BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER Ref. No. ORDER/NH/RJ/2024-25/30604]

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 AND UNDER SECTION 23I 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

FEDERAL CAPITAL MARKETS LIMITED
Registration Number INZ000210834
PAN AABCF7686F

In the matter of Federal Capital Markets Limited

A. BACKGROUND

1. Federal Capital Markets Limited (hereinafter referred to as '**Noticee'**) is registered with the Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**) as a Stock Broker having registration number INZ000210834.

2. SEBI had conducted an inspection of the Noticee for the period from April 01, 2022 to November 30, 2023 (hereinafter referred to as **'inspection period'**) on December 22,, 2023. The findings of the said inspection were communicated to the Noticee vide letter dated January 09, 2024. In response to the findings in the inspection report, Noticee submitted a reply vide letter dated January 16, 2024.

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

3.1. Rule 8(3)(f) of Securities Contract (Regulations) Rules, 1957 (hereinafter referred to as **‘SCRR’**),

3.2. BSE Notice no. 20220107-45 dated January 07, 2022 and

3.3. Clause A (5) of the Code of Conduct specified for Brokers under Regulation 9 of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as **‘Broker Regulations’**).

B. APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer (hereinafter referred to as ‘**AO’**) vide communique dated April 30, 2024 under Section 15-I of SEBI Act, 1992 (hereinafter referred to as ‘**SEBI Act**’) read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ‘**Adjudication Rules**’) and under Section 23-I of the Securities Contracts (Regulation) Act, 1956 read with Rule 3 of Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, to inquire into the alleged violations committed by Noticee as mentioned above.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice (hereinafter referred to as ‘**SCN**') bearing No. SEBI/HO/EAD2/NH/RJ/2024/6325 dated May 21, 2024, was issued to the Noticee under Rule 4 of Adjudication Rules read with Rule 4 of Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 to show cause as to why an inquiry should not be held and penalty be not imposed against the Noticee under Section 15HB of the SEBI Act and Section 23H of Securities Contracts (Regulation) Act, 1956 for the aforesaid alleged violations.

6. The SCN dated May 21, 2024, *inter alia*, alleged the following:

“…

6.1. *During the inspection, verification of the audited Balance Sheet as on March 31, 2023 was undertaken. Pursuant to the verification of the said audited Balance Sheet, it was observed that the Noticee had extended loans or took deposits / advances which was not in connection with or incidental to or consequential upon its securities/ commodity derivatives business. It is observed that the Noticee had taken Advances from clients to the tune of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) which was shown under "Other Current Liabilities" in the said audited Balance Sheet. It was, further, observed that the Noticee had given advances to the customers to the tune of Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight) and the same was shown under "Long term Loans & Advances" in its audited Balance Sheet.*

6.2. *In this regard, it is stated in the PIA that the Noticee has not given proper reply with respect to Advances received from clients amounting to the amount of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six). Further, it is mentioned in the PIA that the Noticee has not provided any justification/reasons with regard to Advances of Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight) given to its customers. Therefore, it is alleged that the Noticee, by providing and receiving Advances from the customers, has violated Rule 8(3)(f) of SCRR read with BSE Notice No. 20220107-45 dated January 07, 2022 read with Clause A (5) of the Code of Conduct for Stock Brokers specified under Regulation 9 of Brokers Regulations.…"*

7. The Noticee was advised to submit its reply to SCN within 14 days from the date of receipt of the SCN. In response, the Noticee, vide email dated June 04, 2024, requested further time to submit its reply to the SCN. The said request of the Noticee was accepted and the Noticee was advised to submit its response by June 14, 2024.

8. Subsequently, the Noticee, vide letter dated June 13, 2024, *inter alia,* submitted the following reply to the SCN:

"…

8.1. *The amount received as advance from clients is the money received from clients before the demat account was opened, some of the clients transferred the money before completion of account opening and hence it was shown in a consolidated head as amount received from clients and subsequently the account head showed zero balance as all related accounts were reconciled and proper action was taken from us.*

8.2. *The other account showing fund given to clients, following are the clarifications:*

8.3. *Few entries which were clear pay out given to clients showed as advance to client is an accounting entry mistake.*

8.4. *Few other fund transfers which were supposed to be done directly from the client account were transferred via general account which is again the mistake by the accounts team which has been rectified while preparing the balance sheet in dec 2023.*

8.5. *As we understand there was an account procedural problem and not breaking of rules from FCML.*

8.6. *We also understand that some account entries which were to be passed directly from the client payout account have been transferred from our General account which is a procedural mistake.*

8.7. *We have taken note of these mistakes and corrected them in the subsequent balance sheet and networth certificate and submitted them to exchange and cdsl.*

8.8. *We humbly request the adjudicating officer not to levy any penalty as we are an upcoming small company with a dedicated team of people putting 100% effort to give the best service to our clients and ensuring we take all precautions to adhere to the high standards of compliance which is the basic quality of a good financial services company.*

8.9. *We have already ensured that we give a proper full on training program for our accounts executive so that we do not have any accounting procedural issues in the future.*

…"

9. In consonance with the Adjudication Rules, an opportunity of hearing on June 25, 2024 was granted to the Noticee vide Hearing Notice dated June 18, 2024. On June

25, 2024. Mr. Bibby Thomas, Operation Head of Noticee and Mr. Sekar Narayan, Compliance Officer of Noticee (Authorized Representatives of the Noticee) attended the hearing through videoconferencing and reiterated the submissions made by the Noticee in its reply dated June 13, 2024. Further, as requested by the Noticee, additional time was given to the Noticee to make further submissions.

10. Noticee, thereafter, vide email dated July 08, 2024, *inter alia,* made further submissions as under:

10.1. *We categorically deny engaging in any activities unrelated to the securities business, as mentioned in the BSE Notice No. 20220107 dated January 07, 2022.*

10.2. ***Pre-Demat Account Activation Funds**: We received an amount of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) from clients before their demat accounts were activated. These funds were deposited into a designated client upstream account number (05230340003569), which is publicly displayed on our website for client transfers. Once the demat accounts were activated, these funds were promptly credited to the respective client trading ledger accounts. We assure you that such amounts will be accounted in proper head.*

10.3. ***Accounting Error**: We identified an error where Rs. 94,06,488/- was mistakenly categorized as "Advance to Client" in our trial balance. We sincerely apologize for this internal accounting oversight. This amount actually represented trade receivables from clients. Our account team mistakenly categorized it as "Advance" while attempting to follow up with clients to settle their debit balances. We have rectified this error in the next balance sheet. Please find attached the auditor's letter of confirmation.*

10.4. *We assure you that such mistakes will not happen again. As a small-sized broking company in the growth stage, we respectfully request your good office not to impose any penalties."*

11. It is noted that the SCN along with the annexures and the Hearing Notice were duly served on the Noticee. The Noticee was granted sufficient opportunities to make submissions in reply to the SCN and of personal hearing.

D. CONSIDERATION OF ISSUES AND FINDINGS

12. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

    I. Whether Noticee has violated Rule 8(3)(f) of SCRR read with BSE Notice No. 20220107-45 dated January 07, 2022 read with Clause A(5) of the Code of Conduct for Stock Brokers specified under Regulation 9 of Brokers Regulations?

    II. Does the violation, if any, on the part of Noticee attract a monetary penalty under Section 15HB of the SEBI Act and Section 23H of the Securities Contracts (Regulation) Act, 1956?

    III. If so, what would be the monetary penalty that can be imposed upon Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of the Securities Contracts (Regulation) Act, 1956?

13. The relevant extracts of the provisions of law, allegedly violated by Noticee, are mentioned under:

SCRR

"8. The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:

…

(3) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if—

(f) he engages either as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability, provided that:

(i) *the governing body may, for reasons, to be recorded in writing, permit a member to engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm,*

(ii) *in the case of those members who were under the rules in force at the time of such application permitted to engage in any such business and were actually so engaged on the date of such application, a period of three years from the date of the grant of recognition shall be allowed for severing their connection with any such business,*

(iii) *nothing herein shall affect members of a recognised stock exchange which are corporations, bodies corporate, companies or institutions referred to in items (a) to (n) of sub-rule (8).*

…"

Brokers Regulations

"Schedule II

CODE OF CONDUCT FOR STOCK BROKERS

A. General

"…

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

..."

BSE Notice No. 20220107-45 dated January 07, 2022

"In consultation with SEBI and other Stock Exchanges, the illustrative list of activities that are construed as non-compliance to Rule 8(1)(f) and 8(3)(f) of SCRR, if undertaken by a member, are provided as below.

….

6. Entering into any arrangement with clients to extend loans, financing the securities transactions directly/indirectly except as allowed for Margin Trading purposes.

7. Any arrangement with registered clients to borrow funds/loans. …"

E. CONSIDERATION

I. Whether Noticee has violated Rule 8(3)(f) of SCRR read with BSE Notice No. 20220107-45 dated January 07, 2022 read with Clause A (5) of the Code of Conduct for Stock Brokers specified under Regulation 9 of Brokers Regulations?

14. During the inspection, verification of the audited Balance Sheet as on March 31, 2023 (hereinafter referred to as '**Balance Sheet'**) was undertaken. Based on the perusal of the Balance Sheet, it was alleged in the SCN that Noticee was engaged in a business other than that of securities involving personal financial liability wherein it had provided Advances to customer amounting to Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight) and had taken advances from the clients to the tune of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six).

15. **<u>Taking Advances from Clients</u>**

15.1. From the Balance Sheet of the Noticee, I note that Note 8 pertains to "Other Current Liabilities". It is noted that 'Advance from Clients' has been mentioned at Sr. No. 1 in the said Note 8 of the Balance Sheet. An amount of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) has been reflected as 'Advance from Clients' as at March 31, 2023. Therefore, it is noted that the Noticee had taken advances from the clients during the inspection period.

<u>Observations on the submissions of Noticee</u>

15.2. I note that Noticee has, *inter alia*, submitted various grounds as its defense, which are discussed under different headings for ease of discussion:

The advance received from clients was the amount received from them before the activation of the demat account

15.2.1. Noticee has submitted that the said amount was obtained from the clients before the activation of their demat accounts. The Noticee has stated that said funds were deposited into a designated client upstream account number (05230340003569). Once the demat accounts were activated, these funds were promptly credited to the respective client trading ledger accounts.

15.2.2. At the foremost, it is noted that there is no dispute over the fact that money was taken as advance from the clients. Further, there is no material to support the submission of the Noticee that the amount of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) was obtained from the clients before the activation of their demat accounts and the said amount received from the clients was deposited in the designated client upstream account number as on March 31, 2023.

15.2.3. Moreover, even if the contention of the Noticee is accepted, it is noted from Note 16 of the Balance Sheet that the alleged designated client upstream A/C, 05230340003569 had an amount of Rs. 1,35,949/- (Rupees One Lakh Thirty-Five Thousand Nine Hundred Forty-Nine) as of March 31, 2023. It is pertinent to note that the allegation at hand pertains to an advance of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) received from the clients as of March 31, 2023. In this regard, no reason, if any, for the discrepancy in the amount has been forthcoming from the Noticee.

15.2.4. Therefore, no convincing submissions have been made by the Noticee as to why money was collected as an advance before the accounts were opened, even if one were to consider the contention of the Noticee that it was taken from clients to open accounts.

15.2.5. In the absence of any material adduced, the contention of Noticee that 'Advance from Clients' in the Balance Sheet was obtained from the clients before the activation of their demat accounts cannot be accepted.

Balance Sheet has been rectified

15.2.6. Noticee has contended that it was a mistake in the Balance Sheet which has been rectified in the subsequent balance sheet and net-worth certificate. Further, Noticee has stated that the said document has been submitted to Exchange and CDSL.

15.2.7. In this regard, it is noted that Noticee has not provided any document to substantiate its contention that it had "*taken note of these mistakes and corrected them in the subsequent balance sheet and networth certificate and submitted them to Exchange and CDSL".*

15.2.8. Thus, the contention of the Noticee that the mistake in the Balance Sheet has been rectified in the subsequent balance sheet and net-worth certificate does not merit consideration.

15.3. In this context, I note that Trading Members are not permitted to engage in any business or activities or transactions, directly or indirectly, other than that of securities or commodity derivative except as a broker or agent not involving any personal financial liability in terms of Rule 8(3)(f) of SCRR. Further, "*any arrangement with registered clients to borrow funds/loans"* has been construed as non-compliance with Rules 8(1)(f) and 8(3)(f) of SCRR in terms of BSE Notice no. 20220107-45 dated January 07, 2022.

15.4. In the present matter, I note that the fact that Noticee had taken advances of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) from its client is not disputed. Without any documents or supporting proof to substantiate that the advances from the clients have been taken for the permitted purposes under the extant securities laws, it cannot be but concluded that by taking advances of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) from its clients, the Noticee was engaged in a business other than that of securities or commodity derivatives involving personal financial liability during the inspection period.

16. **<u>Giving Advance to Customers</u>**

16.1. It is noted that Note 13 of the Balance Sheet pertains to 'Long Term Loans and Advances'. It is noted that 'Other Advances - Customer' is one of the entries in the said Note 13 of the Balance Sheet. It is noted that as at March 31, 2023, Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight) has been reflected under 'Other Advances - Customer'. Therefore, I find that the Noticee had given advances to its customers during the inspection period.

<u>Observations on the submissions of Noticee</u>

16.2. I take note of the submissions of the Noticee wherein it has, *inter alia*, submitted the following ground as its defense, which is discussed below:

Mistake in the Balance Sheet

16.3. Noticee has contended that the advance of Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight) to the clients was mistakenly categorized as "Advance to Client" in its Balance Sheet. In this regard, Noticee has stated that the said advance represented trade receivables from clients. In support of the submission, the Noticee has adduced a letter dated July 08, 2024 from its auditor, XYZ[1], Chartered Accountants with the subject "confirmation of a classification error in trade receivable for FY 2022-23". The said letter, dated July 08, 2024, *inter alia,* states as follows:

> *"This is to confirm that classification error was identified in the trial balance of Federal Capital Markets Limited in respect of Trade receivables. An amount of Rs. 94,06,488/- has been mistakenly classified as "Other*

[1] Name excised for confidentiality.

Advance to Customer" in Balance Sheet Note 13 Long term loans and Advances instead of trade receivables…
We confirm that this amount is not an actual advance but is part of the trade receivables for the year FY 2022-23."

16.3.1. Trade receivables and other advances depict different types and natures of transactions. Therefore, I note that if there was any error as to the classification as mentioned by the Noticee, then it would have been duly pointed out by the auditor of the Noticee in its report enclosed with the Balance Sheet. However, it is noted that the auditor report enclosed with the said Balance Sheet makes no reference to the said error in classification.

16.3.2. Further, I note that the letter from the auditor, XYZ[2] is dated July 08, 2024. Hence, it is apparent that the said letter has been prepared after the conclusion of the hearing in the present matter and reflects mostly as an afterthought.

16.3.3. Apart from the said letter dated July 08, 2024, the Noticee has not adduced any material/evidence to show that the advance of Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight) to the clients was mistakenly categorized as "Advance to Client" in its Balance Sheet instead of trade receivables from clients.

16.3.4. Hence, the contention of the Noticee that it was an inadvertent mistake cannot be accepted.

16.4. I find it pertinent to reiterate here that Trading Members are not permitted to engage in any business or activities or transactions, directly or indirectly, other than that of securities or commodity derivative except as a broker or agent not involving any personal financial liability in terms of Rule 8(3)(f) of SCRR. Further, *"any arrangement with registered clients to borrow funds/loans"* has been

[2] Name excised for confidentiality.

included in the list of activities construed as non-compliance with Rules 8(1)(f) and 8(3)(f) of SCRR in terms of BSE Notice no. 20220107-45 dated January 07, 2022.

16.5. In this context, in the absence of any document/evidence to show that the said advances to the customer were for a purpose that was in consonance with the prevailing regulations, it cannot but be concluded that Noticee, by giving advances to the customers to the tune of Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight), was engaged in businesses other than securities or commodity derivatives business involving personal financial liability during the inspection period.

17. From the previous paragraphs, it is noted that Noticee was engaged in a business other than that of securities involving personal financial liability wherein it had provided Advances to customer amounting to Rs. 94,06,488/- (Rupees Ninety-Four Lakhs Six Thousand Four Hundred Eighty-Eight) and had taken advances from the clients to the tune of Rs. 1,56,996/- (Rupees One Lakh Fifty-Six Thousand Nine Hundred Ninety-Six) during the inspection period.

18. In view of the above, I conclude that Noticee has violated Rule 8(3)(f) of SCRR read with BSE Notice No. 20220107-45 dated January 07, 2022 read with Clause A (5) of the Code of Conduct for Stock Brokers specified under Regulation 9 of Brokers Regulations.

II. Does the violation, if any, on the part of Noticee attract a monetary penalty under Section 15HB of the SEBI Act and Section 23H of the Securities Contracts (Regulation) Act, 1956?

III. If so, what would be the monetary penalty that can be imposed upon Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of the Securities Contracts (Regulation) Act, 1956?

19. From the previous paragraphs, it has been established that Noticee has violated Rule 8(3)(f) of SCRR read with BSE Notice No. 20220107-45 dated January 07,

2022 read with Clause A(5) of the Code of Conduct for Stock Brokers specified under Regulation 9 of Brokers Regulations.

20. In this regard, I note that the Noticee is liable for the imposition of a monetary penalty in terms of Section 23H of the Securities Contracts (Regulation) Act, 1956 for the violation of Rule 8(3)(f) of SCRR. Further, the Noticee is liable for the imposition of a monetary penalty in terms of Section 15HB of the SEBI Act for the violation of BSE Notice No. 20220107-45 dated January 07, 2022, read with Clause A(5) of the Code of Conduct for Stock Brokers specified under Regulation 9 of Brokers Regulations.

21. The text of the aforementioned Section 15HB of the SEBI Act and Section 23H of the Securities Contracts (Regulation) Act, 1956 are reproduced below:

SEBI Act

"15HB. Penalty for contravention where no separate penalty has been provided. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

Securities Contracts (Regulation) Act, 1956

"23H. Penalty for contravention where no separate penalty has been provided. Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India 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"

22. While determining the quantum of penalty under Section 15HB of the SEBI Act and Section 23H of the Securities Contracts (Regulation) Act, 1956, the following factors stipulated in Section 15J of the SEBI Act and Section 23J of the Securities Contracts (Regulation) Act, 1956 have been given due regard:

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."

Securities Contracts (Regulation) Act, 1956

"*23J****.*** *While adjudging the quantum of penalty under section 12A or section 23-I, the Securities and Exchange Board of India 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."

Factors Considered While Imposing Penalty

23. The available records neither specify disproportionate gains/unfair advantages made by Noticee nor the loss, if any, suffered by the investors due to such violations. As regards the repetitive nature of the default, I note that the material on record has not brought to the fore any penalty imposed by SEBI in the past against the Noticee in its role as a broker.

24. In this background, I note that Noticee, being a registered intermediary, was under a statutory obligation to comply with the mandate of the extant laws in letter and spirit. In this regard, I note that Hon'ble SAT in the matter of **Premchand Shah and Others v. SEBI**[3], *inter alia*, held as under: *"...When a law prescribes a manner in which a thing is to be done, it must be done only in that manner...".*

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[3]Appeal No. 192 of 2010 dated February 21, 2011.

25. The Noticee has also given assurance that it would ensure that such lapses are not repeated in the future.

26. The aforementioned factors have been taken into consideration while adjudging the penalty.

F. ORDER

27. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in the exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules and under Section 23-I of the Securities Contracts (Regulation) Act, 1956 read with Rule 5 of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, I, hereby, impose the following penalty on Noticee:

Table 1

<table>
<tr><th>Noticee Name</th><th>Violations</th><th>Penalty Provision</th><th>Penalty (in Rs.)</th></tr>
<tr><td rowspan="2">Federal Capital Markets Limited</td><td>Rule 8(3)(f) of SCRR read with BSE Notice No. 20220107-45 dated January 07, 2022</td><td>Section 23H of the Securities Contracts (Regulation) Act, 1956</td><td>Rs. 1,50,000/- (Rupees One Lakh Fifty Thousand Only)</td></tr>
<tr><td>Clause A (5) of the Code of Conduct for Stock Brokers specified under Regulation 9 of Brokers Regulations</td><td>Section 15HB of the SEBI Act</td><td>Rs. 1,50,000/- (Rupees One Lakh Fifty Thousand Only)</td></tr>
<tr><td colspan="3" align="right">Total Penalty Amount</td><td>Rs. 3,00,000/- (Rupees Three Lakhs Only)</td></tr>
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28. The said penalty is commensurate with the lapses/omissions on the part of Noticee.

29. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

30. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticee.

Date: July 31, 2024	**N HARIHARAN**
Place: Mumbai	**ADJUDICATING OFFICER**