BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/JR/2023-24/30042 – 30044]

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) 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) RULES, 2005.

In respect of

Noticee No.	**Name of the Noticee**	**PAN**
1	NNM Securities Private Limited	AAACN8070G
2	Nikunj Anilkumar Mittal	AACPM3927E
3	Apurva Mittal	AACPM3922B

In the matter of **NNM Securities Private Limited**

Background

1) Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**), BSE Limited (hereinafter referred to as '**BSE'**), National Stock Exchange of India Ltd. (hereinafter referred to as '**NSE') (**both BSE and NSE are collectively hereinafter referred to as '**Exchanges')** and Central Depository Services (India) Limited (hereinafter referred to as '**CDSL'**) conducted a comprehensive joint inspection of NNM Securities Private Limited (hereinafter referred to as "**Noticee 1"**) from July 12, 2022 to July 26, 2022, at its corporate office w.r.t. its Stock Broking and DP activities. The period covered in the inspection was from the period April 1, 2021 to June 30, 2022 (hereinafter referred to as **'Inspection Period'**).

2) The inspection findings were communicated to the Noticees vide SEBI letter dated September 8, 2022 enclosing copy of the Inspection report (hereinafter referred to as "**IR"**). After examining the reply submitted by the Noticees vide email dated September 26, 2022, it has been alleged that the various provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**), Circulars made thereunder, SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as "**Brokers Regulations**"), SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**"), NSE circulars, BSE circular, Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as '**SCRA'**) has been violated by Noticee 1 and provisions of SEBI Act and PFUTP Regulations have been violated by Noticee 1 its directors viz. Nikunj Anilkumar Mittal (hereinafter referred to as "**Noticee 2/By name**") and Mr. Apurva Mittal (hereinafter referred to as '**Noticee 3/ By name**') (collectively known as "**Noticees**"). The extracts of the violation alleged to have been committed by the Noticees and corresponding provision of the securities law are given in the tabulation below:

S. No.	Alleged violations	Regulatory provisions
Noticee 1		
1	Misuse of clients' funds	Section 23D of SC(R)A, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
2	Incorrect reporting of Enhanced Supervision data	Section 23D of SC(R)A, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2

		of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
3	Verification of pro MTM loss	Section 23D of SCRA, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
4	Verification of Nomenclature of bank accounts	Clause 1.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 6.1.1. (f) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
5	Stock Reconciliation	Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Regulation 17(1)(g) of Brokers Regulations.
6	Stock mismatch alerts	Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
7	Monthly/ Quarterly settlement of client funds and securities	SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
8	Contract Notes	Annexure 4 of SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 read with Clause B.2 of Schedule II of Regulation 9 of Brokers Regulations
9	Reporting and short collection of margin	SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
10	Client Registration Process (KYC & KRA Process)	SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011 read with SEBI

		Circular No. MIRSD/Cir-26/2011 dated December 23, 2011
11	Client's Order Recording	Clause III of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017
12	Terminal verification and certification	Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/MEMB/3635 dated 25.09.02
13	Analysis of Enhances Supervision data	Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
14	Client level cash and cash equivalent balances and bank account balances	SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/C/IR/P/2016/95 dated September 26, 2016
15	Risk based supervision	Clause 6.1.1.e of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
16	Verification of UCC, email ID and mobile numbers	Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011
17	Exchange level internal alerts verification	Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with BSE Exchange notice no. 20130307-21 dated March 07,2013 and 20170118-11 dated January 18, 2017
18	Control system over sub-brokers/ AP	SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009
19	Excess payout to clients	Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with Regulation 6.1.6.2 of the Regulations (F&O segment) and Regulation 6.1.5 (c) of Part A of the Capital Market Regulations of the Exchange
20	Verification of penalty on short collection of upfront margin	Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/INSP/45191 dated July 31, 2020 (Para 15 of Annexure A) and NSE/INSP/49929 dated October 12, 2021
21	Demat account verification	Clause 2.3 and Clause 6.1.1.j. of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

22	Verification of Compliance Officer details submitted to Exchange	Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular NSE/MEM/3441 dated June 14, 2002
23	Cyber Security and cyber resilience	SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018
24	Other investor related issues	Regulation 4(2)(p) of PFUTP Regulations
Noticee 2 and 3		
S. No.	**Alleged violations**	**Regulatory provisions**
1	Other investor related issues	Regulation 4(2)(p) of PFUTP Regulations and Section 27 of SEBI Act

APPOINTMENT OF ADJUDICATING OFFICER

3) SEBI, vide order dated June 16, 2023, appointed Ms. Soma Majumder as the Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules 1995'**) and also under Section 23-I of the SCRA read with Rule 3 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as '**SCRA Adjudication Rules 2005**'), (both the rules collectively to be known as '**Adjudication Rules')** to inquire into and adjudge under:

i. Section 23D of the SCRA, the following alleged violations by Noticee 1

a) Section 23D of SCRA, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

ii. Section 15HB of SEBI Act for the following alleged violations by Noticee 1:

a) Clause 1.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with

Clause 6.1.1. (f) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

b) Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Regulation 17(1)(g) of Brokers Regulations.

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

d) SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

e) Annexure 4 of SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 read with Clause B.2 of Schedule II of Regulation 9 of Brokers Regulations.

f) SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

g) SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011 read with SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011.

h) Clause III of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017

i) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/MEMB/3635 dated 25.09.02.

j) Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

k) SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/C/IR/P/2016/95 dated September 26, 2016.

l) Clause 6.1.1.e of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

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

n) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with BSE Exchange notice no. 20130307-21 dated March 07,2013 and 20170118-11 dated January 18, 2017.

o) SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009.

p) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with Regulation 6.1.6.2 of the Regulations (F&O segment) and Regulation 6.1.5 (c) of Part A of the Capital Market Regulations of the Exchange.

q) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/INSP/45191 dated July 31, 2020 (Para 15 of Annexure A) and NSE/INSP/49929 dated October 12, 2021.

r) Clause 2.3 and Clause 6.1.1.j. of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

s) Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE Circular NSE/MEM/3441 dated June 14, 2002.

t) SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018.

iii. Section 15HA of SEBI Act, the alleged violation of Regulation 4(2)(p) of PFUTP Regulations by Noticee 1

iv. Section 15HA of SEBI Act, the alleged violation of Regulation 4(2)(p) of PFUTP Regulations and Section 27 of SEBI Act by Noticee 2 and Noticee 3.

4) Subsequent to the transfer of the case, the undersigned is appointed as the Adjudicating Officer vide communique dated December 19, 2023.

SHOW CAUSE NOTICE, REPLY AND HEARING

5) Show Cause Notice (hereinafter being referred to as the **“SCN”**) dated September 14, 2023 was issued to Noticees in terms rule 4(1) of Adjudication Rules 1995 and in terms of rule 4(1) of SCRA Adjudication Rules 2005 to show cause as to why an inquiry should not be initiated against Noticees and why penalty, if any, should not be imposed under section 23D of SCRA, section 15HB and section 15HA of SEBI

Act on Noticee 1 and section 15 HA on the Noticees for the aforesaid violations alleged to have been committed by them.

6) The Noticees, vide email dated September 29, 2023 sought extension of time to submit their reply to the SCN. Further, vide email dated October 3, 2023, the Noticee sought certain clarification. Vide email dated October 13, 2023, the required information was provided to the Noticees. Vide email dated November 1, 2023, the Noticees were advised to appear before the erstwhile AO on November 9, 2023. Vide email dated November 8, 2023, the Noticee sought adjournment of the date of personal hearing.

7) Subsequent to the transfer of the matter to the undersigned, the Noticees replied to the SCN vide email dated January 5, 2024

8) The charges in the SCN and the reply of the Noticee is, inter alia, reproduced below:

A) Misuse of the Clients' fund:

i. During the course of inspection, analysis was done with respect to total available funds of Noticee 1 i.e. cash and cash equivalents with itself and with the clearing corporation/clearing member (hereinafter referred to as '**CC/CM'**). It was observed that the value of G was negative for 17 sample dates. Based on the comparison of absolute value of 'G' with the debit balances of the clients, it was observed that Noticee 1 had possibly utilized the funds of credit balance clients towards settlement obligations of debit balance clients and for own purpose ranging from Rs. 38,53,313 to Rs. 5,39,48,632 for 17 sample dates.

ii. Further, it was observed that the value of I was positive for 2 out of 42 sample dates (Rs. 30,825 on 07.07.2021 and Rs. 49,96,066 on 08.07.2021), which indicates that the member had possibly utilized the funds and securities of clients towards proprietary margin obligations. The average misutilised amount is Rs. 25.13 lakh.

iii. In view of the above, it was alleged that Noticee 1 has violated section 23D of SC(R)A, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Reply:

- *It is submitted that we have made FDRs from client funds and same were kept with us as pledging the FDRs with CC/CM was not required because we were maintaining sufficient collaterals with CC/CM during the inspection period. It is respectfully submitted that we have considered value of FDRs made form client funds in enhanced supervisions data but the inspection team has excluded value of FDRs caused principle of G calculated in negative. It may kindly be noted that the IT as well as SCN appreciated this material fact that FDRs were made but the IT erred by stating that FDRs were made form own funds. It is respectfully submitted that FDRs were not made out from own funds. It was made from client funds and kept with us. Our banker also confirmed vide email dated 31.07.2023 that source of funds for the FDRs is client bank account.*
- *It may kindly be noted that neither SEBI nor stock exchanges has made it mandatory to pledge FDRs made from client funds with CC/CM. It is relevant to submit that NSE vide its circular bearing reference no. 03/2021 Download Ref No. NSE/INSP/50901 dated 04.01.2022 has advised its member to pledge FDR made from client account with CC/CM w.e.f. 01.04.2022. Before 01.04.2022, FDR was not mandatorily required to pledge with CC/CM.*
- *In addition to above, it is respectfully submitted that account of our directors, promoters and related entities should not be taken under credit of client in enhanced supervision data to ascertain principle of G asper the spirit of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, public policy as well as adopted policy of stock exchanges. It is pertinent to mention that claim of promoters, directors and*

related entities of defaulter member is not taken by the defaulter committee of stock exchanges into consideration as admissible claim because stocks exchanges are not treating directors, promoters and related entities of the defaulter member as clients of defaulter member. It may be appreciated that true spirit behind the enhanced supervision data is to keep the client's funds available with stock broker so as to eliminate the possibility of a default. Furthermore, as per the public policy also, directors, promoters and related entities of stock broker should not be treated as client. It is against the public policy. Hence, credit of directors, promoters and related entities is liable to be excluded from the credit of client in enhanced supervision data. But the inspection team has erroneously considered credit amount of our directors, promoters and related entities as client's credit in enhanced supervision data.

- *It is respectfully submitted that the regulatory provisions permit the stockbroker to make arrangements amongst group entities for carrying out stock broking business activity. Accordingly, the group companies have given consent in writing to use their running balance funds of trading account to meet out our own obligation. There is an express instruction given by the said 3 group entities under which the group entities have authorised the Noticee No. 1 inter alia to use their funds as per its requirement.*
- *It is humbly submitted that after considering the value of FDRs and excluding the balances of aforesaid group / related entities from the balances of Client credit, Principle of G comes in positive and positive value is ranging from Rs. 1.35 crore to Rs. 4.00 crore. It clearly shows that we have not used funds of creditor clients to meet our obligations of debtor client or proprietary account.*

With regard to value of I was positive for 2 out of 42 sample dates (Rs. 30,825 on 07.07.2021 and Rs. 49,96,066 on 08.07.2021), we have clearly shown that the principle of G was always positive, therefore value of I came was negative on the 2 given instances.

B) Incorrect reporting of Enhanced Supervision data

i. During the course of inspection, it was observed that Noticee 1 had considered the FDRs made out of own funds and not kept with CC/CM under ‘Collateral deposited with CC/CM for all sample dates’ i.e. 42 out of 42 sample dates.

ii. It was also observed that Noticee 1 has misreported the figures under 'Unutilized collateral available with CC/CM' for 37 out of 42 sample dates. The detailed working of the aforesaid observations is given in the Annexure 1 of Inspection Report of SEBI.

iii. In view of the foregoing, it was alleged that Noticee 1 has violated Section 23D of SC(R)A, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Reply

- *With regard to alleged observation as to FDRs were not kept with CC/CM under "Collateral deposited with CC/CM for all sample dates", it is respectfully submitted that it was not mandatorily required under the Regulatory Provisions as applicable during the inspection period to keep FDRs made from client's funds with CC/CM. Since we were maintaining sufficient funds with CC/CM and excess funds were not required to be maintained, with CC/CM for availing exposure, FDRs were not pledged with CC/CM. It was kept with us. As aforesaid, it may kindly be noted that neither SEBI nor stock exchanges has made it mandatory to pledge FDRs made from client funds with CC/CM. It is relevant to submit that NSE vide its circular bearing reference no. 03/2021 Download ref No. NSE/INSP/50901 dated 04.01.2022 has advised its member to pledge FDR made from client account with CC/CM w.e.f. 01.04.2022. Before 01.04.2022, FDR was not mandatorily required to pledge with CC/CM.*

C) *Client's funds used for proprietary MTM pay-in obligation*:

i. During the course of inspection, it was observed that Noticee 1 had used client funds for Proprietary MTM Pay-in obligation in FO Segment on 21-Jan-22, 24-Jan-22 and 24-Feb-22.

ii. Total amount of mis-utilization of client funds for Pro MTM Pay-in obligation as observed is given hereunder:

Date	**Amount of Misutilization of client funds**
21-Jan-22	1,89,02,020
24-Feb-22	2,53,80,713

iii. In view of the foregoing, it was alleged that Noticee 1 has violated Section 23D of SCRA, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

<u>Reply:</u>

- *With regard to use of client funds for Proprietary MTM Pay-in obligation in FO Segment on 21-Jan-22 and 24-Feb-22, it is respectfully submitted that the inspection team has mistakenly took lesser amount of Collateral deposited with exchanges in form of Cash and Cash Equivalents. It is respectfully submitted that actual value of Collateral deposited with exchanges in form of Cash and Cash Equivalents was Rs. 9,84,48,528.03 on 21-01-2022 and Rs. 13,84,15,329.53 on 24-02-2022 but the inspection team has taken Rs. 2,08,28,828.00 and Rs. 10,08,28,828.00 as value of Collateral deposited with exchanges in form of Cash and Cash Equivalents on 21-01-2022 and 24-02-2022 respectively caused alleged* *violation. In another words, the inspection team has erroneously reduced the value of Collateral deposited with exchanges in form of Cash and Cash Equivalents by Rs. 7,76,19,700.03 on 21.01.2022 and Rs. 3,75,86,501.53 on 24.02.2022. On the other hand, alleged value of misuse of client's funds for meeting Proprietary MTM Pay-in obligation in FO Segment on 21-Jan-22 and 24-Feb-22 are much lesser amount of value of Collateral deposited with exchanges in form of Cash and Cash Equivalents which were left by the inspection team.*

D) Nomenclature of bank account:

i. During the course of inspection, it was observed that Noticee 1 had not maintained the nomenclature of 10 bank accounts as per the standard format.

ii. In view of the foregoing, it was alleged that Noticee 1 has violated Clause 1.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 6.1.1. (f) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Reply:

- *We respectfully submit that we had followed the Regulatory direction w.r.t. nomenclature of bank and Demat account but maintaining the nomenclature of 10 given bank accounts had been left mistakenly as the accounts were inactive. It may be appreciated from banks statement that there had been hardly any transactions in the given 10 Bank accounts.*
- *It is respectfully submitted that there were regular periodic Inspection carried out by NSE and BSE for 2017-18, 2018-19, etc. as well as internal audit has been carried out on half yearly basis as per the regulatory provisions but none have pointed out about the said noncompliance and so the same went unnoticed. It is respectfully submitted that we are not trying to take shelter of previous inspections and internal audit reports but this is also a reason for delay in complying nomenclature guidelines w.r.t. given 10 bank accounts. It is submitted with humility that when the said observation was pointed out, we immediately closed 4 out of 10 accounts and for remaining 6 accounts, we have requested our banker for nomenclature.*

E) Stock Reconciliation

i. During the course of inspection, it was observed that Noticee 1 had not done periodic stock reconciliation of back office holdings of clients' securities with actual stocks lying in DP accounts. The excess quantity as per demat statement in 6 ISIN and value of mismatch is Rs. 45,987.50/-.

ii. It was also observed that the data uploaded by Noticee 1 w.r.t Holding Statement on a weekly basis was incorrect (DP Holding vs Weekly Holding submission). The excess quantity as per demat statement in 12 ISIN and value of mismatch is Rs. 4,45,56,216.50/-.

iii. Further, it was observed that data uploaded by Noticee 1 w.r.t Holding Statement on a weekly basis was incorrect (Back office vs Weekly holding submission). The excess quantity as per back office holding in 5 ISIN and value of mismatch is Rs. 8,424/-. The excess quantity as per Weekly Holding Submission in 5 ISIN and value of mismatch is Rs. 7,24,020/-.

iv. In view of the foregoing, it was alleged that Noticee 1 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 Regulation 17(1)(g) of Brokers Regulations.

<u>Reply:</u>

- *It is humbly submitted that we had followed the process of stock reconciliation periodically. It is submitted that our holding value of stocks are more than 50 crores and mismatch value of 6 ISIN stocks is miniscule vis-a-vis total value of our holdings. More to add, 532 was total number of ISIN on the date on which observation as alleged and mismatch in 6 ISIN which is miniscule vis-à-vis total number of ISIN we hold. It clearly indicate that reconciliation of stocks was carried out in due course.*
- *With regard to observation of excess quantity as per demat statement in 12 ISIN and value of mismatch is Rs. 4,45,56,216.50/-, it is submitted that the IT has erroneously considered the value of ISIN IN8167E01028 for Rs. 4,4,501,300/- and value of ISIN INE02OY01016 for Rs. 8424/- unreported but the fact is that we have correctly reported the value of 2 said ISIN. It is*

submitted that we have correctly reported 2,14,000 share of ISIN INE02OY01016 and 80 share of ISIN INE0AJG01018 but the IT has erred by stating that we have not reported the said 2 ISIN. It may be appreciated after taking reported value of 2 ISIN into consideration, alleged observation of excess quantity as per demat statement in 12 ISIN has been reduced to 10 ISIN and value of mismatch is get reduced from Rs. 4,45,56,216.50/- to Rs. 46,492.50.

- *It is respectfully submitted that we have adopted policy and process of stock reconciliation. It is relevant to submit that we were using Capex71 back- office system developed by Shilpi Computer Pvt Ltd but while using this software, we were facing technical glitch on regular basis and back-end support by our vendor was very poor so we have decided to change our back-office system and we have procured and migrated data to our new system developed by Korp Software Pvt Ltd.*
- *It may kindly be noted that most of the difference in reconciliation which has gone unreported due to the stocks lying in one NSDL account which is in "to be closed" status but not get it closed because some inactive ISIN holding were kept in it. The said NSDL demat account has holding of certain suspended ISIN and therefore not transferable. Hence the closing of account request was not processed. On the other hand, our back-office software did not consider inactive ISIN as holding of client or proprietary account caused incorrect reporting. When it came into our knowledge, we immediately pointed it out to the software vendor, who rectified the same and correct reporting is being done henceforth.*
- *Further, few ISIN holding values were in decimal but our back-office software, I was not able to capture the decimal value of holding. Our earlier back-office system was not considering the holding quantity in Decimal caused certain mismatch. When it came to our knowledge, we got it rectified through our software vendor who made necessary changes to consider decimal value in holdings filed and thereafter correct reporting is being done.*
- *In view of aforesaid, it is respectfully submitted that we are doing periodic stock reconciliation but due to error in system certain mismatch were observed for the time being.*

F) Observation on Stock mismatch alerts

i. Upon analysis of the alerts generated and submissions made by Noticee 1, adverse observations were found against Noticee 1 in 7 instances out of 20 samples. In view of the foregoing, it is alleged that the Noticee 1 has violated Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Reply

- *It is submitted that to transfer stocks to client, 2 different staff from different department are engaged. In this process, one staff from our trading department's back-office is authorized to make entry for transfer of share in our back-office system and forward the system generated file to the concern DP staff for transfer of stock from our Demat account to BO account of client. Our concern DP staff process the system generated stock transfer file at DP system and stock get transferred to client's Demat Account. In the given instances, our back office person had made entries in back office system for transfer of shares and system generated files were sent to concern DP person who was workings from home owing to pandemic. He was infected by Corona virus and working from home by accessing DP system online. It may kindly be noted that there was only 1 or 2 day delay in transferring of stock to Demat account of the client because our concern DP person was suffering from Covid and therefore he was in panic situation.*
- *Similarly, client A367 and A368 have purchased their respective shares on 10.01.2021 which was to be received form the clearing corporation on 12.04.2021 and stock was transferred on 14.01.2022. There was delay of 1 day. In another, we may say that delay in transfer of stock was less than 24 hours.*

G) Observation on Monthly/Quarterly Settlement of client funds and securities

i. During the course of inspection, it was observed that Noticee 1 had not settled amounts of 12 active clients and 1565 inactive clients during the inspection period. The maximum non settled amount for a month is Rs. 69.44 lakh (active clients) and Rs. 9.16 Crore (inactive clients). In view of the foregoing, it is alleged that Noticee 1 has violated SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

<u>Reply</u>

- *It is submitted that we have religiously followed regulatory directions and periodic settlement of account of client has been done in due course. It may be appreciated that we were having 1088 active account and we need to settle the account on 1748 instances. It may kindly be appreciated that out of 1748 instances, observation of non-settlement are alleged only on 12 instances.*
- *As aforesaid, we are SEBI registered market maker and doing Market making assignment for more than 25 companies. Further, for discharging our market making obligation, we have many designated investors who have given us funds and the same. As aforesaid, it may kindly be noted that under the ICDR regulation, we are empowered under regulatory provisions to move funds and securities amongst designated investors. Therefore, account of designated investors cannot be considered for settlement.*
- *More to add, accounts of our related/group entities have been considered as a client in alleged observation which enhanced value of non-settlement amount exorbitant. Pertinently, on following 2 instances in the given data of non-settlement, the concern authority has accepted our submission that account of group/related entities cannot be considered for settlement. But same accounts were not excluded for settlement on other instances/period the reason best known to them*

Period	**Code**	**Amount**	**Our Remarks**	**Exchange Remarks**
Jan 22 to Feb 22	D338	36,54,428.08	Group Company Account	Clarification Accepted
	M090	32,74,469.11	Group Company Account	Clarification Accepted

- *Furthermore, few account were not our client account. It was debtor/creditor account other than client account but the relevant authority did not consider and included the account under non- settlement account.*

On few instances, trading has resumed by client and thus account become active but the relevant authority has still put reactivated accounts as inactive.

H) <u>Observation on Contract Notes</u>

i. During the course of inspection, it was observed that Noticee 1 had kept the name of compliance officer in April sample contract note while the compliance officer left in February 2022.

ii. It was also observed that while the compliance officer had left the Noticee 1 in February 2022 and Lavina Dhirwani was appointed as the new compliance officer, the intimation for the same to the exchange was not done within the specified timeline.

iii. Further, it was observed that the Noticee 1 had not sent the ECN logs to the registered email id of its 13 clients.

iv. In light of the foregoing, it was alleged that Noticee 1 has violated Annexure 4 of SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 read with Clause B.2 of Schedule II of Regulation 9 of Brokers Regulations.

<u>Reply</u>

- *With regard to alleged observation recorded as "we had kept the name of compliance officer in April sample contract note while the compliance officer left in February, 2022", it is submitted that our compliance officer Mrs. Surmeet Kaur had put her resignation in the month of April 2022 but she was on notice period in terms of appointment letter and looking after work of compliance division during the notice period. We would like to draw your kind attention to the content of resignation email, wherein Mrs. Kaur clearly mentioned as "Also, request you to kindly start looking for a replacement at the earliest so that the handover could be done on time as I also require time to look for a new job". It clearly shows that she was not left our company immediately after putting her resignation. She had given us reasonable time to replace her by hiring appropriate candidate. She was still working with us under notice period and engaged in compliance related work as well as handover in terms of appointment letter. We had appointed Mrs. Lavina Dharani and assigned her compliance related work but she was on probation period and also taking charge form Mrs. Kaur and understanding her new job profile. Therefore, we had carried name of Mrs. Kaur as* *compliance officer till the time she was looking after our compliance division and Mrs. Lavina took over complete charges.*

- *With regard to delay in intimation of the name of new compliance officer to the exchanges, we reiterate our submission made in above para. It is reiterated that Mrs. Lavina was on probation period and she was learning and was also taking charges in phased manner from Mr. Kaur. Mrs. Kaur was looking after compliance work even after putting her resignation and period of handover process. It is humbly submitted that we have appointed Mrs. Lavina as compliance officer when she took complete charges from Mr. Kaur and intimated to exchange. Therefore, there was no delay in intimation to exchange for appointment of compliance officer.*
- *With regard to observation recorded as "we had not sent the ECN logs to the registered email id of its 13 clients", we would like to draw your attention to the Annexure-9 of the Inspection Report. In Annexure 9 of inspection report, it was clearly mentioned that contract note was sent but it was not sent at the registered email id as mentioned in the UCC record of exchange. In this regard, it is submitted that 12 out of 13 instances, clients had requested us in writing to send ECN on their specific separate email id. We have recorded their new email id only for sending contract note along with their existing email Id in our record. We have captured both the email id in our Back-office system and sent contract note at new email id of respective client as per their instruction.*

I) <u>Reporting and short collection of Margin</u>

i. During the inspection, SEBI observed following with respect to reporting and short collection of Margin:

<u>EOD Margin</u>

a) Noticee 1 short collected EOD margin of Rs. 4,54,528.99 and did wrong reporting of Rs. 2,03,300.99 in 3 out of 75 sample instances.

<u>Peak Margin</u>

b) Noticee 1 short collected peak margin of Rs. 2,06,653.46 and did wrong reporting of Rs. 2,69,512.26 in 3 out of 75 sample instances.

ii. In view of the foregoing, it is alleged that Noticee 1 has violated SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Reply:

- *It is respectfully submitted that it margin reporting were done correctly but It has erroneously taken lesser value of EPI of securities caused alleged observation of wrong reporting.*
- *With regard to wrong reporting of peck margin in client code G304, it is respectfully submitted that the IT has incorrectly observed collected peak margin as wrong reporting of peak margin. We have reported Rs. 99,768.60 (1,10,488.65 - 10,720.05) as short collection of peak margins but IT has mistakenly taken collected peak margin amount as wrong reporting.*
- *With regard to wrong reporting of peck margin in client code D356, it is respectfully submitted that the IT has incorrectly taken lesser value of Credit Entry in lieu of EPI resulted in alleged wrong reporting. It is respectfully submitted that the actual value of Credit Entry in lieu of EPI was Rs. 12,76,136.40 but the IT has taken the lesser i.e. Rs. 10,20,909.24 which resulted into wrong reporting of margin for sum of Rs. 2,52,613.74. If we consider correct value of said Credit Entry in lieu of EPI, it may be appreciated that wrong reporting may not be alleged against us.*
- *With regard to wrong reporting of peck margin in client code D326, it is respectfully submitted that the IT has incorrectly taken lesser value of Credit Entry in lieu of EPI resulted in alleged wrong reporting. It is respectfully submitted that the actual value of Credit Entry in lieu of EPI was Rs. 24,699.50 but the IT has taken the lesser value i.e. Rs. 19,759.60 which resulted into wrong reporting of margin. Further, total required peak margin amount was Rs. 1,45,590/- but the IT has erroneously taken higher value of required peak margin i.e. Rs. 1,46,955.87. If we consider correct value of said Credit Entry in lieu of EPI and required peak margin, it may be appreciated that wrong reporting may not be alleged against us.*
- *With regard to wrong reporting of EOD margin in client code G341, it is submitted that inspection team had mistakenly included MTM which should not be added as per norms as the same needs to be collected on T+1 basis and so there will be no shortage as the MTM loss amounts of Rs.1,74,343.60*

is billed and collected on T+1 basis but inspection team had considered it as to be collected on T+0 basis caused alleged observation.

- *As aforesaid, it is relevant to reiterate that data processing being carried out by using robust technology but some-time, bugs occur in the system that cause harm to normal functioning of day to day affairs. It may happen with anybody at anytime and anywhere and SEBI, NSE or BSE who are using world's advanced and robust technology are also not exceptional and usually face system glitches from time to time. Even trading system of exchanges got halted on many occasions in the past due to system error and many investors incurred losses while other made profit.*
- *It is respectfully submitted that there was some technical glitches in our system and due to this valuation securities had been considered wrongly caused incorrect reporting.*
- *In the instant case, if it is to be assumed without admitting for the sake of arguments that we have reported margin incorrectly, even then penal provision for incorrect margin reporting should not be attracted because reporting was made in good faith after believing that margin collection report generated by back-office system was correct. It may be appreciated that manual checking of software generated report is not possible due to paucity of time and lots of compliance reporting. It may not be called as wrong reporting as it was generated from system uploaded to exchange in good faith without knowing its accuracy. It is usual practice followed by all brokers. We had not intentionally submitted incorrect margin collection reports.*

J) <u>Client Registration Process (KYC & KRA Process)</u>

i. It was observed that the KYC form was incomplete and required supporting documents were not provided for 25 out of 26 sample clients.[Refer Para 4.8.3 at page 31-32 of inspection report].

ii. It was also observed that Noticee 1 had not submitted the KYC details to the KRA for 10 clients out of 26 sample clients and there was delay in KYC details submitted to the KRA for 2 clients out of 26 sample clients.

iii. In view of the foregoing it was alleged that Noticee 1 has violated SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011 read with SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011.

Reply

- *With regard to KYC form were incomplete, it is submitted that KYC form were complete in all aspects as all required mandatory fields are duly filled as is updated in UCC record of the exchange. We respectfully submit that KYC form is bulky document and it may be possible that some fields of KYC may have been left for ticking/filling but overall, it contains all material information.*
- *With regard to KYC details not submitted to the KRA for 10 clients out of 26 sample clients, it is submitted that we have uploaded KYC details to KRA within given time frame of 10 days and same is dully reflected at KRA portal which clearly shows that KYC is duly registered with KRA.*
- *With regard to delay in KYC details submitted to the KRA for 2 clients out of 26 sample clients, it is submitted that client code A463 and A466 are registered with us in the year 2011 and 2012 respectively.*

K) Client's Order Recording

i. It was observed that Noticee 1 had not maintained the client order placement records on 6 instances out of 10 samples clients. Further, it was observed that all the orders placed through APs were not recorded. In view of the foregoing, it is alleged that Noticee 1 has violated Clause III of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017.

Reply

- *It may kindly be noted that the IT has verified that the call recording system is installed at our trading platform as alleged non-compliance was observed only for 6 instances out of 10 instances which shows call recording for order placement were available. As aforesaid, it is pertinent to mention here that owing to pandemic situation, SEBI has given relaxation till March 2022 for* *maintaining call recording as most of the daily works were carried out from home.*

- *With regard to alleged non-compliance, it is respectfully submitted that observation recorded as "we had not maintained the client order placement records on 6 instances out of 10" is contrary to the fact brought out before the inspection team. It is submitted that out of given 6 non-compliance instances, 3 clients have opted internet-based trading 9 (IBT) facility. In IBT platform, client use to logged-in trading system himself and execute trade. Therefore, as per the regulatory provisions, maintaining records of order placement of IBT user client not required.*

L) <u>Terminal verification & certification</u>

i. During the course of inspection, it was observed that there was mismatch in the list of terminals in exchange records/ mismatch in login IDs –
   - In CM segment, terminals were available in exchange record but were not available in backoffice record (12 terminal)
   - In FO segment, terminals were available in exchange record but were not available in backoffice record (2 terminal).

ii. In view of the foregoing, it was alleged that Noticee 1 has violated Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/MEMB/3635 dated 25.09.02.

<u>Reply</u>

- *It is respectfully submitted that the said 12 terminals in CM and 2 terminals in F&O segment were deactivated as per our business prospects, and availability of staff to operate trading terminal but mistakenly, we forget to deactivate it in exchange record. It is relevant to submit that we have attempted to deactivate the said terminal id in exchange record in due course but BSE web portal "BEST" got shut down and later we forget to deactivate it when BEST functioning was restored. As submitted above, it is relevant to submit here that we have changed our back-office system and migrated to the new trading back-office software developed by Saral and* *we have got engaged in updating data at our new system. It is relevant to submit that we are small broker having limited staff and they were concentrated on updating data on new system caused skipping to delete it at exchange record.*

M) <u>Analysis of Enhanced Supervision data</u>

i. It was observed that the Noticee 1 had incorrectly reported the data towards weekly monitoring of client funds for the below mentioned dates:
23-Jul-21, 30-Jul-21, 06-May-22, 27-May-22 and 24-Jun-22.

ii. In view of the foregoing, it was alleged that Noticee 1 has violated Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

<u>Reply</u>

- *It is respectfully submitted that incorrect enhanced supervision data had not been reported intentionally or purposely. It is submitted that enhance supervision reports data were generated from back- office software. Some-time data were not fetched correctly. As aforesaid, it is respectfully reiterated that we were using Capex71 back-office system developed by Shilpi Computer Pvt Ltd but were facing technical glitch on regular basis and back-end support by our vendor was very poor so we have decided to change our back-office system and we have procured and migrated data to our new system developed by Korp Software Pvt Ltd.*
- *It is humbly submitted that if we would have any intention and purpose to conceal the amount, we must have reported excess amount of collateral deposited with CC/CM and lesser amount of client's credit. Bare perusal of Annexure 15 of inspection report, it may be found that lesser amount of own securities, value of non-funded portion of BG has been reported and on the other hand excess amount of total client credit were reported which have adverse negative impact on principle of "G". It clearly shows that we have no purpose or intention to report incorrect data as it has serious implication on principle of G and it may bring us in adverse*

situation in case principle of G comes in negative owing to incorrect report. The inspection report itself state that "no principles pertaining to misuse of clients' funds is violated".

N) <u>Client level cash & cash equivalent balances and bank account balances</u>

i. It was observed that Noticee 1 has incorrectly reported the data towards client ledger balances in 4 clients (excess reported is Rs. 8,977.44/- and short reported is Rs. 11,088/).

ii. It was observed that Noticee 1 had done incorrect reporting towards client clear ledger balances in 9 Clients (excess reported is Rs. 8,906.64/ and Short Reported is Rs. 7,31,737/-).

iii. It was observed that Noticee 1 had done incorrect reporting towards bank balances in 1 client (Short reported is Rs. 5,99,619.20/-) (Refer to para 4.15 at page 36 of Inspection Report and Annexure 16 of Inspection Report.)

iv. In view of the foregoing, it is alleged that Noticee 1 has violated SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/C/IR/P/2016/95 dated September 26, 2016.

<u>Reply</u>

- *With regard to incorrectly reporting the data towards client ledger balances of 4 clients, our submission is as under:*

  i) In clients code KJ014 & M633, difference amount of Rs. 35.40 pertains to Demat charges which was debited as per the client's instruction towards the DP recoverable asfiled was processed on 01.07.2022.

  ii) In client codes T081, the difference amount of Rs. 11,088/- pertains to reversal of late payment charge which was processed as per the client request and we have acceded request of the client as a good will gesture.

  iii) In client codes B432, difference amount of Rs. 8,904.64 is pertain to penalty amount debited as per the clearing corporation file.

- *With regard to incorrect reporting towards bank balances in 1 instance amounting Rs. 5,99,619.20/-, it is respectfully submitted that we have reported correct figure as balance of the given bank as on 30.06.2022 was "ZERO".*

O) Risk Based Supervision

i. It was observed that Noticee 1 had not correctly reported the details of total available collaterals from all debit balance clients, the difference being Rs. 73552.93/-.

ii. In view of the foregoing, it was alleged that Noticee 1 has violated Clause 6.1.1.e of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Reply

- *It is humbly submitted that we have reported correct figure amounting Rs.6,42,68,893.77 as value of collaterals from the debit balance clients.*
- *It is important to kindly be noted that as per the inspection observation, we have reported lesser amount. Assuming whilst denying that the inspection ream has correctly derived the given figure and we have intentionally reported incorrect figure, we would have reported higher amount with the purpose to show that debits are secure by higher amounts of collateral.*

P) Verification of UCC, Email ID and Mobile numbers

i. It was observed that Noticee 1 had mapped single mobile number for multiple clients.

(No. of Mobile number - 7; No. of Clients – 28).

ii. It was also observed that Noticee 1 had mapped single email ID for multiple clients.

(No. of Email ID - 7; No. of Clients – 25).

iii. It was observed that there was mismatch in mobile number between Active Client List & Exchange UCC: (No. of clients – 1)

iv. It was observed that there was mismatch in Email ID between Active Client List & Exchange UCC: (No. of clients – 2).

v. In view of the foregoing, it was alleged that Noticee 1 has violated Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011.

Reply

- *With regard to common mobile no. and email id, it is submitted that the clients are belonging to single family and therefore they are using common email ID and mobile number for receiving information pertaining to transactions in securities. It may also be noted that we confirmation from all the clients regarding the same, It is submitted that at the relevant time when we observed common email id / mobile no. of clients, we have requested clients to provide us individual information but they have reconfirmed in writing about their common email id/ mobile no. of for receipt of information w.r.t. transaction in securities. It is humbly requested that we cannot force our client except making request to provide us individual information as Regulatory provisions is completely silent in case when client is willing giving common email id / mobile no.*
- *With regard to mismatch in Email ID between Active Client List & Exchange UCC, it is submitted that client had instructed us for modification of their email id. We have updated our record with new email id of the client but mistakenly left it to update in UCC record of the exchange.*

Q) Exchange level Internal Alerts Verification

i. It was observed that Noticee 1 had not closed total of 11 alerts from BSE. Therefore, it is alleged that Noticee 1 has violated Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with BSE Exchange notice no. 20130307-21 dated March 07,2013 and 20170118-11 dated January 18, 2017.

Reply

- *As aforesaid, there was continuous change in compliance officer. We were mainly focused on handover/takeover of charges of compliance officer with taking care of various compliance reporting may not get missed out. In between, closing of 11 alerts get missed out for closing. However, we have closed the same.*
- *We also make ensure that such mistake not get repeated and therefore humbly request to kindly take sympathetic consideration of our procedural mistake.*

R) <u>Control system over sub-brokers/AP</u>

i. During course of inspection of Noticee 1, SEBI conducted inspection of two APs. The observations with respect to two APs are as given hereunder:

<u>Observations of AP: Mrs. Sangita Shah</u>

a. Display Board of AP with address was not found at the office.
b. Copy of SEBI Registration Certificate of the Trading Member / Authorized Person was not displayed.
c. Notice Board providing details of Trading Member / Authorized Person is not displayed.
d. Complaint register was not maintained by AP.

<u>Observations of AP: Saroj Vakharia:</u>

a. Display Board of AP with address was not found outside the flat at the address registered with Exchange.
b. Copy of SEBI Registration Certificate of the Trading Member / Authorized Person was not displayed outside the flat at the address registered with Exchange and NSE officials were unable to verify inside the flat since they were not allowed entry
c. Notice Board providing details of Trading Member/ Authorized Person was not displayed outside the flat at the address registered with Exchange and NSE officials were unable to verify inside the flat since they were not allowed entry.

d. Complaint register was not verified as NSE officials were not allowed entry.

e. Terminal of CM Segment – 401101000101 could not be verified at registered address- 603, 6th, FLR, OFF 150 FT RD, SPAN Excellency, Near Salasar Business Park, Bhayander West, Thane- 401101, Maharashtra as NSE officials were not allowed entry. As per trade summary last trade executed in CM segment terminal was 30th June 2022.

f. Terminal was not operated by approved user and person. Mr. Prateek Vakharia was seated at trading member place, and he was placing orders from another employee terminal CTCL ID - 400053001005 for the FO segment.

ii. In view of the above, it was alleged that Noticee 1 has violated SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009.

Reply

- *With regard to alleged observations pertaining to AP, Mrs. Sangita Shah, it is humbly submitted that the said AP Mrs. Sangita Shah is a very old AP. She is registered with us as AP since 2003. We have carried out several inspections of AP as well as exchange officials have also carried inspection of AP in the past wherein, it was observed that display Board of AP with address, copy of SEBI Registration Certificate of the Trading Member, Notice Board providing details of Trading Member / Authorized Person were promptly displayed. Complaint register was also maintained by AP. However, this time, when the NSE officials suddenly made a surprise visit, they were zapped and not able to understand and reply the queries of NSE officials correctly. It is submitted that the AP was carrying some repair work going at her address and therefore, Display Board. SEBI Registration certificate, notice board providing our detail was taken down from the wall and kept inside for the time being. Veracity of the same can be reconfirmed from NSE officials. When the repair work got finished, required information were displayed promptly.*

- *With regard to alleged observations pertaining to AP Saroj Vakharia, it is submitted that her husband Mr. Prateek Vakharia is looking after AP business and operating from his said location by specifying office* *space. But for last six month from the date of inspection, his mother was suffering from various serious medical issues and therefore, operating and carrying AP business became difficult from his said location. Therefore, he had requested to allow him to operate from our office. To keep continuity of operations for his clients and on humanitary grounds, we had acceded to his request and allowed him to function form our office. The Law governing securities marketdoes not prohibit the AP to operate from the TM office to facilitate continuity in operations and services to his clients.*

- *For inside entry not allowed by the AP, we apologies for the same. It may kindly be noted that NSE officials did not intimate us for providing entry in the AP premise otherwise we would have made it in proper manner. It may be appreciated that there were only ladies at the time when NSE officials visited premise of AP and for security reason, she had not allowed because she neither knew NSE officials nor aware about the system. However, Display Board, SEBI registration certificate, Display board displaying member details etc. were properly displayed inside the house at entry gate.*

S) <u>Excess payout to clients</u>

i. It was observed that Noticee 1 had made pay-out of funds to 4 clients in excess of their balances on 16 instances. The total amount paid was Rs. 4,29,50,000/-.

ii. In view of the foregoing, it was alleged that Noticee 1 has violated Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with Regulation 6.1.6.2 of the Regulations (F&O segment) and Regulation 6.1.5 (c) of Part A of the Capital Market Regulations of the Exchange.

<u>Reply</u>

- *We respectfully deny the alleged observation as we had not made pay-out of funds to 4 clients in excess of their balances on 16 instances. We had only made advance payout as per the client* *request only after receipt of stocks sold by the clients and it is not prohibited under law. But the inspection team had mis-interpretated advance payout made to client as excess payment made to client. By observing the alleged violation, the inspection team has completely failed to peruse the statement pf account of the clients.*

- *It may be appreciated after perusal of demat statement along with client's ledger that we had released payment only 1 day advance from payout only after the client has delivered the shares. It had been done with purpose to retain business.*

T) <u>Verification of penalty on short collection of upfront margin</u>

i. It was observed that in CM Segment, Noticee 1 had passed on penalty to 20 clients in 20 instances. The amount of penalty passed on was Rs. 86,250.45.

ii. It was observed that in FO Segment, Noticee 1 had passed on penalty to 25 clients in 25 instances. The amount of penalty passed on was Rs. 1,05,923.51.

iii. In view of the foregoing, it was alleged that Noticee 1 has violated Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE Circular No. NSE/INSP/45191 dated July 31, 2020 (Para 15 of Annexure A) and NSE/INSP/49929 dated October 12, 2021.

<u>Reply</u>

- *It is submitted that we had allowed exposure only after meeting out upfront margin requirement. As per our policy, we use to allow exposure in case client make upfront margin through cheque with assurance that cheque gets credited within time frame as prescribed by the Regulator. In the given instances, clients had paid upfront margin money through cheques and availed exposure but when cheques were presented in bank, it got bounced on account of different reason. By the time, clients had already availed exposure and we did not have any recourse except to report short collection of margin and accordingly short margins were reported. Exchange levied short collection margin penalty.*

- *It is submitted with humility that since it was not our fault. We have allowed exposure after taking upfront margin and there was no fault at our surveillance end. Margin was collected through cheques with assurance from the respective clients that it will get cleared but unfortunately cheques were gets bounced. Therefore, we had passed short collection margin penalty to the respective client account.*
- *It may be appreciated that after passing short margin penalty to the respective client account, there was no quarrel even on single instance form the client. It clearly shows that it was client's fault and therefore they had born the cost.*

U) <u>Demat account verification</u>

i. It was observed that Noticee 1 had done Incorrect Reporting of Tagging of Demat Accounts to Exchange – 11 accounts.(Refer Annexure 24 of Inspection Report)

ii. It was also observed that Noticee 1 has done Incorrect reporting of Demat Account to Exchange – 2 accounts.

In view of the foregoing, it was alleged that Noticee 1 has violated Clause 2.3 and Clause 6.1.1.j. of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

<u>Reply</u>

- *Instances wherein incorrect tagging of Demat account observed, it is respectfully submitted that incorrect reporting was done due to the mistake as we were failed to understand the regulatory directions. It is submitted that we have tried our best to comply tagging of Demat account and reported it to exchange.*

V) <u>Verification of Compliance Officer Details submitted to Exchange</u>

i. It was observed that the details of compliance Officer as provided by Noticee 1 was not matching with the records of the Exchange. (Refer para 4.18.9 at page 43 of the inspection report)

ii. In view of the foregoing. It is alleged that Noticee 1 has violated Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular NSE/MEM/3441 dated June 14, 2002.

Reply

- *As aforesaid, Ms. Lavina Dhirwani was appointed but she was working on probation and existing compliance officer Mrs. Surmeet Kaur was on notice period and looking after work of compliance officer while making handover.*
- *It is also relevant to submit that name of Ms. Lavina Dhirvani was given in the pre inspection questionnaire because she was assigned work to assist the inspection team as the existing and named compliance officer Mrs. Surmeet Kaur was on notice period she was in handover process.*

W) Observation on Cyber security and cyber resilience (SEBI observation)

i. The following violations are observed from the Cyber Audit Report and response provided by Noticee 1

- Noticee 1 has not defined the roles and responsibilities of Chief Information Security Officer (CISO) and other senior personnel and hence not shared the details of CISO with CERT-In.
- Noticee 1 has not secured the back office application available over the internet.
- Noticee 1 has not obtained Standardisation Testing and Quality Certification (STQC) for off-the-shelf products used by it (Trading application and Back office application) for core business functionality.
- Noticee 1 has not conducted Vulnerability Assessment and Penetration Testing (VAPT) of IT assets.

Reply

- *As aforesaid, it is respectfully reiterated that we are small broker having limited staff and resources. This cause delay in implementing upcoming /new compliance requirement.*
- *We were in process of conducting VAPT of our IT assets and the process has been implemented by us after the inspection period. We have defined the roles and responsibilities of Chief Information Security Officer (CISO) and other senior personnel and shared the details of CISO with CERT-In. Further, we have secured the back-office application available over the internet. We have obtained Standardization Testing and Quality Certification (STQC) for off-the-shelf products used by us for core business functionality. Further, we have conducted Vulnerability Assessment and Penetration Testing (VAPT) of IT assets.*

X) Observation on Other Investor Related Issues

i. K'Roll Impex Private Ltd. had made a complaint to SEBI against Noticee 1 and its directors, vide its letter dated December 22, 2022 alleging that the stock broker had forged and back-dated holding statements, forged and manufactured artificial ledger statements, holding statement purportedly signed in 2021 before it was even printed in October '2022. Based on the complaint, as advised, an inspection was carried out by BSE and BSE submitted its report to SEBI vide email dated 25.01.2023.

ii. The findings observed by BSE during inspection are detailed below :-
   - Noticee No.1 had falsely created back dated letters and balance confirmation.
   - On enquiry by BSE on back dated letters and false balance confirmation, the Noticee 2, director of Noticee 1 had admitted to the fact that they had created and submitted back dated letters during IGRC process in order to avoid responsibility to pay back the undelivered shares.

- Noticee 1 had modified the correspondence address of the K'Roll Impex Pvt. Ltd. on 4.4.2022 to Borivali address in the back-office system, which does not fall on the above mentioned letter dates.
- Noticee 1 had created back dated running account authorization letter on Borivali address.
- Furthermore, during verification of other physical documents related to K' Roll Impex (P) Ltd on onsite inspection, it was observed that Noticee 1 had created back dated running account authorization letter on Borivali Address.

iii. In light of the aforesaid, it is alleged that Noticee 1 has violated Regulation 4(2)(p) of PFUTP Regulations.

iv. Further, it was observed that the documents viz. falsely created back dated letters and balance confirmation, submitted by Noticee 1 to the Exchange (BSE) carried the signature of Mr. Nikunj Anilkumar Mittal i.e. Noticee 2. Moreover, Mr. Nikunj Anilkumar Mittal had admitted the fact that they had created and submitted back dated letters during the IGRC process in order to avoid responsibility to pay back the undelivered shares. Further, forged confirmation statement dated 15.04.2021 was purportedly signed on 20.10.2022 by Noticee 2. NNM Securities Pvt. Ltd. in its letter dated April 15, 2021, signed by Noticee 2, addressed to K'Roll Impex Pvt. Ltd., *inter alia*, attached a DP Statement dated October 20, 2022. It was observed that the date of the letter precedes the date of the letter's attachment, which could be possible only when the letter was signed on a back date. Further, the period of the DP statement (the attachment to the letter) ends on 31.03.2023, which was later than the date of the letter and the date of DP statement itself. Therefore, it was observed that Noticee 2 had forged and falsified records.

v. Further, it was observed that there was no evidence on record which proves that the aforesaid contravention was committed without the knowledge of the other director, Mr. Apurva Mittal (hereinafter referred to as Noticee 3) or that he had exercised all due diligence to prevent the commission of such acts.

vi. In view of the above, it is alleged that Noticee 2 and Noticee 3 , directors of Noticee 1, violated Regulation 4(2)(p) of PFUTP Regulations and Section 27 of SEBI Act.

<u>Reply</u>

- *It is on record and the complainant had also admitted the facts that we and complainant having common director viz. Mr. Apurva Mittal and its then compliance officer Mr. Aadhar Sigtia. It was also admitted by the complainant in its complaint that Mr. Apurva Mittal and Mr. Aadhar Sigtia were duly authorised by Board of Directors of the complainant to execute transactions in securities and to deal, communicate and confirm transactions with us. Mr. Apurva Mittal is real brother of Mr. Nikunj Mittal and Aadhar Sigtia who was promoter of the complainant company is cousin of Mr. Nikunj Mittal and relation amongst brother is always cordial. It clearly shows that we did not need back dated letter because authorised officer of the complainant were our relatives and we may get the letter/documents signed on current date on any time. It is humbly submitted that it was neither our intention nor need arises to create any back dated document. Assuming whilst denying for sake of argument that we were required a letter, it is beyond doubt to submit that we would have get it signed by both the authorised persons of the complainant as on date or as on required date.*
- *It is important to submit that in 2022, some dispute arose amongst Board of Directors and key management persons of the complainant company due to misunderstanding and misapprehension of the facts amongst themselves which resulted in filing of complaint. The complaint filed by Mr. Ajay Pancholi was nothing except a tool to exert pressure on Mr. Aadhar Sigtia through Mr. Nikunj Mittal. It is respectfully submitted that Mr. Ajay Pancholi, Officer of the complainant used complaint redressal mechanism of the Regulator as a tool to create pressure on Mr. Aadhar Sigtia through Mr. Nikunj Mittal by filing false complaint.*
- *With regard to letter addressed to its Borivali address, it may kindly be noted that we were aware about some dispute amongst the key management persons of the complainant and it was our*

intention to send the status of account of the complainant to Mr. Ajay Pancholi in order to update him directly because it was our apprehension that Mr. Pancholi may create troubling situation for us because two key management person of the complainant company are our direct relatives and he was fighting with them.

- *It may kindly be noted that when Mr. Pancholi reconciled his dispute with other key management persons of the complainant company, he realized after going thoroughly with the entire transactions and communication and other material facts that the complaint filed against us merely on account of misunderstanding and misapprehension of the facts. He is willingly accepted and endorsed our innocent approach and admitted that the letter or ledger were not created back dated.*
- *With regard to documents signed by Mr. Nikunj Mittal, it is submitted that Mr. Mittal had not signed any forge or back dated letter. Admittedly, he is looking after affairs of the company but he is not functioning at executive level. He used to sign document in good faith on the feedback and report presented by concern officials of the company. The BSE inspection report only state that they have captured signature of Mr. Mittal and signature on letter is matched with the signature of Mr. Mittal. In this regard it is submitted that no forensic test was carried out by BSE to ascertain whether the letter signed by Mr. Mittal is identical with genuine signature of Mr. Mittal or not. More to add, assuming whilst denying that letter was signed by Mr. Mittal even then it is necessary to find out as to whether Mr. Mittal was knowing status of account and he had sign the letter after knowing that the information contains in the letter is contrary to fact.*
- *The Section 149(12)(ii) of the Companies Act 2013 provides that liability of a director arises only with respect to such acts of omission or commission by a Company which had occurred with her knowledge and with her consent or connivance. But SCN completely failed to show that alleged observation were committed by the Noticee No. 1 as per instruction or knowledge of the Noticee No. 2 & 3.*
- *It is further submitted that there is no magic even in the words "Executive Director". Section 27 of the SEBI Act clearly indicates that every person who was responsible for the conduct of the business of the Company would be deemed guilty of the offence and would be liable to be proceeded against but such person would not be punished if he proves that the offence was committed without his knowledge or that he has exercised due diligence to prevent the commission of the offence. In the instant case, the Noticee no 2 & 3 have not played executive level role and has been relied upon the*

compliance certificate and internal audit report which was placed before the boards of directors.

- *In view of aforesaid it is humbly submitted that we have not violated Regulation 4(2)(p) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.*

9) Vide email dated February 5, 2024, the Noticees made further submissions stating, inter alia, the following:

Principle of Res judicata squarely applicable in the instant matter.

- *As submitted during personal hearing, it is respectfully submitted that NSE has conducted various inspections for the following period and common violations as alleged in the SCN and imposed monetary penalty which were reduced vide its revised order. The Noticee No. 1, on being aggrieved by the MCSGFC order of NSE preferred an appeal before Hon'ble SAT and the same is pending for adjudication.*
- *More to add, the period of SEBI inspection was already covered by NSE in its various inspections conducted and observations are also identical. The Noticees respectfully submits that alleged violations have been juridically decided on its merits by NSE therefore proceedings for the same violation alleged for the same period cannot be initiated again.*

Observation on Cyber security and cyber resilience:

- *As submitted in detailed reply, there was some delay in complying with Regulatory directions pertaining to Cyber security and cyber resilience. but we have complied.*

Observation on Other Investor Related issues:

- *It is emphatically submitted that the BSE inspection report incorrectly stated that Mr. Nikunj Mittal has admitted the fact that he has created a backdated letter. It may be appreciated that it is unimaginable to say that a wrongdoer who is a prudent stock broker herein would automatically admit his wrongs straightforwardly even when he knows better that it attracts grave repercussions from the regulator.*
- *As submitted earlier, Sh. Apurva Mittal, director of Noticee No.1 and his cousin brother Sh. Aadhar Sigtia were directors and Authorised Representatives of the Complainant company till 2022 to deal with the Noticee No. 1.*

Hence, it may be appreciated that the Noticees did not required to create backdated letter or ledger as same can be signed by AR of the complainant company as and when required till 2022.

- *BSE inspection team erred by stating that the letter of balance confirmation was sent to only Borivali address when the said address was not updated in the record of the Noticee No. 1. As submitted during the hearing, it is submitted that there was certain misunderstanding created amongst directors/promoters/Key Management Persons (KMP) of the complainant company and 2 KMP of the complainant company were related to the Noticee No. 1. Therefore, it was apprehension of the Noticees that the other KMP of complainant company more particularly Mr. Ajay Pancholi might misuse his position as an investor and may file a frivolous complaint against the Noticee No. 1 so that he could put pressure on the Noticees and that apprehension proved true. In view of prevailing circumstance, the Noticee No. 1 has taken additional measures and sent a confirmation letter to Mr. Ajay Pancholi directly at his residential address located at Borivali which was later updated by Mr. Ajay Pancholi as registered address of the complainant company. But it did not mean to say that the balance confirmation letter was only sent to the Borivali address. It may kindly be noted that letters were sent in due course to the address of the complainant company as per record oftheNoticeeNo.1 which was located at 05, A-7, Yogi Sandesh CHSL, Yogi Nagar, Borivali West, Mumbai - 400091. It may kindly be noted that Borivali address is the residential address of Mrs. Shankardevi Pancholi, mother of Ajay Pancholi and he was living with his mother at Borivali address when the letter was addressed to him directly.*
- *Most importantly, the complainant himself admitted the aforesaid facts and withdrawn his complaint wherein he has clearly recorded that complaint was filed due to some misunderstanding.*

<u>Doctrine of doubtful penalisation</u>

- *As submitted in detailed reply as well as pointed out during the hearing about the various deficiencies in the inspection report of SEBI. It is respectfully submitted that the joint inspection team had misinterpreted the facts and incorrectly analysed data which resulted in various violations which were alleged incorrectly. In light of the said deficiencies in the SCN based on inspection report, it is relevant to note the principles elucidated in cases such as the five-judge bench of the Supreme Court, in Tolaram Relumal and Another • State of Bombay'. These principles mandate that an interpretation that is reasonable and exempts a subject from penalty must be adopted and competing interpretations that result in penalty must be shunned.*
- *The obligation imposed by the applicable provisions, make it incumbent upon SEBI to substantiate its charges with credible, relevant, and admissible evidence. Without such foundational evidence, meting out penal actions*

would contravene the inherent principles of natural justice, rendering the proceedings inherently unfair. It emphasizes that, in the absence of conclusive evidence, penalizing the Noticees solely based on uncorroborated allegations would be manifestly unjust.

10) In the interest of natural justice, opportunity of personal hearing was given to the Noticees on January 9, 2024 vide hearing notice dated December 28, 2023. Noticees, vide email dated January 6, 2024 requested for adjournment of the personal hearing. Acceding to its request another opportunity of personal hearing was given to the Noticees on January 17, 2024. The Authorised Representative (hereinafter referred to as "**AR**") of the Noticees appeared on the scheduled date and reiterated the submissions made vide email dated January 5, 2024. The AR also undertook to make further submissions in the matter.

CONSIDERATION FOR ISSUES, EVIDENCE AND FINDINGS

11) I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

ISSUE I: (a)-Whether Noticee 1 has violated provisions of securities law by not complying with regulatory provisions regarding:-

i. Misuse of clients' funds
ii. Incorrect reporting of Enhanced Supervision data
iii. Verification of pro MTM loss
iv. Verification of Nomenclature of bank accounts
v. Stock Reconciliation
vi. Stock mismatch alerts
vii. Monthly/ Quarterly settlement of client funds and securities
viii. Contract Notes
ix. Reporting and short collection of margin
x. Client Registration Process (KYC & KRA Process)
xi. Client's Order Recording
xii. Terminal verification and certification
xiii. Analysis of Enhances Supervision data
xiv. Client level cash and cash equivalent balances and bank account balances

xv. Risk based supervision
xvi. Verification of UCC, email ID and mobile numbers
xvii. Exchange level internal alerts verification
xviii. Control system over sub-brokers/ AP
xix. Excess payout to clients
xx. Verification of penalty on short collection of upfront margin
xxi. Demat account verification
xxii. Verification of Compliance Officer details submitted to Exchange
xxiii. Cyber Security and cyber resilience
xxiv Other investor related issues

(b)- Whether Noticees 2 and 3 has violated provisions of PFUTP Regulations by not addressing investor related issues;

ISSUE II- Does the violation, if any, attract monetary penalty under sections 15HB, 15HA of the SEBI Act and section 23D of the SCRA for Noticee 1 and under section 15 HA of the SEBI Act for Noticees 2 and 3?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in section 15J of the SEBI Act and 23J of SCRA for Noticee 1 and under section 15J of the SEBI Act for Noticees 2 and 3?

12) Before proceeding further, it will be appropriate to refer the provisions of law referred to in the SCN. The same are reproduced hereunder:

Section 23 D of SCRA:

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.]

Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993

1. It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.

A] Member Broker to keep Accounts: Every member broker shall keep such books of accounts, as will be necessary, to show and distinguish in connection with his business as a member -

i. Moneys received from or on account of each of his clients and,
ii. the moneys received and the moneys paid on Member's own account.

B] Obligation to pay money into "clients accounts". Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "clients" shall appear (hereinafter referred to as "clients account"). Member broker may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para D (ii).

C] What moneys to be paid into "clients account". No money shall be paid into clients account other than -

i. money held or received on account of clients;
ii. such money belonging to the Member as may be necessary for the purpose of opening or maintaining the account;
iii. money for replacement of any sum which may by mistake or accident have been drawn from the account in contravention of para D given below;
iv. a cheque or draft received by the Member representing in part money belonging to the client and in part money due to the Member.

D] What moneys to be withdrawn from "clients account". No money shall be drawn from clients account other than -

i. money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;
ii. such money belonging to the Member as may have been paid into the client account under para 1 C [ii] or 1 C [iv] given above;
iii. money which may by mistake or accident have been paid into such account in contravention of para C above.

E] Right to lien, set-off etc., not affected. Nothing in this para 1 shall deprive a Member broker of any recourse or right, whether by way of lien, set-off, counter-claim charge or otherwise against moneys standing to the credit of clients account.

Clause 3 of Annexure of 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. Stock Exchanges shall put in place a mechanism for monitoring clients' funds lying with the stock broker to generate alerts on any misuse of clients' funds by stock brokers, as per the guidelines stipulated in para 3.2 & 3.3 below.
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
3.3. Based on the aforesaid information submitted by the stock broker, Stock Exchanges shall put in place a mechanism for monitoring of clients' funds lying with the stock brokers on the principles enumerated below:

3.3.1. Funds of credit balance clients used for settlement obligation of debit clients or for own purpose:
Principle:
The total available funds i.e. cash and cash equivalents with the stock broker and with the clearing corporation/clearing member (A + B) should always be equal to or greater than Clients' funds as per ledger balance (C)
Stock Exchanges shall calculate the difference i.e. G as follows -
G = (A+B)-C
If difference G is negative, then the total available fund is less than the ledger credit balance of clients. The value of G 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 brokers' own purposes. The negative value of G acts as an alert to the Stock Exchanges.
Thereafter, the absolute value of G shall be compared with debit balance of all clients as per client ledger D as follows:
If the absolute value of (G) is lesser than |D|, then the stock broker has possibly utilised funds of credit balance clients towards settlement obligations of debit balance clients to the extent of value of G.
If the absolute value of (G) is greater than |D|, then the stock broker has possibly utilised a part of funds of credit balance clients towards settlement obligations of debit balance clients and remaining part for his own purposes. In such cases the amount of client funds used for own purpose is calculated as follows:
H= |G|-|D|
3.3.2. Funds of clients used for Margin obligation of proprietary trading:
Stock Exchanges shall thereafter, verify whether the proprietary margin obligations (across Stock Exchanges) is less than the own funds and securities lying with the Stock Exchanges as collateral deposit, as follows:
Principle:
The sum of Proprietary funds and securities i.e. (G + E + F) lying with the clearing corporation/clearing member should be greater than or equal to Proprietary margin obligations (P)
If value of G is positive (i.e. A+B > C), then proprietary funds are lying with the clearing corporation/clearing member and/or client bank accounts along with the clients funds to the extent of positive value of G.
The sum of the proprietary funds (positive value of G), the value of proprietary securities (E) and the non-funded portion of bank guarantee (F) available in the
Stock Exchanges is compared with the Proprietary margin obligations (P).
If P > (G+E+F), then Stock Exchange shall calculate the difference I, which is the amount of proprietary margin obligation funded from clients assets.
I = P-(G+E+F)
If G is negative, then, value of G is considered as 0, as there is no proprietary funds lying with the stock exchange.
The value of I indicates the extent of funds and securities of clients which is possibly utilised towards proprietary margin obligations. This value of I acts as an alert to the Stock Exchanges on the possible mis-utilisation of clients' assets towards proprietary margin obligations.

3.3.3. Funds of credit balance clients used for Margin obligations of debit balance clients and proprietary trading:
Stock Exchanges shall thereafter, verify whether the clients funds lying with the clearing corporation/clearing member are utilised towards margin obligations of debit balance clients and proprietary margin obligations.
Principle:
The clients' funds lying with the clearing corporation/clearing member should be less than or equal to sum of credit clients' margin obligations (MC) and free collateral deposits available with the clearing corporation/clearing member (MF).
If value of G is negative (i.e. A+B < C), then fund lying with the clearing corporation/ clearing member (B) is entirely clients' fund. In such cases, B is compared with Margin obligations of credit balance clients and the free deposits available with the clearing corporation/ clearing member. The value of J is calculated as under:
J = B-(MC + MF)
If value of G is positive (i.e. A+B > C), then fund lying with the clearing corporation/clearing member (B) may contain proprietary and clients' fund.
Hence, the value of clients funds lying with the clearing corporation/ clearing member i.e. (C-A) shall be considered in the place of B.
In such cases, (C-A) is compared with Margin obligations of credit balance clients and the free deposits available with the clearing corporation/clearing member. The value of J, which is clients' funds utilised towards margin obligations of debit balance clients and proprietary margin obligations, is calculated as under:
J = (C-A) - (MC + MF)

The value of J, if positive, indicates the extent of clients' funds utilised towards margin obligations of debit balance clients and proprietary margin obligations. This value of J acts as an alert to the Stock Exchanges on the possible mis-utilisation of clients' funds towards margin obligations of debit balance clients and proprietary margin obligations.
3.4. Based on the alerts generated, Stock Exchange shall, inter-alia, seek clarifications, carry out inspections and initiate appropriate actions to protect the clients' funds from being misused. Stock Exchanges shall also maintain records of such clarifications sought and details of such inspections. The aforesaid calculations are illustrated in tabular format in Table 1, 2 & 3 given at the end of the annexure.
3.5. Stock Exchanges shall put in place the aforesaid monitoring mechanism within three
months from the date of this circular and carry out the monitoring of clients' funds for all stock brokers, except for those who are carrying out only proprietary trading and/or only trading for institutional clients.
3.6. Stock Brokers shall ensure due compliance in submitting the information to the Exchanges within the stipulated time.

Clause 1.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

1.2. The nomenclature for bank accounts and demat accounts to be followed is given as under:
1.2.1. Bank account(s) which hold clients funds shall be named as "Name of Stock Broker -Client Account".
1.2.2. Bank account(s) which hold own funds of the stock broker shall be named as "Name of Stock Broker -Proprietary Account".
1.2.3. Demat account(s) which hold clients' securities shall be named as "Name of Stock Broker-Client Account".
1.2.4. Demat account(s), which hold own securities of the stock broker, shall be named as "Name of Stock Broker-Proprietary Account".
1.2.5. Demat account(s), maintained by the stock broker for depositing securities collateral with the clearing corporation, shall be named as "Name of Stock Broker-Collateral Account".
1.2.6. Demat account(s) held for the purpose of settlement would be named as " Name of Stock Broker -Pool account".
1.2.7. Bank account(s) held for the purpose of settlement would be named as " Name of Stock Broker - Settlement Account"

Clause 6.1.1. (f) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

6.1.1. Monitoring criteria for Stock Brokers
f. Failure to assign appropriate Bank and Demat nomenclature within the time specified and to report the same to the Stock Exchanges.

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

6.1.1. Monitoring criteria for Stock Brokers

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

Regulation 17(1)(g) of Brokers Regulations

17. (1) Every Stock Broker shall keep and maintain the following books of account, records and documents, namely:—

(g) Documents register containing, inter alia, particulars of securities received and delivered in physical form and the statement of account and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities.

SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009

https://www.sebi.gov.in/legal/circulars/dec-2009/dealings-between-a-client-and-a-stock-broker-trading-members-included_2891.html

Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

8.1.In partial modification of circular on running account settlement, the stock broker shall ensure that;
8.1.1. There must be a gap of maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.
8.1.2. For the purpose of settlement of funds, the mode of transfer of funds shall be by way of electronic funds transfer viz., through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), etc.
8.1.3. The required bank details for initiating electronic fund transfers shall be obtained from new clients and shall be updated for existing clients. Only in cases where electronic payment instructions have failed or have been rejected by the bank, then the stock broker may issue a physical payment instrument.
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.

Annexure 4 of SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011

https://www.sebi.gov.in/sebi_data/commondocs/ann4rights_p.pdf

Clause B(2) of Schedule II of Brokers Regulations*- "Issue of Contract Note: A stock-broker shall issue without delay to his client or client of the sub-broker, as the case may be a contract note for all transactions in the form specified by the stock exchange."*

SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011

https://www.sebi.gov.in/legal/circulars/aug-2011/short-collection-non-collection-of-client-margins-derivatives-segments-_20439.html

SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011

https://www.sebi.gov.in/legal/circulars/aug-2011/simplification-and-rationalization-of-trading-account-opening-process_20483.html

SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011.

https://www.sebi.gov.in/legal/circulars/dec-2011/guidelines-in-pursuance-of-the-sebi-kyc-registration-agency-kra-regulations-2011-and-for-in-person-verification-ipv-_21803.html

Clause III of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017

III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client
placing such order, it could be, inter alia, in the form of:
a. Physical record written & signed by client,
b. Telephone recording,
c. Email from authorized email id,
d. Log for internet transactions,
e. Record of SMS messages,
f. Any other legally verifiable record.
When dispute arises, the burden of proof will be on the broker to produce the above records for the disputed trades.

Regulation 9(f) of Brokers Regulations

Conditions of registration.

***9**.Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-*

(f)he shall at all times abide by the Code of Conduct as specified in Schedule II; and

(g) he shall at all times maintain the minimum networth as specified in Schedule VI.

NSE Circular No. NSE/MEMB/3635 dated September 25, 2002.

https://www.nseindia.com/resources/exchange-communication-circulars

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

6.1.1. Monitoring criteria for Stock Brokers
e. Failure to submit data for the half yearly Risk Based Supervision within the time specified by Stock Exchange.

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

2. As an additional measure, it has now been decided in consultation with the major stock exchanges and market participants that the stock exchanges shall send details of the transactions to the investors, by the end of trading day, through SMS and E-mail alerts. This would be subject to the following guidelines:

B. Uploading of mobile number and E-mail address by stock brokers
i. Stock exchanges shall provide a platform to stock brokers to upload the details of their clients, preferably, in sync with the UCC updation module.
ii. Stock brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.
iii. Stock brokers shall ensure that the mobile numbers/E-mail addresses of their employees/sub-brokers/ remisiers/ authorized persons are not uploaded on behalf of clients.
iv. Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to

one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.

BSE Exchange notice no. 20130307-21 dated March 07, 2013 and 20170118-11 dated January 18, 2017

https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20130307-21

https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20170118-11

NSE Circular No. NSE/INSP/45191 dated July 31, 2020 (Para 15 of Annexure A)

15. In case of short reporting of margin/margin on consolidated crystallized obligation/MTM, Can member pass on the penalty to the clients?
In case of failure (cheque not cleared or margin requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of client upfront margins/ margin on consolidated crystallized obligation/MTM losses, member may pass on the actual penalty to the client, provided he has evidences to demonstrate the failure on part of the client .Wherever penalty for short reporting of upfront margin/ margin on consolidated crystallized obligation/ MTM losses is being passed on to the client relevant supporting documents for the same should be provided to the client.*

**Member cannot pass on the penalty w.r.t. short collection of upfront margin to client.*

NSE/INSP/49929 dated October 12, 2021

https://archives.nseindia.com/content/circulars/INSP49929.pdf

SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009.

https://www.sebi.gov.in/legal/circulars/nov-2009/market-access-through-authorised-persons_3182.html

Clause 2.3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

2.3. Stock Exchanges and/or Depositories, as the case may be, shall ensure the following:
2.3.1. All existing demat accounts maintained by stock brokers are assigned the appropriate nomenclature as mentioned above, within three months from the date of this circular.
2.3.2. All existing bank accounts maintained by stock brokers which do not have the above mentioned nomenclature, shall be assigned appropriate nomenclature, within six months from the date of this circular.
2.3.3. Details of all existing bank and demat accounts shall be communicated to Stock Exchanges by the stock brokers in the format specified above within one month from the date of this circular.
2.3.4. All new bank and demat accounts opened by the stock brokers shall be named as per the above given nomenclature and the details shall be communicated to the Stock Exchanges within one week of the opening of the account.
2.3.5. In case of closure of any of the reported bank and demat accounts, the same shall be communicated to the Stock Exchanges within one week of its closure.
2.3.6. Depositories shall ensure that once the nomenclature for a particular demat account has been assigned by the stock broker, then the same shall not be modified.
2.3.7. Any non-compliance/non-reporting in this regard by the stock broker shall attract penal action as per the provisions of Stock Exchanges.
2.3.8. Based on the list of stock brokers (including PANs) provided by the respective stock exchanges, Depositories shall also provide stock broker-wise details of all the demat accounts opened by a stock broker to the concerned Stock Exchanges to facilitate reconciliation with the data submitted by the stock broker.

Clause A(5) of Schedule II of Brokers Regulations –

"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."

NSE Circular NSE/MEM/3441 dated June 14, 2002

https://www.nseindia.com/resources/exchange-communication-circulars

SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018.

https://www.sebi.gov.in/legal/circulars/dec-2018/cyber-security-and-cyber-resilience-framework-for-stock-brokers-depository-participants_41215.html

Regulation 4(2)(p) of PFUTP Regulations

" 4. Prohibition of manipulative, fraudulent and unfair trade practices

…………………………………..

(2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following :—

………………………………………………………………..

(p) an intermediary predating or otherwise falsifying records including contract notes, client instructions, balance of securities statement, client account statements "

Section 27 of SEBI Act

***Contravention by companies**.*

" 27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder] has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable

to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

Explanation : For the purposes of this section,—

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm."

FINDINGS

13) On perusal of the material available on record and giving regard to the facts and submission of the noticees and circumstances of the case I record my findings hereunder:

ISSUE I: (a)-Whether Noticee 1 has violated provisions of securities law by not complying with regulatory provisions regarding:-

A) Misuse of clients' funds

14) During inspection it was observed that the value of G was negative for 17 out of 42 sample dates. The detail is attached as **Annexure 1**. It was further observed that observed that Noticee 1 had utilized the funds of credit balance clients towards settlement obligations of debit balance clients and for own purpose ranging from Rs. 38,53,313/- to Rs. 5,39,48,632/- for 17 sample dates. It was further observed that the value of I was positive for 2 out of 42 sample dates (Rs. 30,825 on 07.07.2021 and Rs. 49,96,066 on 08.07.2021), which indicates that the member had possibly utilized the funds and securities of clients towards proprietary margin obligations. The alleged average misutilised amount is Rs. 25.13 lakh.

15) The Noticee submitted that it had always maintained sufficient funds against the credit of the clients and the principle of G was always positive. It had further submitted that it had made FDRs from client funds and the same were kept with Noticee 1 as pledging od FDRs with Clearing Corporation (CC)/ Clearing Member (CM) was not required because Noticee 1 was maintaining sufficient collaterals with CC/CM during the inspection period. Noticee 1 further submitted that the Inspection Team (hereinafter referred to as "**IT**") appreciated the fact that FDRs were made but erred in stating that it was made from its own fund. Noticee 1 further submitted copy of the confirmation from the bank that the source of the funds is clients' bank account. However, it is observed that the source of fund is provided only for 9 FDRs and not all the FDRs made by Noticee 1.

16) It is observed that in SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, the calculation for the value of G is given as:

G = (A + B) – C

Wherein, A = aggregate fund balances available in all Client Bank Accounts, including settlement account, maintained by the stock broker across stock exchanges;

B = Aggregate value of collateral deposited with clearing corporations and/ or clearing member in form of cash and cash equivalents;

C = Aggregate value of credit balances of all clients as obtained from trial balance across stock exchanges

17) Further, for the value of the FDR to be considered as B, the same should be deposited with the CC/CM. In the present case, the Noticee did not keep the FDR with the CC/CM. Circular dated September 26, 2016 clearly specified the calculation of G and therefore, I cannot consider the FDRs not kept with CC/CM as part of B.

18) The Noticee has also submitted that account of the directors, promoters and related entities should not be taken under credit of client to ascertain the principle of G. In this regard, I find that the circular is very clear. If the directors, promoters are clients of Noticee, then their accounts should be considered as such. There is no distinction given in the circular for the accounts of directors, promoters.

19) In view of the above, I find that the allegation of violation of section 23D of SC(R)A, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 stands established.

20) However, it is observed that Noticee 1 is penalised by NSE for the same violation covering the period mentioned herein. Hence, no penalty may be imposed as per the doctrine of res judicata.

B) <u>Observation on incorrect reporting of Enhanced Supervision data</u>

21) During the course of inspection, it was observed that Noticee 1 had considered the FDRs made out of own funds and not kept with CC/CM under ‘Collateral deposited with CC/CM for all sample dates’ i.e. 42 out of 42 sample dates. It was also observed that Noticee 1 has misreported the figures under ‘Unutilized collateral available with CC/CM’ for 37 out of 42 sample dates.

22) In response to the allegation that the Noticee failed to deposit with the CC/CM, the collateral in the form of FDRs from the clients’ money for all sample dates, I observe that the Noticee has not denied the allegation. It has submitted that there was no regulatory requirement for it to deposit the collateral prior to April 1, 2022 as per NSE circular NSE/INSP/50901 dated January 4, 2022.

23) I note that the inspection covered the period from April 01, 2021 to June 30, 2022 which is after the threshold date prescribed by NSE for submitting the collateral with CC/CM. The Noticee did not submit any supporting evidence to show that the collaterals in the form of FDRs were being submitted to the CC/CM after April 1, 2022. In view of the above, the submission of the Noticee cannot be accepted. Therefore, I find that the allegation of violation of Section 23D of SC(R)A, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 by the Noticee stand established.

C) <u>Observation on Verification of pro MTM loss</u>

24) During the course of inspection, it was observed that Noticee 1 had used client funds for Proprietary MTM Pay-in obligation in FO Segment on 21-Jan-22 and 24-Feb-22. Total amount of mis-utilization of client funds for Pro MTM Pay-in obligation as observed is given hereunder:

Date	**Amount of Misutilization of client funds**
21-Jan-22	1,89,02,020
24-Feb-22	2,53,80,713

25) In regard to use of client funds in proprietary MTM, I find that Noticee 1 submitted that the inspection team had mistakenly taken the lesser amount of collateral deposited with the exchange. I do not find merit in the submission. The collateral that is deposited with the CC/ CM is the only amount that can be considered for the calculation of collateral. I observe that on January 21, 2022 the collateral deposited with CC/CM is Rs. 2,08,28,828.00 and on February 24, 2022, the collateral is Rs. 10,08,28,828.00.

26) It is not only enough that the collateral is maintained, the collateral should be deposited with CC/CM for it to be considered. In the absence of the same, the inspection team was right in considering the lesser amount. The collaterals are to be maintained with CC/CM as per SEBI circular dated September 26, 2016. Further, Noticee 1 had not provided any document in support of its claim that the actual value of the collateral deposited with the exchanges in form of cash and cash equivalents was Rs.9,84,48,528.03 on January 21, 2022 and Rs.13,84,15,329.53 on February 24, 2022.

27) In view of the above, I find that the allegation of violation of Section 23D of SCRA, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 stands established.

D) <u>Observation on Verification of Nomenclature of bank accounts</u>

28) During the course of inspection, it was observed that Noticee 1 had not maintained the nomenclature of 10 bank accounts as per the standard format.

29) Noticee 1 admitted that maintaining the nomenclature of the 10 given bank accounts had been left mistakenly as the accounts were inactive. Further even NSE and BSE had not pointed out to the said non-compliance so the same went unnoticed. However, when it was brought to the notice of Noticee 1, it had promptly closed 4 out of 10 accounts and for remaining 6, it had asked the bank for nomenclature.

30) I find that Noticee 1 has admitted that it had failed to maintain proper nomenclature in regard to 10 bank accounts. The submission of Noticee 1 that the accounts were inactive does not give the Noticee 1 the reason to not comply with the regulatory provision. However, I find that Noticee 1 has taken corrective steps when it was made aware of the lapse by the IT. In view of the above, I find that the allegation

of violation of Clause 1.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 6.1.1. (f) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 stands established.

E) Stock reconciliation

31) During the course of inspection, it was observed that Noticee 1 had not done periodic stock reconciliation of back office holdings of clients' securities with actual stocks lying in DP accounts. The excess quantity as per demat statement in 6 ISIN and value of mismatch is Rs. 45,987.50/-. Further, it was also observed that the data uploaded by Noticee 1 w.r.t Holding Statement on a weekly basis was incorrect (DP Holding vs Weekly Holding submission). The excess quantity as per demat statement in 12 ISIN and value of mismatch is Rs. 4,45,56,216.50/-.

32) Further, it was observed that data uploaded by Noticee 1 w.r.t Holding Statement on a weekly basis was incorrect (Back office vs Weekly holding submission). The excess quantity as per back office holding in 5 ISIN and value of mismatch is Rs. 8,424/-. The excess quantity as per Weekly Holding Submission in 5 ISIN and value of mismatch is Rs. 7,24,020/-.

33) In regard to periodic stock reconciliation, Noticee 1 submitted that its holding value of stock is more than 50 crores and the mismatch value of 6 ISIN stocks is miniscule vis-a vis total number of ISIN it holds. In regard to excess quantity as per demat statement, Noticee 1 submitted that the IT has erroneously considered the wrong value. After taking the correct value the value of mismatch reduces to Rs. 46,492.50. Noticee 1 further submitted that due to system glitches from time to time there was incorrect processing of data and incorrect reporting. It has now migrated to a new system to avoid such technical malfunctions.

34) From the submission of Noticee 1, I find that it has not denied the allegations made during the inspection but merely pointed out that the value of mismatch is insignificant vis-à-vis its total business. Noticee 1 also stated that the reason for such mismatch is system error. I do not find merit in the submissions. Broking activity involves handling large amount of data including the shareholding and its financial value. Noticee 1 was entrusted with its clients shares and money and it cannot plea that due to technical glitches it was unable to reconcile the shares and its value. Further, Noticee 1 also ought to have reconciled the inactive accounts. In view of the above, I find that the allegation of violation of Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Regulation 17(1)(g) of Brokers Regulations by Noticee 1 stands established.

F) <u>Stock Mismatch Alerts</u>

35) End of day securities' balance as per holding statement data reported to the exchange by Noticee 1 was compared with the balance calculated by considering opening balance, net trade quantity, direct payout, pay in pay out shortage, depository transaction quantity and auction quantity by the IT. Upon analysis of the alerts generated and submissions made by Noticee 1, negative observations were found against Noticee 1 in 7 instances out of 20 samples.

36) I observe that Noticee 1 did not deny the stock mismatch alerts but provided individual reasons in the 7 instances. Noticee 1 submitted that it required involvement of staff from different departments and the concerned person was working from home due to pandemic which caused the delay of 1 or 2 days in transferring of stock to demat account of the client. It further submitted that in few cases the mismatch was due to technical glitch and in other case the shares were kept with the broker at the instruction of the client.

37) I have considered the submission of Noticee 1. The explanation given by Noticee 1 in regard to client S2248 was that it had attempted to transfer purchased stock to client BO account but was unable to do so as the account was frozen by authority

and the client had instructed vide letter dated September 4, 2021 to keep the shares in the CUSAccount. The submission of Noticee 1 is accepted. Further, in regard to client code K465, Noticee 1 submitted that the client requested it to withhold the said shares as she was travelling and wished to sell the said shares. However, unable to get her desired rate she requested Noticee 1 to transfer the said shares back to her account. The submission of Noticee 1 is accepted.

38) However, in regard to the other instances, I do not find merit in the submission of the Noticee. Admittedly in 3 ISIN there was a delay of 1 day. In regard to client Code M633 Noticee 1 submitted that the client was requested to transfer the shares via EPI facility as the member has already borne the debit of the auction bill and hence the shares belonged to the broker account. Accordingly, shares were blocked for EPI in the client's broker account which was eventually transferred to EPI account with CC. The submission of Noticee 1 cannot be accepted. The shares of M633 was blocked for EPI although the client has not entered into any trade.

39) In view of the above, I find that the allegation of violation of Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 by Noticee 1 stands established.

G) <u>Monthly/Quarterly Settlement of client funds and securities</u>

40) During the course of inspection, it was observed that Noticee 1 had not settled amounts of 12 active clients and 1565 inactive clients during the inspection period. The maximum non settled amount for a month is Rs. 69.44 lakh (active clients) and Rs. 9.16 Crore (inactive clients).

41) From the submission of Noticee 1, I find that it had accepted that there were issues regarding the figure of settlement and it had admitted that the value of non-settlement of active account was 5.21 lakh. In regard to inactive clients, Noticee 1 admitted that due to miscalculation at the time of settlement by the software, accounts were not settled. However, the same was settled in the next cycle.

42) In view of the above, I find that the allegation of violation of SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 by Noticee1 stands established.

H) <u>Contract Notes</u>

43) During the course of inspection, it was alleged that Noticee 1 had kept the name of compliance officer in April sample contract note while the compliance officer left in February, 2022. It was also observed that while the compliance officer had left the Noticee 1 in February, 2022 and Lavina Dhirwani was appointed as the new compliance officer, the intimation for the same to the exchange was not done within the specified timeline. Further, it was observed that the Noticee 1 had not sent the ECN logs to the registered email id of its 13 clients.

44) Noticee 1 submitted that although Mrs. Surmeet Kaur had put in her resignation in April 2022, she was on a notice period and was looking into all the compliance related work of Noticee 1. However, from the documents provided by Noticee 1, I find that Noticee 1 had accepted the resignation of Mrs. Surmeet Kaur on February 1, 2022 and she was asked to serve 60 days notice which does not extend till April 2022. Considering the above, Mrs. Kaur was not the Compliance Officer in April 2022 and Noticee 1 had wrongly mentioned her name in the contract note as the Compliance Officer.

45) Further, Noticee 1 had not provided any evidence that the appointment of Mrs. Lavina Dharani was intimated to the exchange within the specified timeline. In the absence of the same, I cannot accept the submission of Noticee 1.

46) In regard to the allegation that Noticee 1 did not send the ECN log to the registered email id of 13 clients, Noticee 1 submitted that the clients had requested it in writing to send ECN in a specific separate email id. Noticee 1 also submitted copies of the

instruction given by the clients. On perusal of the instruction, I note that all the instructions are identical to each other in regard to the language, font size, no date etc. in the absence of a date and the similarity of all the instruction slip I find the authenticity of the instruction questionable and hence cannot be considered. In view of the above, I find that the allegation of the violation of Annexure 4 of SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 read with Clause B.2 of Schedule II of Regulation 9 of Brokers Regulations by Noticee 1 is established.

I) <u>Reporting and short collection of Margin</u>

47) During inspection, SEBI observed that Noticee 1 short collected EOD margin of Rs. 4,54,528.99 and did wrong reporting of Rs. 2,03,300.99 in 3 out of 75 sample instances. Further, Noticee 1 short collected peak margin of Rs. 2,06,653.46 and did wrong reporting of Rs. 2,69,512.26 in 3 out of 75 sample instances.

48) From the submission of Noticee 1 it is observed that Noticee 1 admitted that there was some technical glitches due to which valuation of securities have been considered wrongly and incorrect report was generated from back office system. However, the same occurred without any wrongful intent.

49) In view of the above, I find that the allegation of violation of SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 by Noticee 1 stands established.

J) <u>Client Registration Process (KYC & KRA Process)</u>

50) It was observed that the KYC form was incomplete and required supporting documents were not provided for 25 out of 26 sample clients. It was also observed that Noticee 1 had not submitted the KYC details to the KRA for 10 clients out of 26 sample clients and there was delay in KYC details submitted to the KRA for 2 clients out of 26 sample clients.

51) Noticee 1 submitted that KYC is a bulky document and it was possible that some field of KYC was left out. With regard to KYC details not submitted to the KRA for 10 clients, Noticee 1 submitted copies of snapshots of KRA portal to indicate that the same was duly registered with KRA and for 2 clients it was submitted with delay, Noticee 1 submitted that the clients were registered with it in the year 2011 and 2012.

52) I note that Noticee 1 did not deny the allegation of incomplete KYC and admitted that it being a bulky document, there was a possibility of missing a few fields. In regard to the non-submission of KYC details to the KRA, I note that Noticee 1 submitted evidence for 10 out of 26 sample clients whose KYC details were reflected at the KRA portal. However, no explanation was given in regard to other clients.

53) In view of the above I find that the allegation of violation of SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011 read with SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011 by Noticee 1 stands established.

K) <u>Observation on Client's Order Recording</u>

54) It has been alleged during inspection that Noticee 1 had not maintained the client order placement records on 6 instances out of 10 samples clients. Noticee 1 submitted that 3 of the said 6 clients had opted for internet based trading. Therefore, as per regulatory provisions there was no requirement of maintaining records of order placement such clients. The fourth client was Mr. Nikunj Mittal, i.e. Noticee 2 who is a director and was placing order personally in the office. 2 clients would deal through the Authorised Person (AP). They would sit in front of the trading system and place order.

55) I note that Noticee 1 has not provided any document in support of any of its submissions. I accept that Noticee 2 is the director of Noticee 1 and would place the order personally in the office and maintaining call record is not possible. However, in regard to the 5 other clients, Noticee 1 did not submit any supporting

documents to establish that they had opted for internet based trading or they would personally visit the AP and place order. In the absence of the same, I am of the view that Noticee 1 has violated Clause III of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017.

L) Terminal verification & certification

56) During the course of inspection, it was observed that there was mismatch in the list of terminals in exchange records/ mismatch in login IDs –

- In CM segment, terminals were available in exchange record but were not available in backoffice record (12 terminal)
- In FO segment, terminals were available in exchange record but were not available in backoffice record (2 terminal).

57) I observe that Noticee 1 has admitted that due to shortage of staff it had deactivated the said 14 terminals but had forgotten to deactivate it in exchange record. It further submitted that it was a procedural mistake without having any impact.

58) In view of the submission made by Noticee 1, I find that the allegation of violation of Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/MEMB/3635 dated September 25, 2002 stands established.

M) Analysis of Enhanced Supervision data

59) It was alleged that the Noticee 1 had incorrectly reported the data towards weekly monitoring of client funds for 23-Jul-21, 30-Jul-21, 06-May-22, 27-May-22 and 24-Jun-22.

60) Noticee 1 submitted that incorrect enhanced supervision data was not reported correctly due to technical glitch of its older system. Noticee 1 further submitted that it was not done intentionally or with the purpose to conceal.

61) While the Noticee may not have done intentionally but being a SEBI registered intermediary it had the responsibility to monitor the client funds in a prudent manner so that the correct value of the principle of G can be obtained as proper service to investors is the foremost responsibility of Noticee 1. In the present case, Noticee 1 has admitted that due to technical glitches the data was incorrectly reported. In view of the above, I find that Noticee 1 has violated Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

N) <u>Client level cash & cash equivalent balances and bank account balances</u>

62) It was observed that Noticee 1 has incorrectly reported the data towards client ledger balances in 4 clients (excess reported is Rs. 8,977.44/- and short reported is Rs. 11,088/). It was observed that Noticee 1 had done incorrect reporting towards client clear ledger balances in 9 Clients (excess reported is Rs. 8,906.64/ and Short Reported is Rs. 7,31,737/-). It was observed that Noticee 1 had done incorrect reporting towards bank balances in 1 client (Short reported is Rs. 5,99,619.20/-).

63) In regard to incorrect reporting towards data in client ledger balance is due to DP charges, reversal of late payment charge and penalty amount debited as per the clearing corporation file. In regard to incorrect reporting in client clear ledger balances, Noticee 1 submitted that it is due to reversal of late payment charge, penalty amount deducted and unclear cheque entry. In regard to incorrect reporting towards bank balances, Noticee 1 stated that it had reported correct figure.

64) I note that the reasons provided by Noticee 1 to establish the difference in amount in the client ledger account and client clear ledger account is tenable. However, Noticee 1 did not provide any documentary evidence in the form of copy of the client ledger account and client clear ledger account illustrating that the amount has been deducted for various charges as mentioned above. In the absence of any supporting documentary evidence, the submission of Noticee 1 cannot be accepted. In view of the above, I find that the allegation of violation of SEBI Circular

No. SEBI/HO/MIRSD/MIRSD2/C/IR/P/2016/95 dated September 26, 2016 stands established.

O) <u>Risk Based Supervision</u>

65) It was observed during inspection that Noticee 1 had not correctly reported the details of total available collaterals from all debit balance clients, the difference being Rs. 73552.93/-. Noticee 1 submitted that it was never provided with the basis of calculation of total collaterals and therefore it cannot comment on the same.

66) I find that the following information was provided to Noticee 1:

Particulars	**Data Reported by Trading Member**	**As per Exchange Working**	**Difference**
Value of collaterals from the debit balance clients	6,42,68,893.77	6,43,42,446.70	-73,552.93

67) Noticee 1 submitted the working as to how the reported figure was derived. However, no basis of calculation as per exchange working is provided to the Noticee 1. In the absence of the same, I accept the submission of Noticee 1. In view of the above, I find that the allegation of violation of Clause 6.1.1.e of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 by Noticee 1 does not stand established.

P) <u>Verification of UCC, Email ID and Mobile numbers</u>

68) It was observed that Noticee 1 had mapped single mobile number for multiple clients (No. of Mobile number - 7; No. of Clients – 28). It was also observed that Noticee 1 had mapped single email ID for multiple clients. (No. of Email ID - 7; No. of Clients – 25). It was also observed that there was mismatch in mobile number

between Active Client List & Exchange UCC: (No. of clients – 1). It was observed that there was mismatch in Email ID between Active Client List & Exchange UCC.

69) Noticee 1 submitted that its clients belonging to the same family insisted on using common mobile number and email id. I accept the contention of Noticee 1. It is a general practice that in families a single member takes the investment decisions and its easier to track the investments if all the family members use common email id and mobile number.

70) With regard to mismatch in mobile number between Noticee 1's record and Exchange UCC record, Noticee 1 submitted that common email ids are reflecting in both database. Further in regard to mismatch in email id between active client list and Exchange UCC, Noticee 1 admitted that although the email id of the clients were modified in its records as per the instruction of the client but mistakenly it had left out to update in the UCC record of the Exchange.

71) I observe that there is mismatch in mobile numbers between Active Client List and Exchange UCC in regard to 1 client and there is a mismatch in email id between Active Client List and Exchange UCC in regard to 2 clients. Noticee 1 has admitted that it was an oversight in updation. I find that compared to all the clients handled by Noticee 1, lapses are only in regard to 1 or 2 clients. In view of the above, the allegation of violation of Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011 stands established.

Q) <u>Exchange level Internal Alerts Verification</u>

72) It was observed during inspection that Noticee 1 had not closed total of 11 alerts from BSE. Noticee 1 admitted that due to change in compliance officer, 11 alerts got missed out for closing. However, it has closed the same on the same being brought to its notice.

73) I note that Noticee 1 admitted that it had failed to close the 11 alerts. Therefore, Noticee 1 has violated Clause A(5) of Schedule II read with Regulation 9(f) of SEBI

(Stock Brokers) Regulations, 1992 read with BSE Exchange notice no. 20130307-21 dated March 07,2013 and 20170118-11 dated January 18, 2017.

R) <u>Control system over sub-brokers/AP</u>

74) During course of inspection of Noticee 1, SEBI conducted inspection of 2 Authorised Persons (APs). Following are the observations made:

i) Mrs. Sangita Shah

a) Display Board of AP with address was not found at the office.
b) Copy of SEBI Registration Certificate of the Trading Member / Authorized Person was not displayed.
c) Notice Board providing details of Trading Member / Authorized Person is not displayed.
d) Complaint register was not maintained by AP.

ii) Saroj Vakharia

a) Display Board of AP with address was not found outside the flat at the address registered with Exchange.
b) Copy of SEBI Registration Certificate of the Trading Member / Authorized Person was not displayed outside the flat at the address registered with Exchange and NSE officials were unable to verify inside the flat since they were not allowed entry
c) Notice Board providing details of Trading Member/ Authorized Person was not displayed outside the flat at the address registered with Exchange and NSE officials were unable to verify inside the flat since they were not allowed entry.
d) Complaint register was not verified as NSE officials were not allowed entry.
e) Terminal of CM Segment – 401101000101 could not be verified at registered address- 603, 6th, FLR, OFF 150 FT RD, SPAN Excellency,

Near Salasar Business Park, Bhayander West, Thane- 401101, Maharashtra as NSE officials were not allowed entry. As per trade summary last trade executed in CM segment terminal was 30th June 2022.

f) Terminal was not operated by approved user and person. Mr. Prateek Vakharia was seated at trading member place, and he was placing orders from another employee terminal CTCL ID - 400053001005 for the FO segment.

75) Noticee 1 submitted that in regard to Mrs. Sangita Shah who was its AO since 2003, all the compliances were done. However, NSE officials made a surprise visit when certain repair work was being carried out by Mrs. Shah so the notice board providing the details were kept inside. In regard to AP Mrs. Saroj Vakharia Noticee 1 submitted that her husband was looking after the AP business and for the last six months was operating from the office of Noticee 1 due to personal exigencies. During the visit, NSE official were denied entry due to security reasons and display board was placed inside the house at entry gate.

76) I note that inspections are conducted by Exchanges or SEBI to check on the compliances by the registered intermediary or its APs. It was observed during inspection that Mrs. Sangita Shah did not display the notice board providing the details. Further even the compliant book was not maintained by her. With regard to Mrs. Saroj Vakharia, her husband was looking after the AP business who was not an approved user and was operating from the office of Noticee 1. It is noted that Mrs. Saroj Vakharia was the registered AP of Noticee 1 and all the activities were carried out in her name by her husband, Mr. Prateel Vakharia. However, no evidence is given by Noticee 1 that the said change of address of operation by the AP was intimated to all the clients. Further SEBI registered certificate of the trading member/ AP, notice board etc. was not displayed. As the NSE officials were not

allowed entry they were unable to examine the complaints book or the trading terminal.

77) In view of the above, I find that Noticee 1 has violated SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009.

S) <u>Excess payout to clients</u>

78) It was observed that Noticee 1 had made pay-out of funds to 4 clients in excess of their balances on 16 instances. Noticee 1 denied the allegation and submitted that it had not done any excess payout but had only made advance payout as per the client request only after receipt of stocks sold by the clients. It had further submitted that there is no regulatory restriction to the same.

79) I am inclined to accept the submission of Noticee 1. If the client has done early pay-in of securities, the credit of money is due to him and there is no regulatory restriction on it to make advance payout after receiving the shares. It is to be noted that Noticee 1 is providing this as a better service to its clients. Therefore, I am of the view that the Noticee has not violated the provisions of Clause A (5) of Schedule II read with Regulation 9(f) of Brokers Regulations, Regulation 6.1.6.2 of NSE Regulations (F&O segment) and Regulation 6.1.5 (c) of Part A of NSE Capital Market Regulations.

T) <u>Verification of penalty on short collection of upfront margin</u>

80) It was observed that in CM Segment, Noticee 1 had passed on penalty to 20 clients in 20 instances. The amount of penalty passed on was Rs. 86,250.45. It was observed that in FO Segment, Noticee 1 had passed on penalty to 25 clients in 25 instances. The amount of penalty passed on was Rs. 1,05,923.51. Noticee 1 submitted that it allowed exposure in case client made upfront margin through cheque which got bounced on presenting it to the bank. By that time, the clients had already availed exposure. I observe that as per NSE circular NSE/INSP/45191 dated July 31, 2020 cheques can be considered for margin collection only if it cleared within T + 5 days. In the present case, Noticee 1 gave the exposure to its

clients even before the cheques got cleared which is in violation of the NSE circulars dated July 31, 2020 and October 12, 2021.

81) Subsequently, when Noticee 1 was penalised for short collection of margin, it passed the penalty on to its clients which had no regulatory backing. In such case it is irrelevant whether the clients were aggrieved by it. In view of the above, I find that Noticee 1 has violated Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE Circular No. NSE/INSP/45191 dated July 31, 2020 (Para 15 of Annexure A) and NSE/INSP/49929 dated October 12, 2021.

U) <u>Demat account verification</u>

82) It was observed that Noticee 1 had done Incorrect Reporting of Tagging of Demat Accounts to Exchange – 11 accounts. It was also observed that Noticee 1 has done Incorrect reporting of Demat Account to Exchange – 2 accounts. Noticee 1 has admitted that incorrect tagging of demat account was done mistakenly as it had failed to understand the regulatory directions.

83) I observe that Noticee 1 has admitted to the non-compliance and therefore the allegation of violation of Clause 2.3 and Clause 6.1.1.j. of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 by Noticee 1 stands established.

V) <u>Verification of Compliance Officer Details submitted to Exchange</u>

84) It was observed that the details of compliance Officer as provided by Noticee 1 was not matching with the records of the Exchange. Noticee 1 submitted that there was a change of Compliance Officer. Mrs. Surmeet Kaur was on her notice period during which Ms. Lavina Dharwani had joined. So her name was given in the pre-inspection questionnaire.

85) I find that Ms. Lavina Dhirwani had already joined Noticee 1 as the Compliance Officer while Mrs. Surmeet Kaur was on her notice period after tendering her resignation. Therefore, Noticee 1 ought to have changed the name of the

Compliance Officer in the record of the Exchange. However, Noticee 1 failed to update the Exchange record accordingly. In view of the above, I find that the allegation of violation of Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE Circular NSE/MEM/3441 dated June 14, 2002 by Noticee 1 stands established.

W) **Cyber security and cyber resilience**

86) The following violations are observed from the Cyber Audit Report and response provided by Noticee 1

- Noticee 1 has not defined the roles and responsibilities of Chief Information Security Officer (CISO) and other senior personnel and hence not shared the details of CISO with CERT-In.
- Noticee 1 has not secured the back office application available over the internet.
- Noticee 1 has not obtained Standardisation Testing and Quality Certification (STQC) for off-the-shelf products used by it (Trading application and Back office application) for core business functionality.
- Noticee 1 has not conducted Vulnerability Assessment and Penetration Testing (VAPT) of IT assets.

87) Noticee 1 had submitted that as it was a small broker operating on limited staff and resources, there is some delay in its compliance. However, now it has defined the rules and responsibilities of CISO and other senior personnel and shred it with CERT-In. It has also secured the back-office application available over the internet and have obtained STQC for off the shelf product.

88) I note that Noticee 1 has admitted that there was delay in its cyber security and cyber resilience compliances. Therefore, the allegation of violation of SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 by Noticee 1 stands established. However, now all the compliances are in place.

X) <u>Other Investor Related Issues</u>

89) K'Roll Impex Private Ltd. had made a complaint to SEBI against Noticee 1 and its directors, vide its letter dated December 22, 2022 alleging that the stock broker had forged and back-dated holding statements, forged and manufactured artificial ledger statements, holding statement purportedly signed in 2021 before it was even printed in October '2022. Based on the complaint, as advised, an inspection was carried out by BSE and BSE submitted its report to SEBI vide email dated January 25, 2023.

90) The findings observed by BSE during inspection are detailed below :-

- Noticee No.1 had falsely created back dated letters and balance confirmation.
- On enquiry by BSE on back dated letters and false balance confirmation, the Noticee 2, director of Noticee 1 had admitted to the fact that they had created and submitted back dated letters during IGRC process in order to avoid responsibility to pay back the undelivered shares.
- Noticee 1 had modified the correspondence address of the K'Roll Impex Pvt. Ltd. on 4.4.2022 to Borivali address in the back-office system, which does not fall on the above mentioned letter dates.
- Noticee 1 had created back dated running account authorization letter on Borivali address.
- Furthermore, during verification of other physical documents related to K' Roll Impex (P) Ltd on onsite inspection, it was observed that Noticee 1 had created back dated running account authorization letter on Borivali Address.

91) In light of the aforesaid, it is alleged that Noticee 1 has violated Regulation 4(2)(p) of PFUTP Regulations.

92) Further, it was observed that the documents viz. falsely created back dated letters and balance confirmation, submitted by Noticee 1 to the Exchange (BSE) carried the signature of Mr. Nikunj Anilkumar Mittal i.e. Noticee 2. Moreover, Mr. Nikunj Anilkumar Mittal had admitted the fact that they had created and submitted back dated letters during the IGRC process in order to avoid responsibility to pay back the undelivered shares. Further, forged confirmation statement dated April 15, 2021 was purportedly signed on October 20, 2022 by Noticee 2. NNM Securities Pvt. Ltd. in its letter dated April 15, 2021, signed by Noticee 2, addressed to K'Roll Impex Pvt. Ltd., *inter alia*, attached a DP Statement dated October 20, 2022. It was observed that the date of the letter precedes the date of the letter's attachment, which could be possible only when the letter was signed on a back date. Further, the period of the DP statement (the attachment to the letter) ends on March 31, 2023, which was later than the date of the letter and the date of DP statement itself. Therefore, it was observed that Noticee 2 had forged and falsified records.

93) Further, it was alleged that there was no evidence on record which proves that the aforesaid contravention was committed without the knowledge of the other director, Mr. Apurva Mittal or that he had exercised all due diligence to prevent the commission of such acts.

94) In view of the above, it is alleged that Noticee 2 and Noticee 3 , directors of Noticee 1, violated regulation 4(2)(p) of PFUTP Regulations and section 27 of SEBI Act.

95) It was submitted that Noticee 1 and the complainant company, viz. K'Roll Impex Private Ltd. had common director Mr. Apurva Mittal and compliance officer Mr. Aadhar Sigtia. In the year 2022 some dispute arose amongst Board of Directors and key management persons of the complainant company and Mr. Ajay Pancholi filed the complaint to exert pressure on Mr. Apurva Mittal and Mr. Aadhar Sigtia by filing false complaint. Noticee 1 further denied creating ledger or letter back dated. Noticee 1 also submitted that the letters were sent to the Borivali address as their intention was to send the status of the account to Mr. Ajay Pancholi in order to

update him directly. It was further denied that Mr. Nikunj Mittal had signed any forged or back dated letter.

96) I have considered that allegations made and the reply of the Noticees. The evidence provided by the IT to establish the serious charge of violation of PFUTP Regulations do not suffice. In my opinion, at the most, allegation could have been of lack of due diligence which was not made. Hence, this issue cannot be adjudicated.

97) From the foregoing, I am of the view that Noticee 1 is in violation of:-

a) Section 23D of SC(R)A, read with Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

b) Clause 1.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 6.1.1. (f) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

c) Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Regulation 17(1)(g) of Brokers Regulations.

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

e) SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

f) Annexure 4 of SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 read with Clause B.2 of Schedule II of Regulation 9 of Brokers Regulations.

g) SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with Clause 6.1.1.j. of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

h) SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011 read with SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011.

i) Clause III of SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017

j) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/MEMB/3635 dated September 25, 2002.

k) Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

l) SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/C/IR/P/2016/95 dated September 26, 2016.

m) Clause 6.1.1.e of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

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

o) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with BSE Exchange notice no. 20130307-21 dated March 07, 2013 and 20170118-11 dated January 18, 2017.

p) SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009.

q) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with Regulation 6.1.6.2 of the Regulations (F&O segment) and Regulation 6.1.5 (c) of Part A of the Capital Market Regulations of the Exchange.

r) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/INSP/45191 dated July 31, 2020 (Para 15 of Annexure A) and NSE/INSP/49929 dated October 12, 2021.

s) Clause 2.3 and Clause 6.1.1.j. of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

t) Clause A(5) of Schedule II read with Regulation 9(f) of Brokers Regulations read with NSE Circular No. NSE/MEM/3441 dated June 14, 2002

u) SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018.

98) 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 and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.''

99) Therefore, the aforesaid violations committed attract monetary penalty under Section 23D of SCRA and Section 15HB of the SEBI Act on Noticee 1. The text of provision is reproduced hereunder:

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.*

ISSUE III- If so, how much penalty should be imposed on the Noticee 1 taking into consideration the factors mentioned in Section 15J of the SEBI Act and 23J of the SCRA?

100) While determining the quantum of penalty under SEBI Act and SCRA, it is important to consider the factors stipulated in section 15J of the SEBI Act, and 23 J of SCRA respectively reads as under:

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

Factors to be taken into account by the 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.

101) The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by Noticee 1 and the loss, if any, and suffered by the investors as a result of its failure. As regard to the repetitive nature of the

default, I find that the earlier regulatory action has also been taken by the SEBI in the past against Noticee 1 for misuse of client's funds.

102) The evidence/observations on record against Noticee 1, ostensibly suggest grave violations which in my assessment cannot be taken leniently and such violations deserve to be adequately penalized. In my view, the failure on the part of the Noticees as discussed in the pre-paragraphs, would compromise the regulatory framework and would defeat the purpose of measures provided in the various aforementioned SEBI Circulars/Regulations / Act on protection of clients' funds and other process. I cannot ignore the fact that the Noticee 1 was under a statutory obligation to abide by the provisions of the SCRA, SEBI Act, Rules and Regulations and Circulars / directions issued thereunder, which they failed to do during the inspection period. In this regard, it is pertinent to mention the judgement of Hon'ble Securities and Appellate Tribunal (Hon'ble 'SAT') in the matter of Bezel Stock Brokers Pvt.Ltd. vs National Stock Exchange of India (Appeal No. 294 of 2018 decided on January 30, 2019). Hon'ble SAT held "*The appellant had failed to act in a diligent manner and had failed to protect the interest of his clients".*

103) Although Noticee 1 have stated that it had taken various corrective steps, I cannot lose sight of the fact that serious irregularities were committed by Noticee 1 during the aforementioned inspection period. Noticee 1 being a registered intermediary is expected to adhere to fair practices and maintain a high degree of professionalism in the conduct of their business. However, it is crystal clear from the preceding paragraphs that Noticee 1 has acted in deliberate disregard of its obligations towards its clients and has put the interests of lakhs of investors in jeopardy. The violations as established above certainly deserve imposition of penalty.

ORDER

104) Having considered the facts and circumstances of the case, the material available on record, penalty imposed by NSE, the factors mentioned in section 15J of SEBI Act and section 23J of the SCRA, the purpose of SEBI Act and SCRA taking note

of section 15HB of the SEBI Act and section 23D of SCRA, and also taking into account judgment of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90 and in exercise of power conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules, 1995 and section 23 I of the SCRA read with rule 5 of the SCRA Adjudication Rules, 2005 I hereby impose following penalty under section 15HB of the SEBI Act and 23D of the SCRA on Noticee 1:

Name of the Entity	**Penalty Provisions**	**Penalty (Rs.)**
Noticee 1 viz. NNM Securities Private Limited	Section 23D of SCRA	Rs. 10,00,000/- (Rupees Ten Lakh only)
	Section 15HB of SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakh only)
Noticee 2 viz. Nikunj Anilkumar Mittal	-	NIL
Noticee 3 viz. Apurva Mittal	-	NIL
TOTAL		**Rs. 20,00,000/- (Rupees Twenty Lakh only)**

I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee 1.

105) Noticee 1 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. In case of any difficulties in payment of penalties, Noticee 1 may contact the support at portalhelp@sebi.gov.in.

106) In terms of the provisions of rule 6 of the Adjudication Rules 1995 and SCRA Adjudication Rules 2005, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

DATE: FEBRUARY 22, 2024 **BARNALI MUKHERJEE**

PLACE: MUMBAI **ADJUDICATING OFFICER**

ANNEXURE 1

Sr. No.	Date	Total Fund balance in all client bank accounts, including the settlement account A	Collateral deposited with clearing corporation / Clearing Member B	Total Credit balances of all clients as obtained from trial balance across stock exchanges C	Total Debits balances of all clients as obtained from trial balance across stock exchanges D	Value of proprietary non-cash collaterals E	Non-funded portion of Bank Guarantee across all the stock exchanges F	Proprietary Margin obligation across exchanges P	Margin utilized positions of credit balance clients across all Stock exchanges MC	Unutilized collateral lying with the clearing corporations /or Clearing member MF	A+B-C G	P-(G+E+F) I	If G is –ve : B – (MC + MF) If G is +ve : (C-A)-(MC+MF) J
1	01.07.2021	29,21,961	7,14,96,311	9,62,05,009	6,03,98,850	1,79,28,617	1,30,00,000	1,96,93,379	3,57,27,664	7,35,16,147	-2,17,86,737	-1,12,35,238	-3,77,47,500
2	02.07.2021	3,91,63,110	6,61,36,820	10,32,23,780	5,86,60,346	3,30,11,088	1,30,00,000	1,47,08,605	3,69,93,269	6,96,02,756	20,76,150	-3,33,78,633	-4,25,35,356
3	05.07.2021	10,17,047	6,62,76,069	9,99,23,368	6,03,80,596	1,82,56,132	1,30,00,000	1,63,13,355	4,26,79,971	6,82,10,271	-3,26,30,253	-1,49,42,777	-4,46,14,173
4	06.07.2021	34,32,557	6,75,88,874	9,63,91,851	5,89,27,240	1,74,96,589	1,30,00,000	2,06,43,913	4,10,12,916	6,92,84,689	-2,53,70,419	-98,52,676	-4,27,08,730
5	07.07.2021	25,12,845	6,57,10,071	10,51,51,006	5,84,18,775	1,74,60,392	1,30,00,000	3,04,91,217	4,01,43,899	5,08,52,040	-3,69,28,090	30,825	-2,52,85,868
6	08.07.2021	27,79,902	6,69,22,183	10,67,40,780	5,98,57,986	1,75,42,607	1,30,00,000	3,55,38,673	3,99,40,113	6,19,35,725	-3,70,38,696	49,96,066	-3,49,53,656
7	09.07.2021	6,06,70,152	6,44,60,855	10,15,99,677	5,91,23,661	3,16,00,189	1,30,00,000	2,20,64,891	3,87,13,620	6,79,39,304	2,35,31,330	-4,60,66,628	-6,57,23,399
8	12.07.2021	1,40,26,697	6,55,56,956	10,64,30,485	5,79,52,573	1,75,98,950	1,30,00,000	2,36,15,395	4,15,57,439	4,15,35,976	-2,68,46,831	-69,83,555	-1,75,36,459
9	13.07.2021	38,14,073	6,57,32,343	10,83,59,061	5,76,53,206	1,75,95,509	1,30,00,000	2,72,76,099	4,07,42,806	5,43,38,229	-3,88,12,645	-33,19,410	-2,93,48,692
10	14.07.2021	21,36,253	6,66,99,073	11,74,76,251	6,00,00,954	1,77,06,736	1,30,00,000	2,44,10,878	4,97,62,647	4,60,92,551	-4,86,40,924	-62,95,858	-2,91,56,125
11	15.07.2021	22,48,336	6,64,82,646	11,64,98,840	5,71,64,667	1,74,36,671	1,30,00,000	2,15,93,690	4,81,60,659	5,06,24,157	-4,77,67,858	-88,42,981	-3,23,02,170
12	16.07.2021	6,11,976	6,64,82,071	7,09,47,360	5,66,63,950	3,20,02,313	1,30,00,000	1,89,76,770	4,29,05,133	6,36,46,129	-38,53,313	-2,60,25,543	-4,00,69,190
13	19.07.2021	14,72,703	6,68,92,663	9,85,74,512	5,22,69,759	1,71,67,379	1,30,00,000	1,96,37,816	4,25,32,586	5,73,06,348	-3,02,09,146	-1,05,29,563	-3,29,46,271
14	20.07.2021	25,52,954	6,47,94,643	10,16,93,892	5,35,47,807	1,70,33,893	1,30,00,000	2,08,51,930	4,55,36,456	4,86,20,754	-3,43,46,295	-91,81,963	-2,93,62,567
15	22.07.2021	26,17,890	6,74,00,382	11,42,34,248	5,21,88,316	1,72,06,561	1,30,00,000	1,81,00,279	4,24,32,695	4,75,57,675	-4,42,15,976	-1,21,06,282	-2,25,89,987
16	23.07.2021	7,60,46,077	6,91,57,580	11,27,80,430	5,31,01,051	2,25,21,404	1,30,00,000	2,01,11,544	4,43,89,760	4,75,30,388	3,24,23,227	-4,78,33,087	-5,51,85,794

		Total Fund balance in all client bank accounts, including the settlement account	Collateral deposited with clearing corporation / Clearing Member	Total Credit balances of all clients as obtained from trial balance across stock exchanges	Total Debits balances of all clients as obtained from trial balance across stock exchanges	Value of proprietary non-cash collaterals	Non-funded portion of Bank Guarantee across all the stock exchanges	Proprietary Margin obligation across exchanges	Margin utilized positions of credit balance clients across all Stock exchanges	Unutilized collateral lying with the clearing corporations /or Clearing member	A+B-C	P-(G+E+F)	If G is –ve : B – (MC + MF) If G is +ve : (C-A)-(MC+MF)
Sr. No.	**Date**	**A**	**B**	**C**	**D**	**E**	**F**	**P**	**MC**	**MF**	**G**	**I**	**J**
17	26.07.2021	17,21,055	6,90,46,985	10,59,96,753	5,26,07,921	1,73,96,265	1,30,00,000	2,08,95,178	4,16,36,165	4,77,85,246	-3,52,28,713	-95,01,087	-2,03,74,425
18	27.07.2021	11,85,785	6,89,38,923	12,12,48,192	5,19,34,517	1,72,44,372	1,30,00,000	1,95,54,310	5,15,39,518	4,13,35,124	-5,11,23,484	-1,06,90,062	-2,39,35,719
19	28.07.2021	21,96,179	6,68,90,351	12,30,35,162	5,06,34,322	1,71,64,052	1,30,00,000	2,14,49,829	4,98,55,725	3,90,60,053	-5,39,48,632	-87,14,223	-2,20,25,427
20	29.07.2021	31,17,301	8,13,62,266	11,91,61,954	5,28,15,885	1,72,67,347	1,30,00,000	1,71,56,152	3,54,07,331	7,35,75,065	-3,46,82,387	-1,31,11,195	-2,76,20,131
21	30.07.2021	6,06,08,240	8,30,82,411	11,72,16,778	5,32,87,787	2,28,06,823	1,30,00,000	1,64,21,557	4,38,48,797	6,66,31,163	2,64,73,874	-4,58,59,140	-5,38,71,422
22	02.05.2022	2,06,05,969	15,92,19,839	14,91,01,492	1,68,10,210	1,19,11,256	1,30,00,000	4,36,16,850	5,27,56,065	9,19,13,997	3,07,24,315	-1,20,18,722	-1,61,74,539
23	04.05.2022	1,28,45,664	17,22,50,878	15,16,09,197	1,22,62,571	1,17,90,419	1,30,00,000	4,19,64,259	5,55,32,133	10,61,90,214	3,34,87,345	-1,63,13,506	-2,29,58,814
24	05.05.2022	23,04,669	17,22,50,878	14,99,74,046	2,00,40,011	1,17,99,192	1,30,00,000	4,36,90,960	5,01,41,341	11,13,06,448	2,45,81,500	-56,89,732	-1,37,78,412
25	06.05.2022	28,13,483	17,19,73,532	14,14,74,974	1,27,03,140	1,15,73,676	1,30,00,000	4,18,86,196	4,98,23,451	10,67,81,875	3,33,12,040	-1,59,99,519	-1,79,43,835
26	09.05.2022	8,18,038	17,22,50,877	14,25,57,342	1,40,17,007	1,10,80,574	1,30,00,000	4,11,16,161	5,15,16,769	10,65,73,990	3,05,11,573	-1,34,75,986	-1,63,51,454
27	10.05.2022	17,87,243	17,22,17,627	13,63,57,402	1,37,02,830	1,08,36,978	1,30,00,000	4,51,31,593	5,01,71,542	10,96,15,376	3,76,47,468	-1,63,52,852	-2,52,16,758
28	11.05.2022	11,05,859	17,23,25,127	13,16,66,661	1,47,06,251	1,08,78,736	1,30,00,000	4,29,07,691	4,77,73,039	11,27,64,815	4,17,64,325	-2,27,35,370	-2,99,77,053
29	12.05.2022	29,17,362	17,23,46,377	13,60,15,830	1,56,17,814	1,06,67,843	1,30,00,000	4,39,93,960	5,25,39,261	10,36,75,475	3,92,47,909	-1,89,21,792	-2,31,16,268

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Sr. No.	**Date**	**A**	**B**	**C**	**D**	**E**	**F**	**P**	**MC**	**MF**	**G**	**I**	**J**
30	13.05.2022	43,22,215	17,22,80,127	13,74,49,324	1,68,07,996	1,08,82,498	1,30,00,000	4,00,16,810	4,59,89,667	11,66,44,141	3,91,53,018	-2,30,18,706	-2,95,06,699
31	16.05.2022	11,94,850	17,22,80,127	10,68,57,021	1,59,27,742	1,10,03,926	1,30,00,000	4,02,35,950	4,86,59,486	11,61,92,156	6,66,17,956	-5,03,85,932	-5,91,89,471
32	17.05.2022	42,88,240	17,22,85,127	10,38,18,559	1,50,06,151	1,13,22,124	1,30,00,000	3,97,52,168	4,80,24,341	11,62,31,213	7,27,54,807	-5,73,24,763	-6,47,25,235
33	18.05.2022	42,88,001	17,22,79,970	11,09,68,661	1,44,05,092	1,13,38,559	1,30,00,000	4,32,39,769	6,19,25,174	9,41,42,556	6,55,99,311	-4,66,98,101	-4,93,87,071
34	19.05.2022	4,65,11,074	17,20,49,169	12,10,65,705	1,27,40,874	1,10,05,321	1,30,00,000	4,18,97,466	6,90,83,364	9,19,54,173	9,74,94,538	-7,96,02,393	-8,64,82,906
35	20.05.2022	9,16,201	17,20,41,670	10,56,90,860	1,29,25,853	1,12,51,447	1,30,00,000	3,43,94,393	4,99,44,363	12,36,79,063	6,72,67,011	-5,71,24,065	-6,88,48,768
36	23.05.2022	23,51,001	17,20,34,170	10,24,17,421	1,24,56,068	1,12,93,131	1,30,00,000	3,38,93,804	4,85,54,808	12,61,49,821	7,19,67,750	-6,23,67,078	-7,46,38,210
37	24.05.2022	29,07,687	15,70,96,905	9,75,73,494	1,28,64,223	1,13,52,164	1,30,00,000	3,34,15,218	4,86,54,000	11,19,27,148	6,24,31,098	-5,33,68,044	-6,59,15,341
38	25.05.2022	35,56,489	15,70,89,967	9,49,10,869	1,27,04,981	1,08,31,976	1,30,00,000	3,39,99,582	5,22,03,767	10,49,21,744	6,57,35,587	-5,55,67,982	-6,57,71,132
39	26.05.2022	4,17,77,901	15,70,94,645	10,02,70,171	1,29,60,016	1,09,85,310	1,30,00,000	3,16,92,458	4,37,83,853	11,42,71,102	9,86,02,375	-9,08,95,227	-9,95,62,684
40	27.05.2022	4,63,91,972	15,70,34,462	9,50,81,129	1,09,40,387	1,11,28,204	1,30,00,000	3,14,63,214	4,44,66,906	11,78,34,803	10,83,45,305	-10,10,10,295	-11,36,12,552

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Sr. No.	**Date**	**A**	**B**	**C**	**D**	**E**	**F**	**P**	**MC**	**MF**	**G**	**I**	**J**
41	30.05.2022	94,58,809	15,70,32,587	10,29,12,070	1,07,83,642	1,11,17,338	1,30,00,000	3,26,70,736	4,41,35,357	11,79,41,802	6,35,79,327	-5,50,25,929	-6,86,23,898
42	31.05.2022	5,69,90,692	15,72,82,276	10,67,76,846	91,12,204	1,17,35,292	1,30,00,000	3,27,26,020	4,78,79,178	11,54,24,072	10,74,96,122	-9,95,05,394	-11,35,17,096