



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DESIGNATED AUTHORITY

By Speed Post & E-mail

SEBI/EAD-8/PM/GD/ 26340/2021

September 29, 2021

Fairwealth Commodity Broking Pvt. Ltd

(PAN:AABCF0079)

A-312 to A-323, 3rd Floor,

Somdutt Chamber-I, Bhikaji Cama Place,

New Delhi-110066

Email: compliance@fairwealth.in

**Notice under Regulation 25(1) of Securities and Exchange Board of India
(Intermediaries) Regulations, 2008 in the matter of "Fairwealth Commodity Broking
Private Ltd."**

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") appointed the undersigned as the Designated Authority (DA) in exercise of the powers under Section 19 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") read with Regulation 24 of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as "**Intermediaries Regulations, 2008**") to conduct an enquiry against Fairwealth Commodity Broking Private Ltd., Commodity Derivative Broker (hereinafter referred to as "**Noticee/ Broker/ FCBL**") for the following alleged violations by FCBL:

- SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008
- SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
- SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009
- Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



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- e. SEBI Master circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/87 dated June 01, 2018 and SEBI circular CIR/MIRSD/16/2011 dated August 22, 2011
 - f. Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011
 - g. Clauses A (1), (2), and (5) of Code of Conduct as specified in Schedule II of Regulation 9 (f) of Stock Broker Regulations, 1992
 - h. Section 12A of SEBI Act, 1992 r/w Regulation 4(1), and 4(2)(f) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003
2. The order appointing undersigned as Designated Authority was communicated vide communique dated March 09, 2021. A copy of the communique dated March 09, 2021 is enclosed as **Annexure 1**.
3. FCBL is a subsidiary of Fairwealth Securities Ltd. (hereinafter referred to as “**FSL**”) and is registered with SEBI as a commodity derivative broker with registration number as INZ0000337 and a member of Multi Commodity Exchange of India Ltd (hereinafter referred to as “**MCX**”), National Commodity & Derivatives Exchange Limited (hereinafter referred to as “**NCDEX**”) and Indian Commodity Exchange Ltd. (hereinafter referred to as “**ICEX**”).
4. NSE by its email dated October 04, 2019 informed by way of a preliminary report to SEBI that it had visited the office of FSL on October 01, 2019 after receiving the intelligence from market that the directors of FSL are absconding. On analysis of register of securities of FSL, NSE observed that out of total client securities worth Rs. 103.25 crore, securities amounting to Rs.88 Crore were not available with the Trading Member. Further, FSL appeared to have sold securities worth Rs. 82.15 crore through 5 clients’ accounts without these clients owning the securities. NSE during its visit to the office of FSL, also observed that the depository and back office section of FSL were shut down and only two persons of FSL were available in the office.





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5. Considering serious prima-facie violation of various provisions of SEBI Act/Rules/Regulations/Circulars, an ex-parte ad interim order was passed by the WTM, SEBI on October 11, 2019 against FSL and its 13 related entities including Noticee. A copy of the said ad interim Order is enclosed as **Annexure 2**. Following directions were issued vide aforesaid ad interim order:

(i) All Noticees are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions;

(ii) The aforesaid Noticees shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;

(iii) The aforesaid Noticees are directed not to dispose of or alienate any assets, whether movable or immovable, or to create or invoke or release any interest or charge in any of such assets except with the prior permission of NSE and BSE;

(iv) The aforesaid Noticees are directed to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual fund investments immediately to NSE and BSE but not later than 5 working days from the date of receipt of this order;

(v) Till further directions in this regard, the assets of the Noticees shall be utilized only for the purpose of payment of money and /or delivery of securities, as the case may be, to the clients/investors under the supervision of the concerned exchanges/depositories;

(vi) The depositories are directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the aforesaid Noticees except for the purpose mentioned in sub-para (v) above, after confirmation from NSE/BSE;





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(vii) The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by the Noticees except for the purpose of payment of money to the clients/investors under the written confirmation of NSE/BSE;

(viii) The stock exchanges shall appoint forensic auditor to track misuse of client's funds/securities and to identify the net assets/liabilities of Noticee no. 1 and submit the report to SEBI within 90 days;

(ix) The stock exchanges shall deal with the complaints/claims of the clients against the member and may return the amount of client fund and securities to the clients and may also use assets of the Noticee no. 1 to meet clients'/exchanges'/clearing members'/clearing corporations', obligations; and

(x) The above directions are without prejudice to the right of SEBI to take any other action that may be initiated in respect of aforesaid entities/persons.

6. It was further directed that the stock exchanges shall appoint Forensic Auditor to track misuse of client's funds/securities and identify the net assets/liabilities position of FSL and submit report to SEBI.
7. In accordance with the direction of the interim order dated November 25, 2019, BSE appointed Forensic Auditors and the Forensic Audit Report (FAR) dated December 22, 2020 was submitted by BSE to SEBI. A copy of the FAR is enclosed as **Annexure 3**. In the meanwhile, considering submission of FSL & other 13 entities, vide order no. WTM/AB/NRO/MIRSD/6519/2019-20 dated January 24, 2020, the WTM, SEBI confirmed the directions issued in the aforesaid ad interim order against 12 entities (including the Noticee) and for rest 2 entities namely Roop Lal Aggarwal & Kamla Prasad Shukla directions were repealed. However, it was further directed that if any evidence of violation of securities laws by these abovementioned two entities are found after conclusion of forensic audit directed in the matter and/or other examination/investigation,





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if any, conducted by SEBI, action against these entities shall follow, in accordance with the law. A copy of the aforesaid Order dated January 24, 2020, is enclosed as **Annexure 4**.

8. A multi theme inspection of FCBL was conducted during December 20-26, 2018 by SEBI, for the period of April 01, 2017 to December 20, 2018. Copy of the findings of Inspection Report (IR) is enclosed as **Annexure 5**.
9. . The allegations based on the findings of the FAR are as under:

A. Failure to segregate client funds from own funds

- i. It was observed that some transactions not relating to clients have been found in client bank accounts. The detailed findings in this regard are given in Para 1.1.1 of the 'IR'.
- ii. *In view of the aforesaid finding, FCBL is in violation of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008*

B. Misuse of clients' funds

- i. During the inspection period, it was observed that in 3 out of 36 trading days, during the period of April 2017 and December 2018, the value of G is negative. This indicates that funds of credit balance clients are utilized for settlement obligations of debit balance clients or own obligations. The detailed findings in this regard are given in Para 4.6 & 4.7 of the 'IR'.
- ii. *In view of the aforesaid finding, FCBL is in violation of SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.*

C. Non settlement of clients' funds





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- i. In response to the information sought on quarter-wise settlement compliance, the Broker submitted the following vide email dated November 27, 2018:

FY	Quarter	Total number of active clients during inspection period	Total number of clients during the period	No of clients required to be settled	No. of clients settled	No. of client s unset tled
2017-18	Apr-Jun 2017	1560	1560	1560	1543	17
2017-18	Jul-Sep 2017	1784	1784	1784	1773	11
2017-18	Oct-Dec 2017	1372	1372	1372	1360	12
2017-18	Jan-Mar 2018	1885	1885	1885	1869	16
2018-19	Apr-Jun 2018	2220	2220	2220	2209	11
2018-19	Jul-Sep 2018	2286	2286	2286	2267	19

- ii. Vide email dated November 19, 2018, Fairwealth submitted Ageing analysis of credit balance clients and that of clients having Credit balances of more than Rs. 10,000. The same is as under:

Ageing analysis of all credit balance clients

Quarter ended	Total no of credit balance clients		Credit balance outstanding for less than 90 days (in Rs. Crore)		Credit balance outstanding for more than 90 days but less than 180 days (in Rs. Crore)		Credit balance outstanding for more than 180 days (in Rs. Crore)	
	No of clients	Credit balance	No of clients	Credit balance	No of Clients	Credit balance	No of Clie nts	credit balance
30-Jun-18	1891	2,06,19,384	1891	2,06,19,384	--	--	--	--
30-Sep-18	1885	2,12,65,397	288	83,95,915	1597	1,28,69,482	--	--
30-Jun-17	1223	3,17,82,863	1223	3,17,82,863	--	--	--	--
30-Sep-17	1331	2,61,87,493	469	97,39,880	862	1,64,47,613	--	--
31-Dec-17	1188	2,62,24,677	370	1,36,21,382	163	27,48,467	655	98,54,829
31-Mar-18	1603	2,41,27,437	504	1,04,48,887	195	33,10,892	904	1,03,67,65:





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iii. In order to verify the total no. of UCCs and total amount not settled quarterly, the Broker was advised to furnish funds ledger balances of all its clients (active and inactive) at the end of each quarter for every financial year. The depiction of total no. of in-active clients not settled is as under:

Quarter Ended	No. of UCCs whose balances have remained same on last dates of successive quarters	Inactive Not Settled	
		Maximum Amount (in Rs.)	Credit Balance not settled (in Rs.)
Jun-17	182	71031.96	8,65,792.53
Sep-17	164	237565.72	13,21,625.66
Dec-17	193	1,71,015.83	10,33,364.21
Mar-18	383	66,631.73	1316418.04
Jun-18	384	2,47,217.12	15,21,662.14

iv. The detailed findings in this regard are given in Para 5.2-5.7 of the 'IR'.

v. *In view of the aforesaid finding, it is alleged that FCBL has failed to settled funds of clients and violated SEBI Circular no. SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009.*

D. Incorrect/ wrong submission of data under Enhanced supervision

i. On verification of member's submission for clients' funds lying with stock broker on Exchange portal for sample 38 dates, it is observed that for 3 dates the member had incorrectly submitted the details on Exchange portal. The detailed findings in this regard are given in page-11& 12 (Analysis of supervision data) of the 'IR'. Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2 /CIR/P/2016/95 dated September 26, 2016 mandates exchanges to monitor whether broker shares incomplete or wrong data to exchanges.

ii. *In view of the above, FCBL has violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2 /CIR/P/2016/95 dated September 26, 2016 as it submitted incorrect/wrong data to exchange.*

E. Client registration process (KYC and KRA process)





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- i. After analyzing all the KYC's documents provided by the Member, following discrepancies were observed:
- a. Member was unable to produce one client registration document
 - b. Part of Mandatory documents such as Uniform risk disclosure, Rights and Obligations and Do's and Don'ts for the clients were not updated as specified by the Regulator and Exchanges. SEBI registration number not updated.
 - c. Financial Proof not Obtained, running account authorization incomplete, IPV not done etc.
 - d. Old Format has been used for KYC documents including RDD, Rights & obligations, Guidance notes etc.
 - e. Running account authorizations not obtained/available in KYC documents
 - f. Running account authorizations obtained is not proper as per prescribed requirements (Monthly/quarterly settlement preference not obtained)
 - g. ECN declaration not as per prescribed format
 - h. Financial/income supporting not obtained in KYC documents
 - i. Client financial information not updated periodically at least once in financial year and supporting documents not obtained.
 - j. Stamp of Fairwealth Securities has been put on some KYC documents (PAN verification, In-person verification)
- ii. *The detailed findings in this regard are given in para H of the 'IR'. In view of the aforesaid finding, FCBL has violated SEBI Master circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/87 dated June 01, 2018 and SEBI circular CIR/MIRSD/16/2011 dated August 22, 2011.*

F. Correct Mobile no./email id not uploaded in UCC

- i. It was observed that correct Mobile Number and E-Mail Id were not uploaded in UCC.
- a. No of instances wherein incorrect email ids as per Member Back office Vs. Exchange UCC are 155





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- b. No of instances wherein incorrect Mobile number as per Member Back office Vs. Exchange UCC are 109
- ii. On sample verification, it was observed that same mobile number/ e-mail id have been uploaded for multiple client codes.
- a. Number of sample instances wherein same email id used for multiple clients are 50
- b. Number of sample instances wherein same Mobile number used for multiple clients are 15
- iii. The detailed findings in this regard are given in point I (b) of the 'IR'. *In view of the aforesaid finding, FCBL has violated Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011.*
10. *In view of the allegations as stated above from para A to F, FCBL is alleged to have violated Clauses A(1), A(2) & A(5) of Code of Conduct as provided under Schedule II read with Regulation 9 of the SEBI (Stock Brokers) Regulations, 1992. Further, FCBL is also alleged to have violated Section 12A of SEBI Act, 1992 r/w Regulation 4(1) & 4(2)(f) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003.*
11. The relevant provisions of law are reproduced below:

Securities and Exchange Board of India Act, 1992

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;





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(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(d) engage in insider trading;

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder; (f) acquire control of any company or securities more than the percentage of equity share capital of a company whose securities are listed or proposed to be listed on a recognised stock exchange in contravention of the regulations made under this Act.]

Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a 3[manipulative,] fraudulent or an unfair trade practice in securities 4[markets]. 5[Explanation.—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.]

(2) Dealing in securities shall be deemed to be a 6[manipulative] fraudulent or a unfair trade practice if it involves 7[any of the following]:—

(f) 12[knowingly] publishing or causing to publish or reporting or causing to report by a person dealing in securities any information 13[relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory





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approvals,] which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

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

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

SCHEDULE II

Securities and Exchange Board of India (Stock Brokers 93[*])**

Regulations, 1992

CODE OF CONDUCT FOR STOCK BROKERS

[Regulation 9]

A. General.

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

(2) *Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.*

.....

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

SEBI Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993

Regulation of Transactions between Clients and Brokers

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,*





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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.

2. It shall be compulsory for all Member brokers to keep separate accounts for client's securities and to keep such books of accounts, as may be necessary, to distinguish such securities from his/their own securities. Such accounts for client's securities shall, inter-alia provide for the following:-

- a. Securities received for sale or kept pending delivery in the market;*
- b. Securities fully paid for, pending delivery to clients;*





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c. Securities received for transfer or sent for transfer by the Member, in the name of client or his nominee(s);

d. Securities that are fully paid for and are held in custody by the Member as security/margin etc. Proper authorization from client for the same shall be obtained by Member;

e. Fully paid for client's securities registered in the name of Member, if any, towards margin requirements etc.;

f. Securities given on Vyaj-badla. Member shall obtain authorization from clients for the same.

3. Member Brokers shall make payment to their clients or deliver the securities purchased within two working days of pay-out unless the client has requested otherwise. Stock Exchange shall issue a Press Release immediately after the pay-out.

4. Member Brokers shall buy securities on behalf of client only on receipt of margin of minimum 20 percent on the price of the securities proposed to be purchased, unless the client already has an equivalent credit with the broker. Member may not, if they so desire, collect such a margin from Financial Institutions, Mutual Funds and FII's.

5. Member brokers shall sell securities on behalf of client only on receipt of a minimum margin of 20 percent on the price of securities proposed to be sold, unless the member has received the securities to be sold with valid transfer documents to his satisfaction prior to such sale. Member may not, if they so desire, collect such a margin from Financial Institutions, Mutual Funds and FII's.

6. Member brokers shall issue the contract note for purchase/sale of securities to a client within 24 hours of the execution of the contract.

7. In case of purchases on behalf of clients, Member brokers shall be at liberty to close out the transactions by selling the securities, in case the client fails to make the full payment to the Member Broker for the execution of the contract within two days of contract note having been delivered for cash shares and seven days for specified shares or before pay-in day (as fixed by Stock Exchange for the concerned settlement period), whichever is earlier; unless the client already has an equivalent credit with the Member. The loss incurred in this regard, if any, will be met from the margin money of that client.

8. In case of sales on behalf of clients, Member broker shall be at liberty to close out the contract by effecting purchases if the client fails to deliver the securities sold with valid transfer documents within 48 hours of the contract note having been delivered or before delivery day (as fixed by Stock Exchange authorities for the concerned settlement period), whichever is earlier. Loss on the transaction, if any, will be deductible from the margin money of that client.

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





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6. Standard Operating Procedures for Stock Brokers/Depository Participants -Actions to be contemplated by Stock Exchanges/Depositories for any event based discrepancies

6.1. As per existing norms, Stock Exchanges/Depositories are required to monitor their members/depository participants. It has been decided that the Stock Exchanges and Depositories shall frame various event based monitoring criteria based on market dynamics and market intelligence. An illustrative list of such monitoring criteria as are given below:

6.1.1. Monitoring criteria for Stock Brokers

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

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

SMS and E-mail alerts to investors by stock exchanges

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.

12. Further, relevant provisions pertaining to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, SEBI Circular MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008, SEBI Circular SEBI/MIRSD/SE/Cir- 19/2009 dated December 03, 2009, SEBI Master circular





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SEBI/HO/MIRSD/DOP1/CIR/P/2018/87 dated June 01, 2018 and SEBI circular

CIR/MIRSD/16/2011 dated August 22, 2011 can be found at the below mentioned link:

https://www.sebi.gov.in/legal/circulars/sep-2016/enhanced-supervision-of-stock-brokers-and-depository-participants_33334.html

https://www.sebi.gov.in/legal/circulars/apr-2008/collateral-deposited-by-clients-with-brokers_6922.html

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

https://www.sebi.gov.in/legal/master-circulars/jun-2018/master-circular-for-stock-brokers_39166.html

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

13. In view of the above, Noticee is required to show cause as to why suitable action should not be recommended against the Noticee in accordance with Regulations 25, 26 and 27 of Intermediaries Regulations, 2008. The relevant text of the said provisions are reproduced below:

Relevant provisions of SEBI (Intermediaries) Regulations, 2008

9[Holding of enquiry]

25.(1) The designated authority shall issue a notice to a person against whom an enquiry has been initiated, to show cause as to why the action, as contemplated against such person should not be recommended.

(2) The noticee shall be called upon to submit, within a period to be specified in the notice, not exceeding twenty-one days from the date of service thereof, a written reply to the notice, along with documentary evidence, if any, in support of such written reply:

Provided that the designated authority may extend the time specified in the notice for sufficient grounds shown by the noticee and after recording reasons in writing.

(3) Every notice issued under sub-regulation (1) shall specify the contravention alleged to have been committed by the noticee by indicating the provisions of the securities laws or the direction or the order of the Board alleged to have been contravened.

(4) There shall be annexed to the notice issued under sub-regulation (1), copies of documents relied upon by the Board along with the extracts of relevant portions of





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the reports containing the findings arrived at in an inquiry, investigation or inspection, if any.

(5) If the noticee demands inspection of such documents within the period specified in sub-regulation (2) and the designated authority is of the opinion that the same may be granted, then the designated authority may issue or cause to issue a notice fixing a date for inspection of documents:

Provided that the date for inspection of documents shall be within thirty days from the date of receipt of such request.

(6) The designated authority shall grant an opportunity of personal hearing and issue or cause to issue a notice scheduling a date for hearing the noticee:

Provided that no opportunity of personal hearing may be granted in the cases where the noticee is alleged to have failed to pay the registration fee or any other applicable fees to the Board as per the provisions of the relevant regulations or the noticee has been declared a wilful defaulter or a fugitive economic offender.

(7) If the noticee does not reply to the notice issued under sub-regulation (1) or fails to appear on the scheduled date of hearing and the designated authority is satisfied that sufficient opportunity has been given to the noticee, the designated authority may conclude the proceedings after recording the reasons for doing so, on the basis of the material available on record.]

10/Recommendation of action

26. (1) After considering the material available on record and the reply, if any, the designated authority may by way of a report, recommend the following measures,—

- (i) disposing of the proceedings without any adverse action;*
- (ii) cancellation of the certificate of registration;*
- (iii) suspension of the certificate of registration for a specified period;*
- (iv) prohibition of the noticee from taking up any new assignment or contract or launching a new scheme for such the period as may be specified;*
- (v) debarment of an officer of the noticee from being employed or associated with any registered intermediary or other person associated with the securities market for such period as may be specified;*
- (vi) debarment of a branch or an office of the noticee from carrying out activities for such period as may be specified;*
- (vii) issuance of a regulatory censure to the noticee:*

Provided that in respect of the same certificate of registration, not more than five regulatory censures under these regulations may be recommended to be issued, thereafter, the action as detailed in clause (ii) to (vi) of this sub-regulation may be considered.

(2) The designated authority shall endeavour to submit the report within one hundred and twenty days from the date of receipt of reply to the notice or date of personal hearing, whichever is later.]

11/Order

27. (1) On receipt of the report containing the measures recommended by the designated authority, the designated member shall cause to forward a copy of the report submitted by the designated authority and call upon the noticee to make its submission,





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in writing, as to why the measures recommended by the designated authority or any other action as contemplated in these regulations, should not be taken.

(2) The noticee shall submit, within a period as specified in the notice, but not exceeding twenty-one days from the date of service thereof, a written submission, along with documentary evidence, if any, in support of the written submission:

Provided that upon the request of the noticee, the designated member, after recording reasons, in writing may cause to extend the time specified for submitting reply to the notice.

(3) After considering the submission of the noticee, the designated member may if deemed fit, for reasons to be recorded by it in writing, remit the matter to the designated authority to enquire afresh or to further enquire and resubmit the report.

(4) The designated member may grant an opportunity of personal hearing where the designated authority has recommended cancelation of certificate of registration or the designated member is of the prima facie view that it is a fit case for cancellation of certificate of registration.

Explanation: –It shall not be necessary for the designated member to give the noticee any opportunity of personal hearing if neither the designated authority has recommended cancelation of certificate of registration nor the designated member is of the prima facie view that it is a fit case for cancellation of certificate of registration.

(5) After considering the facts and circumstances of the case, material on record and the written submission, if any, the designated member shall endeavor to pass an appropriate order within one hundred and twenty days from the date of receipt of submissions under sub-regulation (2) or the date of personal hearing, whichever is later.]

14. Noticee reply, if any, should reach the undersigned, at the address given below as well as through email at prasantam@sebi.gov.in and “gauravd@sebi.gov.in” in MS Word/ MS Excel Format, within 21 days from the date of the receipt of this notice, failing which it shall be presumed that the Noticee has no reply to submit and the matter would be further proceeded ex– parte. You may also indicate whether you desire a personal hearing in the matter.

Securities and Exchange Board of India

4th Floor, Plot No. C-7, 'G' Block,

Bandra- Kurla Complex,

Bandra (E), Mumbai– 400 051





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15. Noticee is advised to provide copy of Noticee PAN and email id and also to keep the undersigned informed about the change in Noticee correspondence address, if any, till the proceedings are complete.

Prasanta Mahapatra
Designated Authority



Enclosures:

Annexure 1- Copy of the communique dated March 09, 2021

Annexure 2- Copy of the ad interim Order October 11, 2019

Annexure 3- Copy of Forensic Audit Report

Annexure 4- Copy of the WTM Order dated January 24, 2020

Annexure 5- Copy of the findings of Inspection Report (IR)