



IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
WRIT PETITION (L) NO.35016 OF 2024

Marketwolf Securities Private
Limited & Anr.

.. Petitioners

Versus

Securities and Exchange Board of India & Ors.

.. Respondents

Ms.Aishwarya Pawar, Advocate for the Petitioners.

Mr.Shiraz Rustomjee, Senior Advocate a/w Nishit Dhruva, Khushbu Chhajed, Vishal Jathar i/b MDP Legal, Advocates for Respondent No.1/SEBI.

Mr.Prathamesh Kamat a/w Krushi Barfiwala, Rima Desai i/b Parinam Law Associates, Advocates for Respondent No.2/NSE.

Mr.Vishal Kanade a/w Rudra Deosthali, Divyanshu Gupta i/b Parinam Law Associates, Advocates for Respondent No.3/NCL.

Mr.Abhay Chauhan i/b The Law Point, Advocate for Respondent No.4 and 5.

**CORAM :B. P. COLABAWALLA &
FIRDOSH P. POONIWALLA, JJ.**

DATE : JANUARY 21, 2025

P. C.

1. In the present Writ Petition the Petitioners have challenged Impugned Circular Nos.1 to 19 (Annexed at **Annexures-8 to 26** to the Petition) issued by Respondent Nos.1 to 5.

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2. Petitioner No.1, is a registered stockbroker which provides its clients a platform to trade in the equity derivatives segment, including index derivatives and stock derivatives. Petitioner No.1 maintains that 95% of the trades on its platform by its clients are in index derivatives.

3. Respondent No.1 has, by the Impugned Circular No.1 dated 5th June 2024, mandated the payout of securities directly to clients' demat account by clearing corporations and directed the stock exchanges and clearing corporations to implement the same. Respondent Nos.2 to 5 have issued the other impugned circulars in pursuance and implementation of this direction.

4. The Petitioners have, in essence, challenged the impugned circulars on the basis that under these circulars:

- (a) The Petitioner is required to obtain and hold a Depository Participant license ("DP Licence") in order to continue with its business; and

(b) Each of the Petitioners' clients will be required to hold demat accounts in their respective names and the Petitioner is required to provide details of the same to Respondent Nos.2 to 4.

5. As regards paragraph 4 (a) above, the Petitioner contends that it should not be required to obtain a DP Licence, inter alia, as it does not wish to engage itself in the activity of a DP and that a DP licence is not required for broking activity. As regards paragraph (b) above, the Petitioner contends that such of its clients as are trading exclusively in Index Derivatives should not be required to open demat accounts as such transactions are settled in cash and not by delivery or receipt of securities. This being the case, the Petitioner submits that a demat account is not required and would be redundant in the case of trades in Index Derivatives.

6. As regards the contention recorded in paragraph 4(a) above, it has been stated on instructions on behalf of the Respondents that it appears that the Petitioner has not interpreted the impugned circulars correctly. Since the Petitioner is a Trading Member (and not a depository participant), the Petitioner does not need a DP license. The

impugned circulars do not mandate the holding of a DP licence by a broker engaged solely in broking activity and not engaged in the activity of a DP. Hence, no grievance survives as far as this issue is concerned.

7. As regards the contention recorded in paragraph 4(b) above, Respondent No.1 has, by an email dated 13th January 2025 addressed to the stock exchanges, clarified that clients dealing exclusively in index derivatives and providing their margins through cash only are not required to hold demat accounts in the equity derivative segment. The concerned broker is, however, required to ensure that a client dealing in index derivatives does not deal in any other product which requires physical delivery and that he pays his margin only in the form of cash. In furtherance of the said e-mail dated 13th January 2025 issued by Respondent No.1, Respondent Nos.2, 3 and 4 have also issued a circular dated 16th January 2025 bearing reference no.NSE/ISC/66165, a circular dated 20th January 2025 bearing reference no.NCL/CMPT/66212 and Notice dated 16th January 2025 bearing reference no.20250116-37 respectively to the same effect. With the issuance of this clarification by Respondent No.1 and the aforementioned circulars of Respondent Nos.2, 3 and 4, this issue also stands resolved.

8. The Petitioner agrees that in view of the above, none of the grievances raised in the Petition survive and that the Petition may be disposed of in the above terms. The same is accordingly so noted and ordered. It is however made clear that in respect of trades apart from the ones pertaining to the index derivative product of the equity derivative segment as clarified above, the Impugned Circulars shall apply.

9. Accordingly, the Petition stands disposed of in the above terms. However, there shall be no order as to costs.

10. This order will be digitally signed by the Private Secretary/ Personal Assistant of this Court. All concerned will act on production by fax or email of a digitally signed copy of this order.

[FIRDOSH P. POONIWALLA, J.]

[B. P. COLABAWALLA, J.]