BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/PM/NS/2021-22/15700]

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

In respect of

M/s.SS Associates
Sub broker of India Infoline Ltd
SEBI Registration Number INS017759627

In the matter of M/s. SS Associates- sub broker of India Infoline Ltd.

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), conducted a comprehensive inspection of M/s. SS Associates- sub broker of India Infoline Ltd (hereinafter referred to as '**M/s. SS Associates** / **Noticee**') to examine its practices and systems put in place by the Noticee and to examine its segregation of funds, securities mechanism and compliance with various regulatory norms prescribed by SEBI. The period of inspection was from April 1, 2012 to till the date of inspection (hereinafter referred to as "Inspection Period"/IP).The inspection was conducted in the month of August, September and December, 2014

2. Based on the findings of inspection, SEBI initiated adjudication proceedings against the Noticee under the provisions of Section 15A and Section 15HB

of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**"), for the alleged violations of the provisions of the below mentioned Acts, SEBI Regulations and Circulars:

a. Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers and Sub-brokers Regulations").
b. Regulation 26(ii) and (xiii) of Stock Brokers and Sub-brokers Regulations 1992.
c. Regulation 6 of SEBI (Certification of Associate Persons in the Securities Markets) Regulations, 2007 (hereinafter referred to as "Certification of Associate Persons Regulations") and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations,1992.
d. Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011 (hereinafter referred to as "SEBI Circular dated August 22, 2011").

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed as the Adjudicating Officer *vide communiqué* dated January 27, 2021 to conduct adjudication proceedings in the manner specified under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"SEBI Adjudication Rules"**), for the above alleged violations committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated March 25, 2021 (hereinafter referred to as '**SCN**') was issued to the Noticee under Rule 4 of the SEBI Adjudication Rules,to show-cause as to why an inquiry should not be initiated against the Noticee and why penalty should not be imposed upon the Noticee under Section 15A and Section 15HB of the Securities and Exchange Board of India Act, 1992 for the violations alleged to have been committed by the Noticee.

5. The following violations were alleged in the SCN to have been committed by the Noticee:

Non-Submission of Information during inspection and post- inspection

6. *As per the inspection procedure, the entity was informed that the inspection would be conducted on August 13, 2014. However, when the inspection team visited the premises, it was informed that the employees are not available hence the information is not available for perusal of inspection team. The sub-broker requested the inspection team for rescheduling the inspection. Pursuant to the same, the sub-broker was advised to submit updated information vide email dated August 21, 2014. However, no information was submitted by the sub-broker. Multiple reminders vide emails dated September 05, 2014, September 10, 2014, September 22, 2014 & September 24, 2014 were sent to the sub-broker for submission of additional information. After rescheduling, the second inspection team visited the premises of the sub-broker on September 26, 2014. During the visit, the sub-broker submitted vide letter dated Sept 26, 2014 that the information is not available as the broker office of IIFL is not providing the information and it wants to surrender the franchise of India Infoline in the name of SS Associates. Subsequently, the entity was advised to obtain the desired information and submit the same to SEBI. Multiple discussions vide telecom were carried out with Shri Amit Bhatnagar, Partner (SS Associates) in this regard. Accordingly, another inspection team visited the premises of the sub-*

broker on December 22-23, 2014. However, the sub-broker again submitted, inter-alia, that information is not available.

Multiple instances of transfer of funds to Non-clients

7. *Following are some instances of funds transfer to non- clients:*

Sr. No.	***Date***	***Comments***	***Amount***
1.	*01/12/2012*	*MBC NMICR Man mohan Mahajan*	*27691*
2.	*01/12/2012*	*MBC NMICR Vishesh Kr. Gupta*	*400000*
3.	*01/12/2012*	*MBC NMICR Vishesh Kr. Gupta*	*400000*
4.	*01/12/2012*	*MBC NMICR Vishesh Kr. Gupta*	*400000*
5.	*03/01/2013*	*MBC NMICR Man mohan Mahajan*	*27900*
6.	*04/02/2013*	*MBC NMICR Man mohan Mahajan*	*28295*
7.	*03/07/2012*	*MBD NMICR Kailash Kumari*	*19690*
8.	*31/7/2012*	*MBD NMICR Kailash Kumari*	*19800*
9.	*18/09/2012*	*MBD NMICR Kailash Kumari*	*19800*
10.	*01/10/2012*	*MBD NMICR Rahul Dhall*	*200000*
11.	*09/10/2012*	*MBD NMICR Kailash Kumari*	*19800*
12.	*06/11/2012*	*MBD NMICR Kailash Kumari*	*19800*
13.	*08/12/2012*	*MBD NMICR Kailash Kumari*	*19800*
14.	*09/01/2013*	*MBD NMICR Kailash Kumari*	*19800*
15.	*05/02/20113*	*MBD NMICR Kailash Kumari*	*19800*
16.	*12/03/2013*	*MBD NMICR Kailash Kumari*	*19800*

8. *In addition to the above, multiple instances were observed wherein funds were transferred by the sub-broker account to third parties. In this regard, the sub-broker submitted that it is carrying out certain other activities such as real estate, insurance etc. and the funds are transferred through the same account for the aforesaid purposes. During the inspection, details of such*

transactions were sought from the sub-broker however, it was informed that the employee handling all such transactions has left the company and the details are not available.

Multiple instances of cash deposits in the bank account

9. *During inspection, multiple instances as mentioned in the table below, were observed wherein cash deposits were made in the Yes bank account no. 004483800001508:*

Cash Transactions observed in account number Yes bank- 004483800001508			
Sr. No.	***Date***	***Comments as per bank statement***	***Amount***
1.	*28/03/2012*	*Cash deposit, Moradabad*	*50000*
2.	*28/03/2012*	*Cash deposit, Moradabad*	*100000*
3.	*09/04/2012*	*Cash deposit, Moradabad*	*300000*
4.	*04/09/2012*	*Cash deposit, Moradabad*	*300000*
5.	*16/01/2013*	*Cash deposit, Moradabad*	*100000*
6.	*28/01/2013*	*Cash deposit, Moradabad*	*300000*
7.	*02/02/2013*	*Cash deposit, Moradabad*	*500000*
8.	*08/04/2013*	*Cash deposit, Moradabad*	*100000*
9.	*24/07/2013*	*Cash deposit, Moradabad*	*5500*
10.	*24/07/2013*	*Cash deposit, Moradabad*	*5500*
11.	*24/07/2013*	*Cash deposit, Moradabad*	*5500*
12.	*24/07/2013*	*Cash deposit, Moradabad*	*5500*
13.	*29/08/2013*	*Cash deposit, Moradabad*	*5500*
14.	*11/10/2013*	*Cash deposit, Moradabad*	*11000*
15.	*05/12/2013*	*Cash deposit, Moradabad*	*350000*
16.	*05/12/2013*	*Cash deposit, Moradabad*	*50000*
17.	*19/12/2013*	*Cash deposit, Moradabad*	*10900*
18.	*26/12/2013*	*Cash deposit, ATTA*	*210000*
19.	*11/02/2014*	*Cash deposit, Moradabad*	*3500*

Cash Transactions observed in account number Yes bank- 004483800001508			
Sr. No.	***Date***	***Comments as per bank statement***	***Amount***
20.	*17/02/2014*	*Cash deposit, Moradabad*	*75000*
21.	*05/04/2014*	*Cash deposit, Bareilly*	*300000*
22.	*24/04/2014*	*Cash deposit, ATTA*	*200000*
23.	*05/05/2014*	*Cash deposit, ATTA*	*20000*
24.	*05/06/2014*	*Cash deposit, ATTA*	*100000*
25.	*10/06/2014*	*Cash deposit, Moradabad*	*28000*
26.	*12/06/2014*	*Cash deposit, ATTA*	*120000*
27.	*18/06/2014*	*Cash deposit, ATTA*	*221000*
28.	*09/07/2014*	*Cash deposit, Moradabad*	*93000*
29.	*14/07/2014*	*Cash deposit, Moradabad*	*23000*
30.	*16/07/2014*	*Cash deposit, Moradabad*	*1100*
31.	*19/08/2014*	*Cash deposit, Moradabad*	*18000*

10. In this regard, clarification regarding such transactions were sought from the sub-broker by the inspection team, however, it was informed that the employee handling all such transactions has left the company and the details are not available.

Multiple instances of funds transfer to clients.

11. *During inspection, multiple instances were observed wherein funds were transferred by the sub-broker account to own clients (as tabled below):*

4.3 Instances of funds transferred to clients (for the period July 2012- April 2013)				
Sr. No.	*Date*	*Comments as per bank statement*	*Code*	*Amount*
1.	*03/07/2012*	*MBD NMICR Devendra Singh Chawla*	*DEVESSSS*	*28331*
2.	*03/07/2012*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*4475*

4.3 Instances of funds transferred to clients (for the period July 2012- April 2013)				
3.	*03/07/2012*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2685*
4.	*31/7/2012*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*
5.	*31/7/2012*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*4500*
6.	*05/09/2012*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*
7.	*05/09/2012*	*MBD NMICR Archana Sharma*	*ARCHSHA2*	*300000*
8.	*05/09/2012*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*4500*
9.	*01/10/2012*	*MBD NMICR Rajkumari*	*RAJK6666*	*150000*
10.	*09/10/2012*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*
11.	*09/10/2012*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*4500*
12.	*06/11/2012*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*4500*
13.	*06/11/2012*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*
14.	*08/12/2012*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*4500*
15.	*08/12/2012*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*
16.	*09/01/2013*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*18000*
17.	*09/01/2013*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*
18.	*21/01/2013*	*MBC NMICR Tara Khandelwal*	*TARAKHA*	*20000*
19.	*28/01/2013*	*MBD NMICR Rajkumari*	*RAJK6666*	*500000*
20.	*05/02/20113*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*28800*
21.	*05/02/20113*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*
22.	*12/03/2013*	*MBD NMICR Manish Dhall*	*MDHALLSS*	*28800*
23.	*12/03/2013*	*MBD NMICR Shonkhi Lal Dhall*	*SHONKISS*	*2700*

12. *In this regard, the sub-broker submitted that it has taken certain loan from the aforesaid clients and the funds have been transferred on account of interest. During the inspection, details/documents of such loan arrangements were sought from the sub-broker however, it was informed that the employee handling all such transactions has left the company and the details are not available.*

13. *In view of the above para's, the required information/records/documents have not been submitted by the sub-broker to the inspection team. The sub-broker has not complied with Clause A (1), (2) & D(2) Code of Conduct for Sub-Brokers as specified under Schedule II read with Regulation 15 as well as Regulation 26 (II) & (XIII) of Stock Brokers and Sub-brokers Regulations*

Non- submission of NISM Certificate of the dealer

14. *The sub-broker was provided with the F&O terminal from 14/09/2009 till 04/12/2014. The sub-broker has not furnished the NISM certificate of the dealer operating the terminal, as required to operate the F&O terminal as per the Regulation 6 of Certification of Associate Persons Regulations. In view of the same, the Noticee is in violation of Regulation 6 of Certification of Associate Persons Regulations and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations.*

Acceptance of Funds from Clients as Loan

15. *The Sub-broker has accepted funds from his clients as loan. The loan agreements for three clients along with Form 16A showing TDS. One client (Raj Kumari) loan agreement was not submitted by the sub-broker. Further, sub-broker submitted loan agreement on SS Associates letter head. The quantum of loan accepted by the sub-broker is Rs. 50,50,000/-, which is very high. In view of the same, the sub-broker is in violation of Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No. dated August 22, 2011.*

16. I note that the Show Cause Notice **(SCN)** dated March 25, 2021 could not be delivered through Speed Post/Hand delivery at the last known address available on record. In terms of Rule 7 (b) of SEBI Adjudication Rules the SCN cum Hearing Notice **(HN)** was issued to the Noticee *vide* SPAD dated December 28, 2021. However SCN cum HN returned undelivered. In terms of Rule 7 (c) of SEBI Adjudication Rules the SCN cum HN was again issued to the Noticee by affixing it on the last known address of Noticee dated January 29, 2022. I note that Noticee had not filed any reply to the SCN and neither appeared for scheduled hearing. Hence, In terms of Rule 7 (d) of SEBI Adjudication Rules another Show cause cum hearing notice was serviced

through paper publication *Vide* The Times of India (New Delhi Edition) Newspaper and Punjab Kesari(Delhi edition Newspaper dated February 15, 2022.However, neither did the Noticee appear on the dates of scheduled hearing, nor did the Noticee filed any reply to the said SCN till date.

17. I have considered the allegation levelled in the SCN and the relevant material brought on record. I note that the Noticee has neither filed any reply nor availed the opportunities of personal hearing despite service of Notice's as mentioned above. In the present matter that charges and allegations have been levelled based on the non-compliance with various regulatory norms prescribed by SEBI. I, therefore, in absence of response of the Noticee presume that the allegations/charges have been admitted by the Noticee. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal ('SAT') in the matter of Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter-alia, observed that, "............ *the appellants did not file any reply to the second showcause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them".* It is also pertinent to note that the Hon'ble SAT in the matter of Sanjay Kumar Tayal (File Ref No.: EAD2/SS/VS/64/111/2019-20) & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, observed that: "........... *appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."*

CONSIDERATION OF ISSUES AND FINDINGS

18. After perusal of the material available on record, I have the following issues for consideration viz.,

Issue No. I a) Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers and Sub-brokers Regulations").

b) Regulation 26(ii) and (xiii) of Stock Brokers and Sub-brokers Regulations 1992.

c) Regulation 6 of SEBI (Certification of Associate Persons in the Securities Markets) Regulations, 2007 (hereinafter referred to as "Certification of Associate Persons Regulations") and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations

d) Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011 (hereinafter referred to as "SEBI Circular dated August 22, 2011").

Issue No. II If yes, whether the violation, on the part of the Noticee would attract monetary penalty under 15A and 15HB of SEBI Act of the SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

19. Before moving forward, it is pertinent to refer to the relevant provisions which reads as under:

Relevant provisions of SEBI Circular no. SEBI/MIRSD/16/2011 dated August 22, 2011

Relevant provisions pertaining to SEBI Circular no. SEBI/MIRSD/16/2011 dated August 22, 2011 can be found at the below mentioned link: ***https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/1314013806825.pdf#page=1&zoom=page-width,-16,792***

Relevant provisions of SEBI (Stock-Brokers and Sub-brokers) Regulations, 1992

35[Conditions of registration.

12A. (1) Any registration granted by the Board under regulation 12 shall be subject to the following conditions, namely:—

…………..

…………..

(e) he is authorized in writing by a stock-broker being a member of a stock exchange for affiliating himself in buying, selling or dealing in securities.

General obligations and inspection.

15. (1) The sub-broker shall—

(a) ……….

(b) abide by the Code of Conduct specified in Schedule II;

CODE OF CONDUCT FOR SUB-BROKERS

[Regulation 15]

A. General

(1) Integrity: A sub-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all investment business.

(2) Exercise of due Skill and Care: A sub-broker, shall act with due skill, care and diligence in the conduct of all investment business.

D. Sub-Brokers vis-a-vis Regulatory Authorities

(2) Failure to give Information: A sub-broker shall not neglect or fail or refuse to submit to the Board or the stock exchange with which he is

registered, such books, special returns, correspondence, documents, and papers or any part thereof as may be required.

Liability for monetary penalty

26. A stock broker or a sub-broker shall be liable for monetary penalty in respect of the following violations, namely—

(i)………..

(ii) Failure to furnish any information, books or other documents within 15 days of issue of notice by the Board.

…………..

…………..

(xiii) Failure to segregate his own funds or securities from the client's funds or securities or using the securities or funds of the client for his own purpose or for purpose of any other client.

Regulation 6 of SEBI (Certification of Associate Persons in the Securities Markets) Regulations, 2007

Associated person not to undertake certain activities without a valid certificate

6. No associated person engaged in any of the activities mentioned in clauses (a) to (f) of sub regulation (4) of regulation 3 shall continue to be so engaged after the date specified in sub regulation (1) or sub regulation (2) of regulation 3, as the case may be, unless such associated person holds a valid certificate.

Issue No. I a) Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers and Sub-brokers Regulations").

b) Regulation 26(ii) and (xiii) of Stock Brokers and Sub-brokers Regulations 1992.

c) Regulation 6 of SEBI (Certification of Associate Persons in the Securities Markets) Regulations, 2007 (hereinafter referred to as "Certification of Associate Persons Regulations") and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations

d) Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011 (hereinafter referred to as "SEBI Circular dated August 22, 2011").

Non-Submission of Information during inspection and post- inspection

20. The first allegation against the Noticee was non-Submission of Information during inspection and post- inspection. Noticee *vide* letter dated Sept 26, 2014 accepted that the information is not available with them. Subsequently, the Noticee was advised to obtain the desired information and submit the same to SEBI. Multiple discussions vide telecom were carried out with Shri Amit Bhatnagar, partner (Noticee) in this regard. Inspection team visited the premises of the Noticee on December 22-23, 2014. However, the Noticee again submitted that information is not available. It is evident from the records available that the Noticee has not submitted the information/records/documents for the perusal of inspection team. In addition to the above, the Noticee has not submitted any detailed explanation/documents/records pursuant to submission of inspection report to the Noticee. Therefore, In view of the above I note that The Noticee had not complied with Clause A (1,2) & D(2) Code of Conduct for sub brokers as

specified under Schedule II read with Regulation 15 of SEBI (Stock Broker and Sub Broker) Regulations, 1992 as well as Regulation 26 (II) & (XIII) of SEBI (Stock Broker and Sub Broker) Regulations, 1992.

Multiple instances of transfer of funds to Non-clients, Multiple instances of cash deposits in the bank account and multiple instances of funds transfer to clients

21. I note from the available record that during inspection there were multiple instances of transfer of funds to Non-clients from Noticee's Yes Bank account 004483800001508 (business account of Noticee). In this regard Noticee submitted that it is carrying out certain other activities such as real estate, insurance etc. and the funds are transferred through the same account for the aforesaid purposes. Noticee was asked to provide the details of these transactions but the Noticee was failed to submit any explanatory information/records/documents to the inspection team, despite reminders. It was further observed that there were multiple instances of cash deposits in the bank account-004483800001508 (business account of Noticee). In this regard, clarification regarding such transactions were sought from the Noticee however, Noticee informed that the employee handling all such transactions has left the company and the details are not available. Further I note that there were multiple instances of funds transfer to clients from the bank account-004483800001508 (business account of Noticee) In this regard, the sub broker submitted that it has taken certain loan from the aforesaid clients and the funds have been transferred on account of interest. Noticee was enquired about the particular details of these transaction. Noticee informed that the employee handling all such transactions has left the company and the details are not available. From the above facts it is clear that Noticee use the account for transferring of funds which are not related to

the business of Sub- Broker. Further, it is clearly evident from the record available that the Noticee has not submitted the information/records/documents for the perusal of inspection team. In addition to the above, the Noticee has not submitted any detailed explanation/documents/records pursuant to submission of inspection report to the Noticee. Therefore, In view of above I note that The Noticee had not complied with Clause A (1,2) & D(2) Code of Conduct for sub brokers as specified under Schedule II read with Regulation 15 of SEBI (Stock Broker and Sub Broker) Regulations, 1992 as well as Regulation 26 (II) & (XIII) of SEBI (Stock Broker and Sub Broker) Regulations, 1992.

Non- submission of NISM Certificate of the dealer

22. I note from the record available that the Noticee was provided with the F&O terminal from 14/09/2009 till 04/12/2014. It is observed during inspection that the Noticee has not furnished the NISM certificate of the dealer operating the terminal, as required to operate the F&O terminal as per the Regulation 6 of Certification of Associate Persons Regulations. In view of the same, I note that the Noticee had violated the Regulation 6 of (Certification of Associate Persons in the Securities Market) Regulations 2007 and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations 1992.

Acceptance of Funds from Clients as Loan

23. From the record available I note that the Noticee has accepted funds from his clients as loan. Noticee had also accepted the same when asked about multiple instances of funds transfer to clients, where Noticee informed that it has taken certain loan from the clients and the funds have been transferred on account of interest. The loan agreements for three clients along with Form

16A showing TDS details, were submitted by the Noticee during inspection. However it is observed that loan agreement of one client (Raj Kumari) was not submitted by the Noticce. It is observed that the quantum of loan accepted by the Noticee was Rs. 50,50,000/-, which is very high. It is further observed from the documents available that the loan agreement was executed on letter head of the "SS Associates". In view of the above findings, I note that the Noticee had violated the provision of Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No.SEBI/MIRSD/16/2011 dated August 22, 2011.

If yes, whether the violation, on the part of the Noticee would attract monetary penalty under 15A and 15HB of SEBI Act of the SEBI Act?

24. It has been established in the preceding paragraphs that Noticee have violated the provisions of regulations (i) Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers and Sub-brokers Regulations") (ii) Regulation 26(ii) and (xiii) of Stock Brokers and Sub-brokers Regulations (iii) Regulation 6 of SEBI (Certification of Associate Persons in the Securities Markets) Regulations, 2007 (hereinafter referred to as "Certification of Associate Persons Regulations") and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations and (iv) Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011.

25. In this regard, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund {[2006]5

SCC 361 } – wherein the Hon'ble Supreme Court of India held that "*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*…………...."

26. In view of the above, I conclude that the Noticee is liable for monetary penalty under the provision of section 15A and 15HB of SEBI Act, 1992, which reads as under during the relevant period:

The SEBI Act, 1992

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder,—*

(a) to furnish any document, return or report to the Board, fails to furnish the same 62[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to 63[a penalty 64[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations 65[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to 66[a penalty 67[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];

(c)to maintain books of account or records, fails to maintain the same, he shall be liable to 68[a penalty 69[which shall not be less than one lakh rupees

but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]].

15HB. Penalty for contravention where no separate penalty has been provided:

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

Issue (c): If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors mentioned in section 15J of SEBI Act, 1992?

27. While determining the quantum of penalty under 15A and 15HB of SEBI Act, 1992 it is important to consider the factors relevantly as stipulated in section 15J of the SEBI Act, 1992 which reads as under:-

Factors to be taken into account by the adjudicating officer.

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.*

28. In the present matter, the material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticee and also the loss suffered by the investors as a result of these Noticee' default. The consequences resulting from violations committed by

the said Noticee are of grave nature where Noticee has not submitted the information/records/documents for the perusal of inspection team, Noticee has use the Sub-Broker Business account to transfer money and depositing cash which is not related to Sub-Broker Business. If violations of this nature and magnitude are not dealt with a firm hand then investors will lose faith in the Indian Securities Market.

ORDER

29. After taking into consideration the facts and circumstances of the case, material/facts on record, and also the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 r/w rule 5 of the Adjudication Rules, 1995, hereby impose the following penalty on the Noticee under section 15A and 15HB of the SEBI Act, 1992, for the failure on their part to comply with the provisions of regulations (i) Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers and Sub-brokers Regulations") (ii) Regulation 26(ii) and (xiii) of Stock Brokers and Sub-brokers Regulations (iii) Regulation 6 of SEBI (Certification of Associate Persons in the Securities Markets) Regulations, 2007 (hereinafter referred to as "Certification of Associate Persons Regulations") and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations and (iv) Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011.

Name of the Noticee	Violation Section	Penalty Section	Penalty Amount (Rs.)
M/s. SS Associates- Sub broker of India Infoline Ltd.	1 Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992. 2 Regulation 26(ii) and (xiii) of Stock Brokers and Sub-brokers Regulations,1992 3 Regulation 6 of SEBI (Certification of Associate Persons in the Securities Markets) Regulations, 2007 (hereinafter referred to as "Certification of Associate Persons Regulations") and Clause A(1), A(2) & D(2) of the Code of Conduct for the Sub-brokers as specified in schedule II read with Regulation 15 of Stock Brokers and Sub-brokers Regulations 1992	Section 15A of the SEBI Act, 1992	3,00,000/-

Name of the Noticee	Violation Section	Penalty Section	Penalty Amount (Rs.)
M/s. SS Associates- Sub broker of India Infoline Ltd.	4 Regulation 12A(1)(e) read with Regulation 15(1)(b) of Stock Brokers and Sub-brokers Regulations and SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011	Section 15HB of the SEBI Act, 1992	1,00,000/-

30. The said penalty imposed on the Noticee, as mentioned above, shall commensurate with the violation committed by the Noticee and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.

31. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through Demand Draft in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai, or the online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

32. The Noticee shall forward said Demand Draft or the details/confirmation of penalty so paid to the Division Chief, Enforcement Department-I, DRA-II, SEBI. The Noticee shall provide the following details while forwarding DD/payment information:

a) Name and PAN of the entity (Noticee)

b) Name of the case / matter

c) Purpose of Payment –Payment of penalty under AO proceedings

d) Bank Name and Account Number

e) Transaction Number

33. In terms of the provision of rule 6 of the Adjudication Rules, 1995, a copy of this order are being sent to the Noticee and also to SEBI.

Place: Mumbai
Date: March 29, 2022

PRASANTA MAHAPATRA
ADJUDICATING OFFICER