

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: ORDER/SS/RK/2023-24/29518)**

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, IN RESPECT OF:

Name of the Entity	Registration Number	PAN
Yes Securities (India) Ltd	INZ000185632	AAACY6065C

FACTS OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as **“SEBI”**), jointly with the Stock Exchanges (NSE, BSE and MCX) had conducted inspection of documents and other records of Yes Securities (India) Ltd, (hereinafter referred to as **“Noticee/Yes Securities (India) Ltd/YSL”**), registered with SEBI as a Stock Broker (**“SB”**) having Registration No. INZ000185632, to verify the possible violation(s) of the provisions of the Securities and Exchange Board of India Act, 1992 (**“SEBI Act”**), Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 (**“hereinafter referred to as the “Brokers’ Regulations”**) and provisions of SEBI circulars by the Noticee. A copy of the findings of the Inspection Report (IR) has been shared with the Noticee.
2. Consequent upon the analysis of the finding of the inspection vis-a-vis the reply of the Noticee, it was allegedly observed the following:

- a) Irregularities w.r.t Monthly / Quarterly Settlement of Funds.
- b) Reporting and Short Collection of Margin.
- c) Irregularities observed w.r.t Margin Trading Funding Verification
- d) Discrepancy with respect to reporting of Net worth
- e) Incorrect reporting of Enhanced Supervision Data (Weekly)

3. The aforesaid alleged conduct of the Noticee were in violation of the followings:

- a) Clause 8.1.4 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.
- b) Clause 6 of SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause (iii) of Annexure of SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020.
- c) Clause 4, Clause 5 and Clause 17 of SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017.
- d) Clause 6.1.1.j of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with NSE Circular NSE/COMP/47555 dated March 08, 2021.
- e) Clause 3.2 read with Clause 6.1.1.j of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

4. In view of the above, Adjudication proceedings was initiated under Section 15HB of the SEBI Act against the Noticee.

APPOINTMENT OF ADJUDICATING OFFICER

5. In this regard, the undersigned was appointed as the Adjudicating Officer (“**AO**”) by SEBI, vide order dated July 06, 2023, communicated vide communique dated July 06, 2023 under Sub-section 1 of Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure of Holding Inquire and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”) to inquire into and adjudge under Section 15HB of the SEBI Act for the aforesaid alleged violations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

6. Accordingly, a Show Cause Notice No SEBI/HO/EAD/EAD11/P/OW/2023/0000033836/1 dated August 22, 2023 (hereinafter referred to as ‘**SCN**’) was issued to the Noticee under Rule 4 of the Adjudication Rules, to show cause as to why an inquiry should not be held and penalty be not imposed under Section 15HB of the SEBI Act for the aforesaid alleged violations.
7. The said SCN was duly served on the Noticee via SPAD and vide email dated August 23, 2023. The proof of service is on record. Further, in the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, vide email dated September 06, 2023 which was delivered, hearing opportunity was granted to appear in person on September 14, 2023. The said hearing was attended to by the Joint Managing Director & Chief Executive Officer, Chief Financial Officer, Head- Complaine & Legal and Deputy Chief Operations Officer of the Noticee wherein they reiterated the submissions made earlier by the Noticee vide its letter dated September 05, 2023. The Noticee also made additional submission vide email dated September 26, 2023. The submissions made by the Noticee are summarized hereunder:

- a) Noticee submitted that it acknowledges the instances wherein it has inadvertently sent the retention statements and statement of accounts beyond 5 days and in some cases, same were sent to incorrect email addresses which was a result of the typographical error and that such errors*

were immediately rectified and necessary measures have been taken to prevent such occurrences in future.

- b) Noticee made a submission that it has a system driven process to collect and report the client margins as per the requirements of the exchanges and that there was no margin shortfall for the client ID: 4002088. It further submitted that the apparent difference of Rs 2,083/- was related to a margin release triggered by the reduction in the client's position.
- c) Noticee also submitted that w.r.t PAN No- AUNPP6815D it had adequate margin and that there was no shortfall for the said client. However, w.r.t client PAN No- ACVPM6312N, it acknowledged that there was an unintended exposure to the client on April 07, 2022 due to human error, which was a rare exception.
- d) Noticee further submitted that as per its internal process, it was reporting the exposure amount as a sum of 50% of Net worth + borrowed fund + Client Cash Collateral for Margin Trading Funding up to March 15, 2022 and that its borrowing were always within the regulatory requirements.
- e) It further added that the deviation in net worth computation arose from the treatment of trade receivables from two clients, totaling Rs 1, 90, 84,127/- which were aged more than 90 days was not reduced from Net worth as doubtful debts and advances since the same was fully secured against equity shares.
- f) Noticee submitted that its back office service provider is "BSE Technologies Limited-Class" and that it is configured and consider NSE VAR margin file with a further submission that its clearing corporation is ICCL which considers margin file of BSE, i.e. for the same script there is a different VAR margin in both exchanges.
- g) It also submitted that at BOD, the NSE haircut & closing rate are considered to give limits to clients and since the clearing with ICCL, the EOD margins are collected accordingly. Hence, there is difference in margin utilized for creditors basis difference in margin norms in NSE and BSE VAR file.
- h) It further added that as per market practice, it is maintaining and reporting the valuation of securities repledged with CC/CM after considering appropriate haircut i.e. of T-1 day for the purpose of margin utilized for positions of credit balance client across all clearing corporation.

8. Taking into account the aforesaid facts, I am of the view that principles of natural justice have been duly followed in the matter by granting the Noticee, an opportunity for replying to the SCN and of being heard. Therefore, I deem it appropriate to decide the matter based on the facts/material available on record and replies submitted by the Noticee.

CONSIDERATION OF ISSUES AND FINDINGS: -

9. I have carefully perused the charges levelled against the Noticee and the documents / material available on record. The issues that arise for consideration in the present case are:

Issue No. I: Whether Noticee has violated the provisions of SEBI Circulars as mentioned at para 3 above?

Issue No. II: If yes, does the violation, on the part of the Noticee would attract monetary penalty under Section 15HB of the SEBI Act, as applicable?

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act?

10. Before proceeding further, I would like to refer to the relevant provisions of law as under:

Clause 8.1.4 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

8. Running Account Settlement

8.1.4. Statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five days from the date when the account is considered to be settled.

Clause 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

5.8 Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). TM shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days.

Clause 6 of SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011

6. If during inspection it is found that a member has reported falsely the margin collected from clients, the member shall be penalized 100% of the falsely reported amount along with suspension of trading for 1 day in that segment.

Clause (iii) of Annexure of SEBI/HO/MRD2 /DCAP/CIR/P/ 20220/127 dated July 20, 2020.

(iii) The member shall have to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:

a) EOD margin obligation of the client shall be compared with the respective client margin available with the TM/CM at EOD.

AND

b) Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the TM/CM during the day.

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty as per the extant framework.

Clause 4 and Clause 5 of the SEBI Circular CIR/MRD/DP/54/2017 dated June 13, 2017

Margin Requirement :

4. In order to avail margin trading facility, initial margin required shall be as under;

Category of Stock	Applicable margin
Group I stocks available for trading in the F & O Segment	VaR + 3 times of applicable ELM*
Group I stocks other than F&O stocks	VaR + 5 times of applicable ELM*

*For aforesaid purpose the applicable VaR and ELM shall be as in the cash segment for a particular stock

5. The initial margin payable by the client to the Stock Broker shall be in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut as specified in SEBI Master circular no. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016.

Clause 17 of SEBI Circular CIR/MRD/DP/54/2017 dated June 13, 2017.

Leverage and Exposure Limits

16.

17. The maximum allowable exposure of the broker towards the margin trading facility shall be within the self imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his "net worth".

Clause 6.1.1.j of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

NSE Circular :

<https://archives.nseindia.com/content/circulars/COMP47555.pdf>

**Clause 3.2 read with Clause 6.1.1.j of Annexure to SEBI Circular
SEBI/HO/MIRSD/MIRSD2/CIR /P/2016/95 dated September 26, 2016.**

**3. Monitoring of Clients' Funds lying with the Stock Broker by the Stock
Exchanges**

3.1. (....)

**3.2. Stock brokers shall submit the following data as on last trading day of every week
to the Stock Exchanges on or before the next trading day:**

**A - Aggregate of fund balances available in all Client Bank Accounts, including
the Settlement Account, maintained by the stock broker across stock
exchanges**

**B - 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.**

**C - 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)**

**D - 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**

Clause 6.1.1.j of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

Issue No. I: Whether Noticee has violated the provisions of SEBI Circulars as mentioned at para 3 above?

Alleged Violation 1: Irregularities w.r.t Monthly / Quarterly Settlement of Funds :

11. With regard to the captioned violation, it is observed from IR that for active client settlement the Noticee had sent retention statement beyond 5 days of settlement to the clients in 30 instances of 30 clients, as depicted in the table1 below:

Table 1

Date of Settlement	Date of sending statement	Retention Statement sent beyond 5 Days	Quarter Period	Client Code	Client Name
30/07/2021	10/08/2021	11	Jul-Sep-2021	7020166	Shiv Narayan
30/07/2021	10/08/2021	11	Jul-Sep-2021	7023650	Yuti Anil Bhide
30/07/2021	10/08/2021	11	Jul-Sep-2021	7004559	Anil Singh
30/07/2021	10/08/2021	11	Jul-Sep-2021	7019675	Ashok Kothari
30/07/2021	10/08/2021	11	Jul-Sep-2021	4014190	Gemrithm Solutions Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	7012492	Ninjal
30/07/2021	10/08/2021	11	Jul-Sep-2021	1000928	Raghavendra Swarup
30/07/2021	10/08/2021	11	Jul-Sep-2021	1053765	Santosh Chandra Panda
30/07/2021	10/08/2021	11	Jul-Sep-2021	4004187	Pradyumn Kothari
30/07/2021	10/08/2021	11	Jul-Sep-2021	4004839	Harshvardhan Kailash Rajgarhia
30/07/2021	10/08/2021	11	Jul-Sep-2021	4005986	Polavarapu Tarala Kumari

30/07/2021	10/08/2021	11	Jul-Sep-2021	4010294	Jaisukh Vinimoy Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	4011274	Sankaran G
30/07/2021	10/08/2021	11	Jul-Sep-2021	4011294	Amglo Resources Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	4012879	Ajay Ramnath Agarwal
30/07/2021	10/08/2021	11	Jul-Sep-2021	4014184	Chain N Chains Jewels Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	7005055	Sweta Agarwal
30/07/2021	10/08/2021	11	Jul-Sep-2021	4015425	Resolute Softech Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	4015629	Shree Harsiddha Plastech Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	7011947	Darshana Shah
30/07/2021	10/08/2021	11	Jul-Sep-2021	7030284	Khatod Nirav
30/07/2021	10/08/2021	11	Jul-Sep-2021	4015505	HS Alliance Pvt Ltd
30/07/2021	10/08/2021	11	Jul-Sep-2021	7025381	Gopi Krishan
30/07/2021	10/08/2021	11	Jul-Sep-2021	4015496	Passco Impex Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	5000223	Harshala Kothari
30/07/2021	10/08/2021	11	Jul-Sep-2021	4015186	Gemini Solutions Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	7018502	Pushkar Raj Jain
30/07/2021	10/08/2021	11	Jul-Sep-2021	7027798	Gangam Rajesh Kumar
30/07/2021	10/08/2021	11	Jul-Sep-2021	4014093	Vardan Capital Private Limited
30/07/2021	10/08/2021	11	Jul-Sep-2021	5000543	Hari Shankar Bilwal

12. Further, it is observed from IR that the Noticee had sent retention statement and statement of accounts on incorrect email id for retention done on 7th October, 2022 in 4 instances as shown in table 2 below ;

Table 2:

Party Code	Party Name	Template	Email Id	Registered email with BSE
1011163	Mohd Irshad Saifi	5. Quarterly Retention Statement	irshad4u1989@gmail.com	irshad401989@gmail.com
1068428	Hemant Dilipkumar Motwani	5. Quarterly Retention Statement	hemantmotwani@gmail.co	HEMANTMOTWANI@GMAIL.COM
1068428	Hemant Dilipkumar Motwani	5. Quarterly Retention Statement	hemantmotwani@gmail.co	HEMANTMOTWANI@GMAIL.COM
7015296	NEERAJ AGARWAL	5. Quarterly Retention Statement	neeraj.agg1@gmail.com	NEERAJ.AGGL@GMAIL.COM

13. In this regard, Noticee in its submission has acknowledged the aforesaid instances wherein it has admitted that inadvertently retention statements and statement of accounts were sent to incorrect email addresses which was a result of the typographical error and that such errors were immediately rectified and necessary measures have been taken to prevent such occurrences in future. With regard to the Noticee's aforesaid submission, I note that Noticee has belatedly sent the retention statements i.e after a period of 5 days as against within 5 days time required under the provisions of SEBI circular and also erred in sending statement of accounts in wrong email IDs as mentioned herein above.

14. Accordingly, in view of the above, I note that the Noticee has admittedly violated Clause 8.1.4 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021 by having failed to send the statement of retention of funds to the clients within five days from the date when the account is considered to be settled and by sending the retention statements on incorrect emails IDs of the clients.

Alleged Violation 2: Reporting and Short Collection of Margin :

15. It is further observed from Post Inspection Analysis (PIA) that comments of NSE were sought with regard to reply of the Noticee received by SEBI vide email dated January 27, 2023 on wrong reporting of margin of Rs 1,52,171.43. In this regard, NSE submitted vide email dated April 11, 2023 that there is wrong reporting of margin of Rs 2,083 (Rs 1,52,171.43 – Rs 1,50,088) on part of the Noticee.
16. With regard to the aforesaid, Noticee submitted that it has a system driven process to collect and report the client margins as per the requirements of the exchanges and that there was no margin shortfall for the client ID: 4002088. It further submitted that the apparent difference of Rs 2,083/- was related to a margin release triggered by the reduction in the client's position.
17. In this regard, I note from the material available on record that the similar submissions were made during the inspection and as the said claim was not supported by any documentary evidence, the margin shortfall was confirmed by the exchange and accordingly it was alleged that there was incorrect reporting of margin. Similarly, I note that the current submissions have also been made without any supporting documents barring excel sheets working on the same which in no way concretizes the claim of Noticee and accordingly, the submission of the notice is untenable.
18. In view of the above, it stands established that the Noticee has violated Clause 6 of SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause (iii) of Annexure of SEBI/HO/MRD2 /DCAP/CIR/P/ 20220/127 dated July 20, 2020.

Alleged Violation 3 : Margin Trading Funding Verification ;

19. In addition to the aforesaid, it is observed from IR that the Noticee had not collected adequate margin in the form of cash, cash equivalent and Group 1 equity shares with appropriate haircut. Further, it is observed from PIA that there was a shortfall in margin collected by the Noticee in 2 out of 20 sample instances amounting to

Rs. 24,49,920.81 w.r.t client PAN Nos- AUNPP6815D and ACVPM6312N which was of Rs 1614.95 and Rs 24,48,305.86 respectively.

20.As regards captioned violation, Noticee submitted that w.r.t PAN No- AUNPP6815D it had adequate margin and that there was no shortfall for the said client. However, w.r.t client PAN No- ACVPM6312N, Noticee acknowledged that there was an unintended exposure to the client on April 07, 2022 due to human error, which was a rare exception.

21. With regard to Noticee's submission , I note that there is a contradiction in Noticee's submission to the inspection team and the aforesaid submission wherein during inspection Noticee claimed that there was adequate margin collection for both the aforesaid clients which was not even accepted by the exchange. However, in its instant submission it has claimed of having maintained adequate margin for 1 client for which Noticee could not provide any documentary evidence in its support except an excel sheet whereas Noticee has accepted the lapse on its part of not having maintaining adequate margin for the second client.

22. Further it is observed from IR that the Noticee had not adhered to leverage and exposure limits while granting margin trading facility in 14 out of 20 sample instances. The average amount of over exposure was Rs. 39.15 Cr.The details of the same is given in Table 3 below:

Table 3

Sr No	Date	Exposure	Networth As on	Networth	50% of Networth	Borrowing	Maximum Allowable Exposure	Excessive leverage/Difference
1	24-Nov-21	2,647,058,032.01	Sept . 2021	809,783,517.00	404,891,758.50	1,934,780,178.23	2,339,671,936.73	307,386,095.28
2	25-Nov-21	2,676,364,781.41	Sept . 2021	809,783,517.00	404,891,758.50	1,965,446,768.23	2,370,338,526.73	306,026,254.68

3	29-Nov-21	2,692,038,596.62	Sept . 2021	809,783,517.00	404,891,758.50	2,005,556,147.24	2,410,447,905.74	281,590,690.88
4	14-Dec-21	2,659,741,577.71	Sept . 2021	809,783,517.00	404,891,758.50	1,829,464,168.70	2,234,355,927.20	425,385,650.51
5	17-Dec-21	2,603,647,710.71	Sept . 2021	809,783,517.00	404,891,758.50	1,864,256,617.70	2,269,148,376.20	334,499,334.51
6	31-Dec-21	2,395,662,783.96	Sept . 2021	809,783,517.00	404,891,758.50	1,703,233,455.93	2,108,125,214.43	287,537,569.53
7	17-Jan-22	2,882,607,915.71	Sept . 2021	809,783,517.00	404,891,758.50	1,982,952,779.41	2,387,844,537.91	494,763,377.80
8	18-Jan-22	2,906,241,975.31	Sept . 2021	809,783,517.00	404,891,758.50	2,029,835,108.41	2,434,726,866.91	471,515,108.40
9	04-Feb-22	3,319,730,540.46	Sept . 2021	809,783,517.00	404,891,758.50	2,362,087,383.41	2,766,979,141.91	552,751,398.55
10	07-Feb-22	3,283,447,335.66	Sept . 2021	809,783,517.00	404,891,758.50	2,430,585,458.41	2,835,477,216.91	447,970,118.75
11	08-Feb-22	3,360,497,102.51	Sept . 2021	809,783,517.00	404,891,758.50	2,445,036,184.41	2,849,927,942.91	510,569,159.60
12	18-Feb-22	3,442,104,417.11	Sept . 2021	809,783,517.00	404,891,758.50	2,535,713,054.74	2,940,604,813.24	501,499,603.87
13	22-Feb-22	3,375,436,044.86	Sept . 2021	809,783,517.00	404,891,758.50	2,458,205,101.74	2,863,096,860.24	512,339,184.62
14	24-Mar-22	2,694,746,583.75	Sept . 2021	809,783,517.00	404,891,758.50	2,242,322,149.36	2,647,213,907.86	47,532,675.89

23. In this regard, Noticee submitted that as per its internal process, it was reporting the exposure amount as a sum of 50% of Net worth + borrowed fund + Client Cash Collateral for Margin Trading Funding up to March 15, 2022 and that its borrowing were always within the regulatory requirements. From the above submission of the Noticee, I note that it has accepted that it had considered exposure amount

inclusive of Client Cash collateral which shows that it has been acting contrary to the regulatory requirement of 50% of Net worth + borrowed fund as required by SEBI circular in this regard.

24. Accordingly, in view of the aforesaid, I note that Noticee has violated Clause 4 and Clause 5 of the SEBI Circular CIR/MRD/DP/54/2017 dated June 13, 2017 due to the shortfall in margin collected by it and Clause 17 of SEBI Circular CIR/MRD/DP/54/2017 dated June 13, 2017 by having not adhered to leverage and exposure limits as detailed above.

Alleged Violation 4 : Discrepancy w.r.t Network verification :

25. With regard to the captioned violation, it is observed from IR that there was a discrepancy in the computation of Network submitted by the Noticee to the Exchange. The Network reported by the Noticee as on 30th September 2022 was Rs. 96,86,62,991.00 and the network as per the calculation of the inspection team was Rs. 94,97,17,920.68 . Thus, the Noticee had overstated the network to an extent of Rs. 1,89,45,070.32, as depicted in the table 4 below :

Table 4

Computation of Network dated 30.09.2022

Particulars	Audited (Rs. Lakhs)	Working as per exchange	Difference
Share Capital	1,172,652,601.00	800,000,000.00	372,652,601.00
Free Reserve		372,700,000.00	-372,700,000.00
Total	1,172,652,601.00	1,172,700,000.00	-47,399.00
Less: Non Allowable Assets			
Fixed Assets	39,719,934.00	39,700,000.00	19,934.00
Pledge Securities			-
Member's Card			-
Non-allowable Securities	74,300,000.00	74,300,000.00	-
Bad deliveries			-
Doubtful Debts and Adv.	2,306,365.00	21,390,492.32	-19,084,127.32
Prepaid Expenses, Loss	43,391,587.00	43,391,587.00	-

Intangible Assets	44,271,724.00	44,200,000.00	71,724.00
30% Marketable Secu.			-
(30% of)			
Total B	203,989,610.00	222,982,079.32	38,733,910.96
	968,662,991.00	949,717,920.68	18,945,070.32

26. With regard to the aforesaid allegation, Noticee submitted that the said deviation in net worth computation arose from the treatment of trade receivables from two clients, totaling Rs 1, 90, 84,127/- which were aged more than 90 days was not reduced from Net worth as doubtful debts and advances since the same was fully secured against equity shares.

27. With regard to discrepancy in computation of net worth, I note that in terms of prescribed computation of Net worth by Dr. L C Gupta Committee, which are already in place since 2002, the “doubtful debts and advances including debts/advances overdue for more than three months or given to associates are required to be reduced from the Capital and Free Reserves” which the Noticee has failed to do which ultimately resulted in difference of the Net worth as mentioned above. Further, there are no exceptions to deducting debts more than 90 days as per the extant NSE and SEBI circulars. Accordingly, the Noticee’s submission is bereft of merits.

28. In view of the aforesaid, by overstating its networth figure in its reporting to the exchange, it stands established that the Noticee has violated Clause 6.1.1.j of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with NSE Circular NSE/COMP/47555 dated March 08, 2021.

Alleged Violation 5: Incorrect reporting of Enhanced Supervision Data

(Weekly) :

29. As regards the captioned violation, it is observed from IR that during the course of inspection there was a difference in the margin calculation of clients having credit balance, as computed by the inspection team and as reported by the Noticee in 3 out of 5 sample dates as shown in the table 5 below:

Table 5:

Date	Particulars	NSE computed (A)	TM reported to Exchange (B)	Difference (A-B)	TM reported to Exchange during inspection (C)	Difference (A-C)
28/10/2022	MC(Margin of clients having credit balance)	564,131,872.05	555,437,351.34	8,694,520.71	555,437,351.34	8,694,520.71
17-10-2022*	MC(Margin of clients having credit balance)	717,782,603.18			726,949,680.05	- 9,167,076.87
07-04-2022*	MC(Margin of clients having credit balance)	857,744,726.93			859,024,774.15	- 1,280,047.22

30. In this regard, Noticee submitted that its back office service provider is “BSE Technologies Limited-Class” and that it is configured and consider NSE VAR margin file with a further submission that its clearing corporation is ICCL which considers margin file of BSE, i.e. for the same script there is a different VAR margin in both exchanges. Noticee further submitted that at BOD, the NSE haircut & closing rate are considered to give limits to clients and since the clearing with ICCL, the EOD margins are collected accordingly. Hence, there is difference in margin utilized for creditors basis difference in margin norms in NSE and BSE VAR file. It further added that as per market practice, it is maintaining and reporting the valuation of securities repledged with CC/CM after considering appropriate haircut

i.e. of T-1 day for the purpose of margin utilized for positions of credit balance client across all clearing corporation.

31. With regard to the aforesaid, I note from IR that the securities should be valued as per the valuation which is accepted by the clearing corporation clearing trades which is ICCL in the instant case..Further, Noticee should have considered VAR margin file of BSE rather than NSE VAR margin file. Hence, the haircut of respective clearing corporation shall be taken while calculating the value of securities/commodities re-pledged with CC/CM after appropriate haircut for the purpose of margin utilized for positions of credit balance clients. In view of the above, I don't find any merits in the submission of the Noticee.

32. Accordingly, in view of the above, it stands established that the Noticee has violated Clause 3.2 read with Clause 6.1.1.j of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR /P/2016/95 dated September 26, 2016.

Issue No. II: If yes, does the violation, on the part of the Noticee would attract monetary penalty under Section 15HB of the SEBI Act, as applicable?

25. As it has been established that the Noticee has violated following provisions of SEBI circulars.

- a) Clause 8.1.4 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.
- b) Clause 6 of SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause (iii) of Annexure of SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020.
- c) Clause 4, Clause 5 and Clause 17 of SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017.

- d) Clause 6.1.1.j of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with NSE Circular NSE/COMP/47555 dated March 08, 2021.
- e) Clause 3.2 read with Clause 6.1.1.j of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

I am of the view that the Noticee is liable for imposition of monetary penalty under Section 15HB of the SEBI Act, which is reproduced hereunder:

Relevant provisions of SEBI Act, 1992

Penalty for contravention where no separate penalty has been provided.

15HB. *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.*

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act?

26. While determining the quantum of penalty under Section 15HB of the SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act and which reads as under:

SEBI Act, 1992

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.

27. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on the part of the said Noticee. From the document available on record, it is not ascertainable whether the acts of the Noticee are repetitive in nature. However, it is pertinent to note that the role of a Broker/Trading Member(TM) is crucial to the development of the securities market, especially for the entry of the small investors for whom the broker is the first mile of contact. In this regard, the role of a TM is crucial as a facilitator of small investors into the securities market. So, it is of utmost importance that every TM abides by the relevant regulations, provisions of SEBI/Exchange circulars and various guidelines issued by SEBI/Exchanges. The non-compliances on the part of the Noticee as brought out in the preceding paragraphs clearly shows that it has failed in its fiduciary duties owed to its clients.

ORDER

28. Accordingly, taking into account the aforesaid observations and in exercise of power conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under Section 15HB of the SEBI Act on the Noticee for violations of the following provisions of SEBI Circulars:

- a) Clause 8.1.4 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

- b) Clause 6 of SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause (iii) of Annexure of SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020.
- c) Clause 4, Clause 5 and Clause 17 of SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017.
- d) Clause 6.1.1.j of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with NSE Circular NSE/COMP/47555 dated March 08, 2021.
- e) Clause 3.2 read with Clause 6.1.1.j of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Name of Noticee	Penal provisions	Penalty
Yes Securities (India) Ltd	Section 15HB of the SEBI Act	Rs. 5,00,000/- (Rupees Five Lakhs Only)

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

30. The forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to “The Division Chief, Enforcement Department (EFD1 – DRA IV), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051.

1. Case Name:	
2. Name of the Noticee:	

3. PAN No. of the Noticee	
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 etc.)	

31. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

32. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Date: September 27, 2023

SANTOSH KUMAR SHARMA

Place: Mumbai

ADJUDICATING OFFICER