

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12 (3) of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of

Sr. No.	Name of the Noticee	SEBI Registration No.
1.	Indian Finance Guaranty Limited	INZ000101139

In the matter of Indian Finance Guaranty Limited

1. Indian Finance Guaranty Limited (“the Noticee”) is registered as a Stock Broker with Securities and Exchange Board of India (hereinafter referred to as “SEBI”). The present proceedings have originated from the Enquiry Report dated July 24, 2024, submitted by the Designated Authority (hereinafter referred to as “DA”), in terms of the applicable provisions of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred as “**Intermediaries Regulations**”).
2. SEBI had conducted an inspection of the Noticee for the period from April 01, 2022 to May 31, 2022 (hereinafter referred to as “**inspection period**” / “**IP**”) in order to examine compliance of various requirements by the Noticee. The findings/ observations made during the course of inspection were communicated to the Noticee by SEBI vide letter dated July 28, 2023. After examining the reply dated August 18, 2023 submitted by the Noticee, SEBI observed certain non-compliances of Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as “**SCRR**”), SEBI (Stock Brokers) Regulations, 1992 (“**Broker Regulations**”) and various Circulars issued in relation thereto. The summary of violations alleged to have been committed by the Noticee and the corresponding regulatory provisions are given in the table below:

Table 1

Sr. No.	Alleged Violations	Regulatory Provisions
1	Engaged in Fund based activities	Rule 8(3)(f) of SCRR read with NSE circular NSE/COMP/50957 dated January 07, 2022 and BSE Notice No.20220107-45 D January 07, 2022
2	Investor Grievance System	Regulation 21(1), 21(2) and 21(4) of the Broker Regulations and Clause A(2) and A(5) of the Code of conduct read with Regulation 9 of Broker Regulations Clause 3 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021

3. Based on the findings of the said inspection, a DA was appointed to inquire into and to submit a report pertaining to the aforesaid allegations. The DA issued a show-cause notice (hereinafter referred to as “**SCN**”) dated April 16, 2024 to the Noticee under Regulation 25(1) of the Intermediaries Regulations to show cause as to why appropriate recommendation should not be made against it in terms of Regulation 26 of the Intermediaries Regulations for the violations alleged to have been committed by the Noticee, as mentioned above at Table No. 1. The Noticee was advised to submit its reply, if any, within 21 days of receipt of the notice.
4. The *Noticee*, vide its email dated May 17, 2024 submitted a detailed reply dated May 16, 2024 to the aforesaid show-cause notice. Pursuant to the receipt of the said reply, an opportunity of personal hearing was granted to the *Noticee* to appear before the DA on June 04, 2024 which was rescheduled to June 24, 2024 at the request of the Noticee. The authorized representative of the Noticee appeared for the scheduled hearing and reiterated the submissions already made vide its email dated May 17, 2024. Subsequently, the Noticee filed post hearing submissions dated July 01, 2024.
5. After considering the allegations levelled in the show-cause notice, reply filed by the Noticee, arguments made during the hearing and the material available

on record, the DA, submitted the aforesaid Enquiry Report and made the following recommendation:

“...the non-compliance by the Noticee is not a grave violation nor are there any findings that the Noticee repeated the violation. Further, with respect to the above violation, Noticee has been penalized vide order Order/BM/JR/2024-25/ 30577 dated July 22, 2024. Given the above, I am of the view that the matter may not be proceeded further.”

6. The DA report was forwarded to the Noticee in terms of Regulation 27(1) of the Intermediaries Regulations vide Notice dated August 12, 2024. It was stated in the said Notice that if the Noticee wishes to file any submission/information along with any supporting documents, it may do so within 10 days from receipt of the said Notice and pursuant thereto, the matter would be proceeded with in accordance with Regulation 27(5) of the Intermediaries Regulations.
7. I note that the Notice was delivered to the Noticee through speed post as well as through email dated August 12, 2024. Vide letter dated August 23, 2024, the Noticee requested extension of one month to submit its response, which was acceded to, and time till September 23, 2024 was granted to furnish the response. Pursuant thereto, the Noticee filed its response vide letter dated September 19, 2024.

CONSIDERATION OF ISSUES

8. I have perused the Enquiry Report issued to the Noticee along with the Notice dated August 12, 2024, the SCN issued by the DA and the reply filed by the Noticee and other material available on record. In the instant proceedings, the DA has not recommended any action against the Noticee and observed that the matter is not required to be proceeded further.
9. The SCN issued by the DA had made allegations for two violations as mentioned above at Table 1. The DA has *inter alia* observed that since the Noticee had taken loans from its associate companies, the allegation of violation of Rule 8(3)(f) of SCRR read with NSE Circular NSE/COMP/50957 dated January 07, 2022 and BSE Notice No.20220107-45 D January 07, 2022 regarding engaging in fund based activities was not established. However, the DA observed that the allegation of violation of Regulation 21(1), 21(2) and

21(4) of Broker Regulations, Clause A(2) and A(5) read with Regulation 9 of the Broker Regulations and Clause 3 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 2, 2021 regarding Investor Grievance System was established.

10. I note that in response to the Notice dated August 12, 2024, the Noticee has, *inter alia*, submitted the following vide its letter dated September 19, 2024.

- a) The DA has not established the charge of 'engagement in fund based activity' against the Noticee.
- b) It is also submitted that by taking unsecured loan, the Noticee did not violate any provisions of law governing securities market. It has availed unsecured loan facilities from the entities only for the purpose of running our securities business smoothly which is duly permitted by SEBI.
- c) The stock broker is permitted to avail loan facility to meet the working capital requirements from the entity who is registered with the stock broker as a client if the registered client is a Director, Associate or Group Company of the Stock Broker.
- d) Access of investor grievance email id was given to the Inspection Team which had searched and verified the entire communication exchanged over the said email id. When nothing was found related to investor grievances, the Inspection team started to open other emails which were directly or indirectly not related to the stock broking business of IFGL.
- e) The Noticee has provided and displayed one email id cyberrajneesh@gmail.com as the email id for investor grievance redressal and thus, not violated SEBI's directions to brokers to provide designated email id for investor grievances.
- f) The email id of compliance officer is rajneesh@ifgl.info which was created exclusively for official work of the Noticee and access of the said email id was given to other concern staff of the Noticee who were looking after compliance related work. One email id indianfinance@ifgl.info was also displayed exclusively for investors grievances and access of this email id was also given to the concerned staff.
- g) When one of the employee who was deputed to address the query/ grievance of a client raised on the email id indianfinance@ifgl.info, did

not provide proper response to the query of a client of the Noticee, Mr. Rajneesh Kumar took additional corrective measures and gave his personal email id, i.e., cyberrajneesh@gmail.com as an investor grievance email id with sole purpose to address the issue of clients on real time basis without fail. The change in investor grievance email id was made in order to ensure that investor's complaints/queries get priority and utmost attention.

- h) It is also submitted that Mr. Rajneesh Kumar is also engaged in different business and occupation and communication related to other business are also exchanged through the said email id which is not related to stock broking business of the Noticee directly or indirectly. Therefore, the Noticee had humbly objected to the opening and reading of personal emails exchanged for other work purposes. It was a breach of right to privacy and data. So, the Noticee objected to the high handedness and requested the inspection team to stop misuse of power and to not abuse the process of law.
 - i) There was not a single investor complaint raised against the Noticee with SEBI or Stock Exchange(s).
 - j) The status of investor grievance and its resolution was 'NIL' and report in this regard was updated on its website but instead of July, April was mistakenly displayed. The same has been corrected.
 - k) Investor Charter(s) for depository participant as well as Investor Charter for Stock Broker were available on its website at the time of inspection. But the website was under maintenance at the time of Inspection.
 - l) Principle of Res Judicata is applicable as SEBI has already imposed a penalty of ₹4,00,000 against it and NSE is also adjudicating the same allegation related to violation of Rule 8(3)(f) of SCRR.
 - m) No profit or benefit has accrued to the Noticee.
 - n) Disciplinary action must be proportionate to the gravity of the misconduct.
11. On perusal of the submissions made by the Noticee, pursuant to the receipt of the Enquiry Report, I note that the same submissions were made by it before the DA also, who after carefully examining the same has made her

recommendation in the Enquiry Report. It is reiterated that the DA has not established the allegation related to engagement in fund based activities. Further, the DA has observed that the non-compliance by the Noticee related to Investor Grievance System was not grave and also there were no findings if the Noticee repeated the violation. It is also noted that for the same set of allegations, adjudication proceedings were also initiated by SEBI which were concluded with passing of Adjudication Order dated July 22, 2024 whereby, the Adjudicating Officer imposed a penalty of ₹4,00,000 on the Noticee, which has been paid by it. I also note that there was no investor complaint against the Noticee.

12. On a holistic consideration of the matter, I agree with the recommendation made by the DA that no action is warranted in this case and the matter is not required to be proceeded further.
13. In view of the above, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act read with Regulation 27(5) of the Intermediaries regulations, dispose of the present proceedings against the Noticee, Indian Finance Guaranty Limited without issuance of any direction.
14. A copy of the Order shall be served on the Noticee and the concerned Market Infrastructure Institutions for their information and record.

Sd/-

DATE: DECEMBER 20, 2024
PLACE: MUMBAI

AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA