Owner (BO) IDs are 46933, 47333, 48848, 48151, 47751, 48774, 49875, 49915, 52793, 50500, 53731, 55002, 54505, and 54995. Noticee has not furnished any reply in respect of the above and has not disputed the findings. Therefore, allegation levelled against Noticee that it has violated SEBI Circular no. SEBI/HO/MIRSD/DOS3/CIR/P/2018/ 104 dated July 04, 2018 and CDSL communique no. 2236, stands established.

68. Similarly, I note from documents available on record that in 18 instances, Noticee had not updated POA signed by BO at time of account opening in Centralised Depository Accounting System (CDAS)/ Noticee's Back office software. The aforesaid BOIDs are 46933, 47333, 48848, 47751, 48774, 49875, 47747, 52400, 53554, 52867, 52930, 53271, 50893, 50500, 50933, 52658, 56097 and 54621. Further, in 13 instances, Noticee had not updated BO signature in its DP back office software. The aforesaid BOIDs are 45165, 54505, 28863, 54701, 14717, 8901, 8228,9451,15136, 13498, 43611, 15778 and 43208. Noticee has not furnished any reply in respect of the above and has not disputed the findings.

69. In view of the same, I find that Noticee has violated CDSL Operating Instruction no. 3.4.4. Therefore, allegation levelled against Noticee that it has violated CDSL Operating Instruction no. 3.4.4 stands established.

70. I note from the documents available on record that Email IDs updated in CDAS/Noticee back office software was different from KRA database in 21 instances i.e. for the BOIDs-51181,26997, 28162, 14717,18920, 15121, 15248, 22916, 15174, 45429, 49803, 27363, 30317, 33605, 13411, 51479, 51162, 13181, 40872, 53554 and 9635. Noticee has not furnished any reply in respect of the aforesaid findings and has not disputed the findings. In view of the same, I find that allegation levelled against Noticee that it has violated SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011, stands established.

71. I further note that Noticee has not updated the mode of operation in CDAS/its DP back office software for three BOIDs i.e. 54701, 27403, 10. Noticee has not refuted the aforesaid finding. In view of the same, I find that the allegation that Noticee has violated CDSL Operating Instructions No. 3.4.8 and 3.4.14 stands established.

72. A perusal of inspection related records show that In 7 instances, Noticee failed to verify the proof of bank details against original documents for seven BOIDs i.e. 33814, 33848, 33605, 34248, 34062, 25936, 6862. Noticee has not refuted the aforesaid finding. In view of the same, I find that Noticee has violated CDSL operating instruction no. 2.3.

73. Further, from available records, I note that there is no evidence of Noticee having registered 10 instances of KYC with any KRA till date of inspection. The details are given below:

S.No.	BOID	PAN	BO Setup Date
1.	36395	CGPPS8426P	27.08.2018
2.	6216	ADVPD7823N	18.12.2017
3.	39913	HKWPK2802P	25.09.2018
4.	13236	AAQHM3061B	28.02.2018
5.	29020	AMWPS9387E	06.07.2018
6.	36971	GGAPK6988M	31.08.2018
7.	42772	ABMFA5231A	17.10.2018
8.	6862	CBSPP6577Q	27.12.2017
9.	8251	DFNPM2856B	11.01.2018
10.	29278	CKJPK3392J	09.07.2018

74. Therefore, I find that Noticee failed to register KYC with KRAs in 10 instances. Noticee has not refuted the aforesaid finding. In view of the same, I find that allegation that Noticee has violated SEBI circular no. Clause 2 of SEBI circular no. MIRSD/ Cir-26/2011 dated December 23, 2011 read with SEBI circular no. MIRSD/Cir-23/2011 dated December 02, 2011 and SEBI circular MIRSD/ Cir-5/ 2012 dated April 13, 2012 stands established.

75. I further observe that in 23 instances, KYC details/ documents were not fetched/ downloaded from KRA database by Noticee. The details of the 23 instances are given below:

S.No.	BOID	BO Setup Date	PAN
1	6989	27-DEC-2017	BQBPS7961Q
2	6765	26-DEC-2017	ALSPA7649E
3	31521	20-JUL-2018	AKAPC6907A
4	55591	28-FEB-2019	AZSPS3306G
5	55492	27-FEB-2019	BGNPM9868C
6	56783	12-MAR-2019	AHVPN4058R
7	39664	25-SEP-2018	AHEPM6103B
8	46494	27-NOV-2018	BDSPS1610Q
9	2849	27-OCT-2017	DLLPS7988Q

10	43607	25-OCT-2018	DYXPS4584M
11	6328	19-DEC-2017	BQHPS3277B
12	39928	25-SEP-2018	AHAPV0846L
13	5552	11-DEC-2017	AESPB6282P
14	2416	11-OCT-2017	AGVPJ2004J
15	41992	11-OCT-2018	ABTPT2699G
16	39626	25-SEP-2018	DFQPS4195G
17	3633	10-NOV-2017	AHHPB2207L
18	5358	07-DEC-2017	AUGPK6887P
19	18327	18-APR-2018	ACZPG8456F
20	42316	15-OCT-2018	BBNPS0263C
21	6560	20-DEC-2017	AYVPG1796L
22	3726	10-NOV-2017	CYUPD5473Q
23	2528	16-OCT-2017	AAPCA4997A

76. In 7 instances, Noticee has not uploaded proof of address and proof of identity documents. The details of such instances is given below: -

S.No.	BOID	BO Setup Date	PAN	Status in KRA.
1	6216	18-DEC-2017	ADVPD7823N	Submitted
2	25936	20-JUN-2018	AORPR5317N	Submitted
3	8901	17-JAN-2018	AAEPS4063P	Submitted
4	7906	09-JAN-2018	ABBPD6365R	Submitted
5	55872	05-MAR-2019	AOOPT1479E	Submitted
6	42871	19-OCT-2018	AEAPH3035C	Submitted
7	54701	18-FEB-2019	AAETS4434L	Submitted

77. Noticee has not refuted the findings at para 79 and 80. Therefore, I find that Noticee has violated Clause 1 of SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011.

78. I further note from inspection related records that in 27 instances, Noticee had failed to issue DIS booklet on CDAS till the date of inspection. The list of 27 instances is given below*:*

S.No.	BOID	Bo Setup Date
1	52297	18-JAN-2019
2	52400	21-JAN-2019
3	52109	16-JAN-2019
4	56253	07-MAR-2019
5	53495	30-JAN-2019
6	54349	12-FEB-2019
7	52658	22-JAN-2019
8	55002	21-FEB-2019
9	55591	28-FEB-2019
10	55061	21-FEB-2019
11	52244	18-JAN-2019
12	52867	23-JAN-2019
13	55492	27-FEB-2019
14	54995	21-FEB-2019
15	54505	14-FEB-2019
16	55319	23-FEB-2019
17	51479	16-JAN-2019

S.No.	BOID	Bo Setup Date
18	52793	23-JAN-2019
19	53731	04-FEB-2019
20	53271	28-JAN-2019
21	55055	21-FEB-2019
22	53554	31-JAN-2019
23	54621	15-FEB-2019
24	52930	24-JAN-2019
25	52639	21-JAN-2019
26	54807	20-FEB-2019
27	54701	18-FEB-2019

79. I note from records that Noticee has not submitted any reply in respect of the aforesaid findings and has not disputed the findings. Therefore, I find that the allegation that Noticee has violated CDSL Communique no. 4664 stands established.

Discrepancies in demat & remat request

80. From perusal of records, I observe that Noticee has failed to adhere to various provisions of CDSL Operating Instructions relating to demat & remat request as detailed hereunder:

a) In 21 instances, Noticee has not affixed Inward date /Stamp on rejection letters received from the RTA/Issuer which made it difficult for the inspection team to ascertain whether share certificates along with rejection letters were sent to BO within seven (7) days of its receipt for Demat Request Numbers (DRN no.)8211164, 8233569, 8370700, 8394048, 8425840, 8426793, 8495460, 8528423, 8528424, 8649397, 8653177, 8653179, 8653182, 8671878, 8671887, 8671888, 8721713, 8721754, 8739225, 8763697, 8774805.

b) Noticee was not able to provide Demat request rejection letter received from RTA for verification w.r.t. DRN Nos- 8528423, 8649397, 8653182, 8721754, 8820655, 8964389, 8964393, and 8989787.

81. Noticee has not disputed the above findings. In view of the same, it is concluded that Noticee has violated CDSL Operating Instruction 4.4.19 and CDSL Operating Instruction no. 4.10.3 respectively.

Discrepancies in account modification

82. I observe from available records that Noticee had failed to adhere to various requirements of CDSL Operating Instruction no.3.4 relating to account modification of its clients. The details are as under :

i. In 2 instances, for change of address Noticee had sent confirmation to only new address of the BO IDs – 21492 and 16524. I note that Noticee has not disputed the findings. In view of the same, I conclude that Noticee has violated CDSL Operating Instruction no.3.4.1.

ii. In case of BOID 12802, new address was not updated in KRA database till the date of inspection. I note that Noticee has not disputed the findings. In view of the same, I conclude that Noticee has violated CDSL Operating Instruction no. 3.4.

iii. In case of BOIDs 15457 and 12802, Noticee was not able to provide any address change request. Further, it was observed that in one instance i.e. for BOIDs – 12802, Noticee failed to provide the dispatch proof. I note that Noticee has not disputed the findings In view of the same, I conclude that Noticee has violated CDSL Operating Instruction no. 3.4.1.

iv. In one instance i.e. BOID – 9831, Noticee did not provide the bank change request. I note that Noticee has not disputed the findings. Therefore, I conclude that Noticee has violated CDSL Operating Instruction no. 3.4.15.

v. In one instance i.e. BOID- 53005, Noticee failed to update the new mobile number in CDAS/ back office software. I note that Noticee has not disputed the findings. In view of the same, I conclude that Noticee has violated CDSL Operating Instruction no. 3.4.

vi. In one instance i.e. BOID- 53189, Noticee failed to provide email change request. I note that Noticee has not disputed the findings In view of the same it is conclude that Noticee has violated CDSL Operating Instruction no. 3.4.10.

Discrepancies in DIS issuances and execution request

83. I observe from available records that Noticee had failed to adhere to various requirements of CDSL Operating Instructions relating to DIS issuances and execution request. The details are as under:

i. In one instance, DIS was pending for scanning and uploading in CDAS system. The said DIS was executed on February 21, 2019. I note that Noticee has not disputed the findings In view of the same, I conclude that Noticee has violated CDSL communique nos. 4685 dated September 04, 2014 and 4729 dated September 25, 2014.

ii. Mode of operation not updated in CDAS/Noticee back office software in case of corporate account BOID- 252,10. I note that Noticee has not disputed the findings. In view of the same, I conclude that Noticee has violated CDSL Operating Instruction No. 3.4.8 and 3.4.14.

iii. Noticee has not blocked the DIS booklet in its back office software even though it was reported as lost. The detail of the same is given below:

S.No.	BOID	DIS No.	Issuance date
1	4531	2621-2640	17.04.2018

I note that Noticee has not disputed the findings .In view of the same, I conclude that Noticee has violated SEBI circular SEBI/MRD/DEP/cir-03/2007.

iv. In the following 9 instances Noticee was not able to provide proof of dispatch of DIS for verification:-

S. No.	BOID	DIS Number	Issuance Date
1.	15248	2224	16.05.2018
2.	15201	2225	16.05.2018
3.	15174	2226	16.05.2018
4.	15155	2227	16.05.2018
5.	15136	2228	16.05.2018
6.	10575	509	14.05.2018
7.	8331	515	30.07.2018
8.	6119	4079	17.10.2018
9.	14113	655	14.10.2018

I note that Noticee has not disputed the findings. In view of the same, it is alleged that Noticee has violated CDSL Operating Instruction no. 6.5.1.9.

v. Noticee was not able to provide original copy of DIS request made by BOID -10575 for verification. I note that Noticee has not disputed the findings Therefore, it is concluded that Noticee has violated CDSL operating instruction no.6.5.1.9.

Discrepancies related to Investor Grievances

84. During the course of inspection, it was observed that information w.r.t. Mobile, KYC & IPO subscription was not indicated on exclusive DP website of Noticee. Noticee has not disputed the finding. Therefore, I find that Noticee has failed to comply with the requirements under CDSL communique no. 4671, 4677 and 5547. Therefore, it is concluded that the allegation that Noticee has violated CDSL communique no. 4671, 4677 and 5547 stands established.

Discrepancies related to NISM certification and non-availability of certain data

85. As per Regulation 3(2) of SEBI(Certification of Associated Persons in the Securities Market) Regulations, 2007, read with CDSL communique no. 4650, "*An associated person on being employed or engaged by an intermediary on or after the date specified by the Board shall obtain the certificate within one year from the date of being employed or engaged by the intermediar*y.". I note from the documents available on records that there is no evidence of the compliance officer of Noticee obtained NISM DOCE Series VI Certification. Therefore, I find that Noticee failed to get NISM DOCE Series VI Certification as mandated under Regulation 3(2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations read with CDSL communique no. 4650. 88. I note that Noticee has not refuted the aforesaid findings. In view of the same, it is alleged that Noticee has violated Regulation 3(2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations read with CDSL communique no. 4650

86. As per CDSL communique no.3500 dated February 18, 2013, DPs were directed to have the Concurrent Audit of risk prone areas of operations done daily on 100% basis by the Concurrent Auditors. I note from inspection related records that Noticee failed to provide the concurrent audit report for the months of December 2018, January & February 2019,

for verification to the inspection team. I note that Noticee has not refuted the aforesaid findings. In view of the same, it is alleged that Noticee has violated CDSL Communique no. 3500.

Issue No. II: Do the violations, if any, attract monetary penalty under Section 23D of SCRA, Section 15HB of SEBI Act and Section 19G of Depositories Act

87. It has been established in the foregoing paragraphs that Noticee has violated the following provisions: -
    a. Section 23D of SCRA, 1956 read with Clauses 1, 2 of Annexure of Transaction Regulation Circular and Clauses 1, 2, 2.5, 2.5.5, 3, 3.2,6.1.1 6.1.1 (j), 7.1.1, 7.1.2, 7.1.3 of Annexure to Enhanced Supervision Circular.
    b. Clause 2.6 of Annexure of Enhanced Supervision Circular read with Clause 2(d) of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017.
    c. Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of Broker Regulations.
    d. Clause 12 of Annexure to SEBI Circular dated December 03, 2009.
    e. SEBI Circular no CIR/DNPD/7/2011 dated August 10, 2011.
    f. Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011
    g. Clause 2 of SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011 read with SEBI Circular no. 23/2011 dated December 2, 2011 and SEBI Circular MIRSD/ Cir – 5/ 2012 dated April 13, 2012.
    h. SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI Circular CIR/MIRSD/66/2016 dated July 21, 2016.
    i. Circular no SMDRP/ Policy/ Cir-49/ 2011 dated October 22, 2001.
    j. Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of Broker Regulations and NSE Circular NSE/MEM/3574 dated August 29, 2002.
    k. Regulation 3 (2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007.
    l. SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011.
    m. Regulation 3 (2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with CDSL communique no 4650.
    n. SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018, CDSL Communication no. 2236 and 4664.
    o. CDSL Operation Instruction No 2.3, 3.4.4, 3.4.8 and 3.4.14

p. CDSL Operation Instruction 3.4.1, 4.4.19 and 4.10.3

q. CDSL Operation Instruction 3.4, 3.4.15, 3.4.10 and 6.5.4.2

r. CDSL Communique 4685 dated 04.09.2014 and 4729 dated 25.09.2014.

s. SEBI vide circular SEBI/MRD/Dep/Cir-03/2007

t. CDSL Operation Instruction no. 6.5.1.9

u. CDSL Communique no 3500, 4671, 4677 and 5547

88. 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……… ."*.

89. Therefore, in view of the violations as established and placing reliance on the aforesaid judgment, I find that :

    a. Monetary penalty would be attracted under Section 23D of SCRA for the violations of Section 23D of SCRA read with Clauses 1 and 2 of Annexure to Transactions Regulation Circular and Clauses 2, 3, 3.2 of Annexure to Enhanced Supervision Circular

    b. Monetary penalty would be attracted under Section 15HB of SEBI Act for the violations of Clauses 1, 2.5,2.5.5, , 6.1.1, 6.1.1(j), 7.1.3 of Annexure to Enhanced Supervision Circular, Clause 2.6 of Annexure to Enhanced Supervision Circular read with Clause 2(d) of SEBI Circular ref. no. CIR/HO/MIRSD/MIRSD2/ CIR/P/2017/64 dated June 22, 2017, Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of Broker Regulations, Clause 12 of Annexure to SEBI Circular dated December 03, 2009, SEBI Circular no CIR/DNPD/7/2011 dated August 10, 2011, Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011, Clause 2 of SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011 read with SEBI Circular no. 23/2011 dated December 2, 2011 and SEBI Circular MIRSD/ Cir – 5/ 2012 dated April 13, 2012,SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI Circular CIR/MIRSD/66/2016 dated July 21, 2016.,Circular no SMDRP/ Policy/ Cir-49/ 2011 dated October 22, 2001, Clause A (5) of schedule II of Code of Conduct for Stock Brokers read with Regulation 9 (f) of Broker

Regulations and NSE Circular NSE/MEM/3574 dated August 29, 2002,SEBI Circular no. MIRSD/Cir – 26/ 2011 dated December 23, 2011.

c. Monetary penalty would be attracted under Section 19G of Depositories Act for the violations of Regulation 3 (2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with CDSL communique no 4650, SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018, CDSL Communication no. 2236 and 4664, CDSL Operation Instruction Nos. 2.3, 3.4.4, 3.4.8 and 3.4.14, CDSL Operation Instruction Nos. 3.4.1, 4.4.19 and 4.10.3,CDSL Operation Instruction No. 3.4, 3.4.15, 3.4.10 and 6.5.4.2, CDSL Communique 4685 dated 04.09.2014 and 4729 dated 25.09.2014, SEBI circular SEBI/MRD/Dep/Cir-03/2007 dated February 13,2007, CDSL Operation Instruction no. 6.5.1.9 and CDSL Communique no 3500, 4671, 4677 and 5547

90. The texts of Section 23D of SCRA, Section 15HB of SEBI Act and Section 19 G of Depositories Act are reproduced as under:

Section 23 D of SCRA- *Penalty for failure to segregate securities or moneys of client or clients**:** 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.*

Section 15HB of SEBI Act: - *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.*

Section 19G of Depositories Act*: 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 or bye-laws made or directions issued by the Board there under 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.*

<u>Issue No. III: If the answer to issue no. II is in affirmative, then what should be the quantum of monetary penalty</u>?

91. While determining the quantum of penalty under Section 23D of SCRA, Section 15HB of SEBI Act and Section 19G of Depositories Act factors stipulated in Section 23J of SCRA, Section 15J of the SEBI Act and Section 19-I of Depositories Act have to be given due regard:

Factors to be taken into account by adjudicating officer under SCRA

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.

Explanation-For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 23A to 23C shall be and shall always be deemed to have exercised under the provisions of this section.

Factors to be taken into account by the adjudicating officer under SEBI Act

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

Explanation. —For the removal of doubts, it is clarified that the power of an adjudicating officer *to adjudge the quantum of penalty under sections 15A to 15E,* *clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

Factors to be taken into account by adjudicating officer under Depositories Act

19-I.*While adjudging the quantum of penalty under section 19 or section 19H, the Board or 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.

Explanation:-For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 19A to 19F shall be and shall always be deemed to have been exercised under the provisions of this section.

92. 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 is not be possible to ascertain the exact monetary loss to the investors /clients on account of default by Noticee. As regards the repetitive nature of the default, I do not find the Inspection having brought on record any regulatory action taken by SEBI in past against Noticee for same violations as those observed in the instant inspection. I also observe that there are no investor complaints on record, arising out of failure on the part of Noticee. However, I cannot ignore the fact that as a SEBI registered Intermediary, Noticee was under a statutory obligation to abide by the provisions of the SCRA, SEBI Act, Depositories Act, Rules and Regulations and Circulars/directions issued thereunder etc., which it failed to do. Such disregard for the provisions of law governing the functioning of intermediaries calls for an appropriate penalty which should act as a deterrent.

ORDER

93. Having considered all the facts and circumstances of the case, the material available on record as well as the factors mentioned in Section 23J of SCRA, Section 15J of SEBI Act and Section 19-I of Depositories Act, as enumerated above I, in exercise of the powers conferred upon me under Section 23-I of the SCRA, Section 15-I of the SEBI Act and Section 19 H of Depositories Act read with Rule 5 of the Adjudication Rules, hereby impose the following penalty on Noticee, viz. M/s. Quantum Global Securities Limited -

Sr. No.	**Penalty**	**Under the provisions of**
1	Rs. 12,00,000/- (Rupees Twelve Lakh only)	Section 23D of SCRA
2	Rs. 5,00,000/-(Rupees Five Lakh only)	Section 15HB of SEBI Act
3	Rs. 3,00,000/-(Rupees Three Lakh only)	Section 19G of Depositories Act
Total	**Rs. 20,00,000/-(Rupees Twenty Lakh only**)	

I am of the view that the said penalty is commensurate with the violations committed by Noticee.

94. Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR 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. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

95. Noticee shall forward said Demand Draft or the said confirmation of e-payment made in the format as given in table below which should be sent to "The Division Chief, EFD – 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 and legal charges along with order details)	

96. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated against Noticee under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee.

97. In terms of the provisions of Rule 6 of Adjudication Rules, copy of this order is being sent to Noticee viz. M/s. Quantum Global Securities Limited and also to SEBI.

Date: September 29, 2022
Place: Mumbai

SOMA MAJUMDER
Adjudicating Officer