Before the
Member Committee ("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051
held on March 17, 2025

In the matter of the Trading Member - SMIFS Limited

CORAM:

Shri. S Ravindran	-	Chairman
Justice (Retd) Smt. Abhilasha Kumari	-	Committee Member
Prof (Dr.) Mamata Biswal	-	Committee Member
Shri. Essaji Vahanvati	-	Committee Member
Shri. Ashishkumar Chauhan	-	Committee Member

ALSO PRESENT:

Shri. Piyush Chourasia	-	Chief Regulatory Officer - Member Compliance, Surveillance, Member Inspection & Investigation
Smt. Renu Bhandari	-	Senior Vice President - Inspection, Member Registration & Compliance
Shri. Amber Gupta	-	Senior Vice President - Legal
Shri. Sanjayu Nair	-	Vice President - Legal
Smt. Sonali Karnik	-	Vice President - Enforcement
Shri. Janardhan Gujaran	-	Vice President - Enforcement

BACKGROUND

1. **SMIFS Limited** ("**SMIFS**") is a SEBI registered stockbroker and a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") enabled for trading in the Capital Market ("**CM**") since November 1994, Futures & Options ("**F&O**") segment since July 2001, Currency Derivatives ("**CD**") segment since March 2012, and Commodity segment ("**COM**") since October 2018.

2. The Exchange conducted a regular inspection of SMIFS's books, registers, records and other relevant documents including periodic submissions made to Exchange covering the

period from July 01, 2023, to June 30, 2024, across segments, from July 2024 to August 2024. Post-inspection, the Exchange issued a Letter of Observation ("**LO**") dated October 16, 2024, to SMIFS seeking explanation for the non-compliances with the regulatory provisions observed during the inspection. SMIFS replied to said LO on October 26, 2024.

INSPECTION OBSERVATIONS/ALLEGED VIOLATIONS

3. The observations/violations alleged in the LO, are summarized hereunder: -

3.1. SMIFS had made pay-outs of funds to the clients in excess of their available balance in 101 instances involving Rs.4,91,40,43,462/-.

3.2. SMIFS has not maintained the payout request received from the clients for part payment of credit balance clients in 408 instances out of 1359 amounting to Rs. 21,29,71,60,356 /-.

3.3. Non permissible transfer of funds between the bank accounts of SMIFS.

3.4. There was improper maintenance of bank book and client ledger in the case of 57 instances and 601 instances respectively as on multiple dates.

3.5. SMIFS has delayed issuance of Daily Margin Statement to the clients.

3.6. Unauthorised trades executed by SMIFS since pre-order placement evidence is not maintained or not provided in the case of 24 instances as on July 30, 2024, July 31, 2024, and August 01, 2024.

3.7. SMIFS has not adhered to the guidelines prescribed in circular NSE/INSP/43824 while offering referral schemes.

3.8. SMIFS has not undertaken inspection of branches/Registered Authorized Persons (APs) diligently in 4 instances as on February 01, 2024, January 29, 2024, October 31, 2023, and November 16, 2023.

3.9. The Branch/AP of SMIFS has dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange in the case of 2 instances.

3.10. SMIFS has not provided margin trading facility in accordance with prescribed guidelines w.r.t:- source of funds in the case of 10 instances amounting to Rs. 87,88,27,242/-.

3.11. SMIFS has not collected adequate margin in the form of cash, cash equivalent or Group I equity shares, with appropriate haircut in case of 04 instances on July 03, 2023, amounting to Rs. 2,79,10,945 /-.

3.12. SMIFS has not adhered to leverage and Exposure Limits while granting the Margin trading facility in the case of 01 instance on January 08, 2024, amounting to Rs. 1,13,32,192/-.

3.13. Trading terminals situated at the place of inspection were not operated by approved users/persons in the case of 06 instances.

3.14. 10 Terminals observed at the inspection location were not as per the information available with the Exchange.

3.15. SMIFS has submitted incorrect data towards Risk Based Supervision ("RBS") as of March 31, 2024.

3.16. SMIFS has submitted incorrect data towards the weekly monitoring of client funds in following 2 areas as of January 5, 2024: -

i) MC (Margin of clients having credit balance) amounting to Rs. 97,77,155/

ii) MF (Free/unblocked collateral with CC/CM) amounting to Rs. 10,07,56,775/-

REGULATORY PROVISIONS

4. At the outset, it is appropriate to refer to the relevant regulatory provisions alleged to have been violated by SMIFS; extracts whereof are reproduced below: -

4.1. **SMIFS had made pay-outs of funds to the clients in excess of their available balance**

a. Regulation 6.1.5 (c) of NSEIL Regulations - Part A (CM Segment)

(c)The transfer from client's account to Trading Member's account shall be allowed under circumstances enumerated below:

(i) Obligation to pay money into "Clients account": *Every Trading Member 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"). Trading Member 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 Trading Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Trading 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 (iii.B).

(ii) Moneys to be paid into "clients account":

No money shall be paid into clients account other than

A. money held or received on account of clients;

B. such moneys belonging to the Trading Member as may be necessary for the purpose of opening or maintaining the account;

C. money for replacement of any sum which may by mistake or accident have been drawn from the account;

D. a cheque or draft received by the Trading Member representing in part money belonging to the client and in part money due to the Trading Member.

(iii) Moneys to be withdrawn from "clients account": *No money shall be drawn from clients account other than –*

A. money properly required for payment to or on behalf of clients 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 Trading 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;

B. such money belonging to the Trading Member as may have been paid into the client account under para (ii.B) and (ii.D) above. money which may by mistake or accident have been paid into such account.

(iv) Right to lien, set-off etc., not affected: Nothing in this para 1 *shall deprive a Trading Member of any recourse or right, whether by way of lien, set-off, counter-claim charge(s) or otherwise against moneys standing to the credit of clients account.*

4.2. **SMIFS has not maintained the payout request received from the clients for part payment of credit balance clients**

a. Exchange Circular No. NSE/INSP/51830 dated March 31, 2022

Sub: Settlement of Running Account of Client's Funds lying with Trading Member (TM)

…….if the client specifically requests for a pay-out, the same shall be made and the evidence of such requests received from clients shall be maintained by the member. It is to be noted that for each such payout to the credit balance clients, a separate request received from clients, which could be, inter alia, in the form of writing, telephone recording, email from registered mail id, record of messages through registered mobile phones, log for internet requests shall be maintained by the members.

4.3. **Non permissible transfer of funds between the bank accounts**

a. SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/ 2023/187 dated December 12, 2023, followed by the Exchange Circular No. NSE/INSP/59725 dated December 12, 2023

Subject: Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)

A. *Receipt/payment of funds by SBs and CMs from/to their clients:*

I. Clause 15.3.2.1 of SEBI's "Master Circular on Stock Brokers" dated May 17, 2023, mandates stock brokers to maintain designated client bank account(s) ("Name of SB/CM - Client Account") to receive/pay funds from/to their clients. The nomenclature of all such accounts shall be changed to either of the following two categories of bank accounts:

a. Up Streaming Client Nodal Bank Account (USCNBA): SB/CM shall receive clients' funds in USCNBA. The nomenclature for such accounts shall be "Name of the SB/CM – USCNB account".
b. Down Streaming Client Nodal Bank Account (DSCNBA): Payment to clients shall be done only from DSCNBA account. The nomenclature for such accounts shall be "Name of the SB/CM – DSCNB account".

b. Exchange Circular No. NSE/INSP/60369 dated January 20, 2024

Sub: Operational guidelines and SOP on Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)

Annexure 1

Operational Guidelines with respect to Upstreaming of Clients funds

(14) Permissible transfer of funds:

- *Funds shall be received from the clients by SBs/CMs only into the USCNBA(s).*
- *Funds to be transferred to the clients shall be only from the DSCNBA(s).*
- *Funds from USCNBA(s) can be transferred into the Settlement/ Clearing Member USCNBA account(s) and for investing in FDR and MFOS only.*
- *Funds can be transferred into the DSCNBA(s) only from the Settlement/ Clearing Member account DSCNBA account(s).*
- *Funds from DSCNBA(s) can be transferred only to the clients or to the USCNBA account(s).*
- *All own/ proprietary funds of the SB/ CM can be transferred from/to its settlement account(s) to/from Own/Prop account only.*
- *"Name of the CM –TM prop account" Bank account of CM shall be used for receiving/paying proprietary funds from/to the SBs.*
- *Between accounts of same category (i.e. from one USCNBA to another USCNBA, from one DSCNBA to another DSCNBA, from one own bank account to another own bank account, from one CM –TM prop account to another CM – TM prop account)*

4.4. **Improper maintenance of bank book and client ledger**

a. Exchange Circular No. NSE/INSP/38743 dated August 30, 2018.

Sub: Standardisation of Register of Securities, Holding Statement, Bank Book and Client Ledger

In order to standardize the maintenance of books of accounts / records and ensure uniformity across all Members, a standard format for Register of Securities, Holding Statement, Bank Book and Client Ledger is prescribed

herewith. The formats have been finalized in consultation with SEBI & Member associations.

The revised formats shall be applicable w.e.f. December 01, 2018. Members are advised to make necessary changes in their back office in order to comply with requirements.

Members shall preserve the aforementioned records for such periods as stipulated by the relevant Acts, Rules, Regulations and various circulars issued from time to time.

Members are requested to note that, post implementation of standard formats across the members, Exchange may seek periodic upload of data relating to funds and securities in the manner prescribed in the formats. The details of the same including the periodicity shall be informed in due course.

Non-maintenance of Register of Securities, Holding Statement, Bank Book and Client Ledger in the prescribed format is a violation of the provisions of the Securities Contracts (Regulation) Rules 1957 / Regulations of the Exchange and will attract appropriate disciplinary action as per Rule 1 and 2 of Chapter IV of NSEIL Rules.

4.5. **Delay in issuance of Daily Margin Statement to the clients**

a. Exchange Circular No. NSE/INSP/36786 dated January 19, 2018.

Sub : Issuance of Daily Margin Statement
SEBI vide its letter dated January 18, 2018 has clarified that the said daily margin statement is required to be issued by Members to clients on a daily basis at the end of the trade day (T-Day) itself. The indicative format of the daily margin statement is enclosed as Annexure-A.

b. Annexure A of Exchange Circular No. NSE/INSP/38154 dated June 27, 2018.

Sub : Guidelines/clarifications on Margin collection & reporting

Annexure-A

GUIDELINES/CLARIFICATION ON MARGIN COLLECTION AND REPORTING

16. Are Members required to provide the Margin related information to clients ?

Members should send margin related information to their clients, which shall, inter-alia, include :

- *Client code and name, Trade day (T)*
- *Margin deposit available for the client on day T (with break-up in terms of cash, FDRs, BGs and securities)*
- *Margin adjustments (including MTM losses) for day T after adjusting MTM profit if any.*
- *Margin status (balance with the member / due from the client) at the end of T day.*

Such margin related information (Daily margin statement) should be issued by Members to clients on a daily basis at the end of the trade day (T-Day) itself or by such timelines as may be specified from time to time.

4.6. **Unauthorised trades executed by SMIFS since pre-order placement evidence is not maintained or not provided**

a. Regulation 3.2.1 of NSEIL CM Regulation

3.2 TRADE OPERATIONS

3.2.1 Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.

Notwithstanding the above, wherever the order instructions are received from clients through the telephone, Members shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

b. Regulation 3.4.1 of NSEIL FO Regulation

3.4 TRADE OPERATIONS

3.4.1 Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of

an order on the NEAT system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.

Notwithstanding the above, wherever the order instructions are received from clients through the telephone, Members shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

c. SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017, followed by NSE/INSP/62813, dated July 05, 2024

Sub: Prevention of Unauthorised Trading by Stock Brokers

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.

d. Exchange Circular No. NSE/INSP/62813, dated July 05, 2024 (SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018)

Prevention of Unauthorised Trading by Stock Brokers

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, which 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 messages through mobile phones,
f. Any other legally verifiable record.

When a dispute arises, the broker shall produce the above mentioned records for the disputed trades. However for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

IV. Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

e. Exchange Circular No. NSE/INSP/62813 dated July 05, 2024

1. Schedule I (B) Sr. No. 63 for observation 'Member has not maintained pre order confirmation of trades':

SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 mandates Trading Members to maintain evidence of pre-order placement for trades of clients.

Non-compliance to above Circular such as non-maintenance or not providing pre-order placement evidence for trades of clients when sought, shall be construed by the Exchange as unauthorized trade executed by the Trading Member as said trades were executed without the consent of the client. Accordingly, penalty structure with respect to unauthorized trades informed vide Exchange Circular No. NSE/ISC/60035 dated December 29, 2023, and

similar circulars issued from time to time, shall be applicable to the above mentioned non-compliance.

4.7. **Non-adherence with the guidelines prescribed in Exchange Circular No. NSE/INSP/43824 while offering referral schemes**

a. Exchange Circular No. NSE/INSP/43824 dated March 11, 2020

Sub: Clarification on incentives/referral schemes

This has reference to Exchange circular NSE/INSP/43029 dated December 26, 2019, with respect to incentives/referral schemes.

Based on representations received from Members, the following clarifications are being issued on incentives/referral schemes which supersedes the point no. 1, 2 and 6 mentioned in the existing Exchange Circular NSE/INSP/43029 dated December 26, 2019:-

1. *For a particular referring person, the rate of the incentive should be flat (i.e. not slab based) and a single rate should be applied. It is hereby clarified that a trading member may have different referral incentive rates across different referring person.*

2. *The referring person should not undertake any form of selling/advisory activities in secondary market w.r.t securities and should not manage the portfolio of any person who is being referred. He/she should strictly limit his/her role to "Referral" only.*

3. *The referring person cannot conduct IPV/OSV. However, referring person who are under an obligation to undertake IPV/OSV under their respective governing regulations, may continue to do so.*

4. *Authorised Persons (A.P), SEBI Registered Portfolio Managers and Investment advisors shall continue to be governed by the existing regulatory provisions including any changes issued from time to time*

4.8. **SMIFS has not undertaken inspection of branches/Registered Authorized Persons (APs) diligently**

a. Exchange Circular No. NSE/MSD/34638 dated April 13, 2017

Sub: Consolidated Circular on matters relating to User Id request

Applicable Observances

- *Trading terminals*

a) Location: The location of the trading terminal is required to be only in the main/branch offices or in the office of the registered Sub-broker (only in CM segment) / approved Authorised Person (CM / FNO / CD Segment) of the trading member or at the co-location facility provided by the Exchange or at the Third party data centres/service providers site.

Note:

- *Co-location facility can be used only for DMA, Algo and Smart Order Routing.*
- *Third party data centre/ service provider site can host Trading/ Internet/ CTCL server of the member.*

b) Control: The trading terminals are required to be under the direct control of the trading member and be managed either by an authorized employee or by a registered Sub-broker / approved Authorised Person of the trading member

b. Exchange Circular No. NSE/INSP/42448 dated October 18, 2019

Sub: Framework for Supervision of Authorised Persons (APs) & Branches by Members

In order to enhance the effectiveness of the supervision and ensure uniformity & standardisation across all Members, the following guidelines, framed in joint consultation with SEBI & other Exchanges, are being issued:

i. Every Trading Member shall be required to inspect every year at least 30% of its active Authorized Persons/ Branches and also ensure that each active

AP/ Branches is inspected at least once in every three years. For this purpose, an active AP/ Branches would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.

ii. ….

In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, Members shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

Annexure-A

INDICATIVE SCOPE OF BRANCH /AP INSPECTION BY MEMBERS

2. Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients.

6. All terminals observed at the inspection location is as per the information reported to the Exchange.

7. Trading terminals situated at the place of inspection are operated by approved and certified users.

12.The Branch/AP has not dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.

c. Exchange Circular No. NSE/COMP/ 56947 dated June 02, 2023

Sub: Market Access through Authorised Persons

3. At all points in time, Trading Members shall exercise adequate control and due diligence over the activities, conduct and transactions of their APs by conducting surprise and periodic Inspections and taking regular feedback from the clients of the APs. In case any anomaly is identified, Trading Members shall take necessary disciplinary actions against their APs. Further, Trading Members shall be vicariously and severally liable for any violation committed by their APs including operating any schemes of unauthorised collective investments/portfolio management and promising indicative/guaranteed/fixed returns etc. The Indian Contract Act, 1872

defines an 'Agent' in Section 182 as a person employed to do any act for another or to represent another in dealing with third persons. Accordingly, all provisions of Indian Contract Act, 1972 with respect to 'Agent' shall be applicable to Trading Members and APs associated with them.

4.9. **The Branch/AP of SMIFS has dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange**

a. Annexure A of Exchange Circular No. NSE/INSP/42448 dated October 18, 2019

Sub: Framework for Supervision of Authorised Persons (APs) & Branches by Members

Annexure-A

INDICATIVE SCOPE OF BRANCH /AP INSPECTION BY MEMBERS

Members while undertaking the inspection of Branches and AP offices shall examine that all applicable regulatory requirements have been complied with including following indicative parameters:
12. The Branch/AP has not dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.

b. Exchange Circular No. NSE/COMP/ 56947 dated June 02, 2023

Sub: Market Access through Authorised Persons

9. For the purpose of ensuring compliance and risk management practices in accordance with the regulatory requirements, Trading Members are advised to monitor their existing and newly onboarded APs based on the indicative scope as defined in the Exchange circular no. NSE/INSP/42448 dated October 18, 2019, which is re-iterated below:

xii. The AP has not dealt with any other Trading Member/AP on behalf of its clients/self on the same Stock Exchange

4.10. **SMIFS has not provided margin trading facility in accordance with prescribed guidelines w.r.t :- source of funds**

a. SEBI Circular No. CIR/MRD/DP/54/2017 June 13, 2017, followed by Exchange Circular No. NSE/COMP/35125 dated June 15, 2017

Sub: Comprehensive Review of Margin Trading Facility

Disclosure Requirement

19. The stock broker shall disclose to the stock exchanges details on gross exposure towards margin trading facility including name of the client, Category of holding (Promoter/promoter group or Non-promoter), clients' Permanent Account Number ("PAN"), name of the scrips (Collateral stocks and Funded stocks) and if the stock broker has borrowed funds for the purpose of providing margin trading facility, name of the lender and amount borrowed, on or before 12 noon on the following trading day. The format for this disclosure by the stock broker to the stock exchange is enclosed at Annexure 1.

4.11. **SMIFS has not collected adequate margin in the form of cash, cash equivalent or Group I equity shares, with appropriate haircut**

a. SEBI Circular No. CIR/MRD/DP/54/2017 June 13, 2017, followed by Exchange Circular No. NSE/COMP/35125 dated June 15, 2017

Sub: Comprehensive Review of Margin Trading Facility

Margin Requirement

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

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

7. Stockbrokers shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading facility is being availed by the client. In case of short fall, stockbroker shall make necessary margin calls.

b. Exchange Circular No. NSE/INSP/43069 dated December 31, 2019

Sub: Guidelines/clarifications on Margin collection & reporting

Annexure A

GUIDELINES/CLARIFICATION ON MARGIN COLLECTION AND REPORTING

7. Can excess margin/collateral available in MTF ledgers be considered towards Margins of non-MTF transactions?
Excess margin/collateral available in MTF ledgers cannot be considered towards Margins of non-MTF transactions. Any transfers between Non MTF & MTF ledgers & vice versa should happen only in exceptional scenarios, where they belong to the same clients and there is sufficient & free balances available.

4.12. **SMIFS has not adhered to leverage and Exposure Limits while granting the Margin trading facility**

a. SEBI Circular No. CIR/MRD/DP/54/2017 June 13, 2017, followed by Exchange Circular No. NSE/COMP/35125 dated June 15, 2017

Sub: Comprehensive Review of Margin Trading Facility

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

18. While providing the margin trading facility, the broker shall ensure that:

a) exposure to any single client at any point of time shall not exceed 10% of the broker's maximum allowable exposure, as specified in para 17 above.
b) exposure towards stocks purchased under margin trading facility and collateral kept in the form of stocks are well diversified. Stock brokers shall have appropriate Board approved policy in this regard.

4.13. **Trading terminals situated at the place of inspection were not operated by approved users/persons**

a. Exchange Circular No. NSE/MEM/3574 dated August 29, 2002

Sub: Guidelines for location of CTCL terminals and usage thereof.

Guidelines for location of CTCL terminals and usage thereof.

Trading Members availing of the CTCL facility for trading on the Capital Market and / or Futures and Options Segment of the Exchange are hereby advised to be guided by the following requirements while installing and using CTCL terminals:

…

2. The persons who handle each CTCL terminal of the Trading Member are known as Approved Persons…

…

6. Trading Members shall not entrust the CTCL terminals to their clients or to any unregistered intermediary (refer points 1 and 5 of Circular 163) other than Approved Persons. Approved Person may be an employee of the Trading Member, a registered sub-broker, an Approved User or an Authorised Person who has been approved by the Exchange.

4.14. **Terminals observed at the inspection location were not as per the information available with the Exchange**

a. Exchange Circular No. NSE/MEM/1591 dated April 20, 2000

1. The trading terminal shall be located only in the main/branch office of the trading member or in the office of the registered sub broker of the trading member.

4.15. **SMIFS has submitted incorrect data towards Risk Based Supervision**

a. Exchange Circular No. NSE/INSP/61572 dated April 12, 2024

Sub: Risk Based Supervision (RBS) - Submission of information for the period April 01, 2023 – March 31, 2024 (Financial Year ended March - 2024)

Members are requested to submit the information / data towards the Risk Based Assessment for the period April 01, 2023 – March 31, 2024 to the Exchange. The particulars of such information / data sought in this regard are enclosed as Annexure-A. The same has to be submitted to the Exchange electronically through the Inspection module in the Member portal latest by May 31, 2024.

It is to be noted that the submission of RBS data is mandatory for all active Members of the Exchange (i.e. those who have executed even a single trade during the assessment period i.e. April 01, 2023 – March 31, 2024). Further, the data collated from the Members/Exchange towards RBS is shared with SEBI and in case of any non-submission/delayed submission by a Member, disciplinary action as prescribed in Annexure-C will be initiated.

4.16. **Incorrect submission of data towards the weekly monitoring of client funds**

a. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, followed by Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

Sub : Enhanced Supervision of Stock Brokers

Annexure

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

3.2. *Stockbrokers shall submit the following data as on the 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

CONSIDERATION AND FINDINGS

5. The observations/violations in the Letter of Observation ("**LO**"), reply of SMIFS and the findings of the Committee are as under: -

5.1. **SMIFS has made pay-out of funds to clients in excess of their available balances**

5.1.1. Upon Verification of UCC and Client ledgers, the Exchange observed that SMIFS has made pay-out of funds to the clients in excess of its balances in case of 101 instances amounting to Rs. 4,91,40,43,462/-.

5.1.2. In reply to the LO, SMIFS submitted as follows:

i. SMIFS submitted that SMIFS processes pay-out requests of its clients based on available balances. At times clients do request for Pay-Outs on T-Day against their sell obligations, which are credited on T+1 by the Clearing Member. However, before processing such requests, it is ensured that the securities sold by the client are blocked in the demat account towards pay-in to the trading member. Thus, to extend better

service benefits to the clients, the pay-outs are caused on the T-day on specific client requests, before the pay-outs are received from the clearing corporation on T+1 day. Where the client is an option writer, typically carrying out securities transaction in weekly/ monthly option products of indices, on the day of the expiry the client provides upfront cash collateral on the day of expiry which is withdrawn by the client by EOD. The Mark to Market Profits/Losses which arise out of the trade obligation are settled by the client subsequently. Wherever there has been Mark to Market Losses, the same has been recouped as per the terms laid by the Exchange rules and voluntarily agreed by the client.

ii. SMIFS further stated that it has not been a case of funding to the Client(s) and has been purely a facility provided to the Clients without hampering the "G" Discipline of the Enhanced Supervision Doctrine as laid in SEBI Circular dated 26.09.2016.

5.1.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that the pay-out requests of the clients were processed on T-Day against the sell obligations, which are credited on T+1 by the Clearing Member to provide better service.

ii. The Committee finds that SMIFS by paying out excess of the available credit balance violated Regulation 6.1.5 (c) of NSEIL Regulations - Part A (CM Segment) by pay-out of funds to the clients in excess of its balances. SMIFS in no case shall make payouts in excess of the available credit balance. Hence, the violation persists.

5.1.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 25,000/- on SMIFS for the observed violation in terms of Schedule 1 Sr. No. A(III) Sr. no. 11 the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, read in line with Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

5.2. **SMIFS is not maintaining the payout request received from the clients for part payment of credit balance clients**

5.2.1. Upon verification of client ledgers provided at the time of inspection, the Exchange observed that SMIFS has not maintained the payout request received from the clients for payment of credit balance clients during the period July 2023, to June 2024, in 408 instances out of 1359 amounting to Rs. 21,29,71,60,356 /-.

5.2.2. In reply to the LO, SMIFS stated as follows:

i. Where the Client is an Option Writer, typically carrying out securities transaction in weekly/ monthly option products of indices, on the day of the Expiry the Client provides Upfront Cash Collateral which is withdrawn by the Client by EOD. Typically, ultra HNI clients settle their financial obligations by T+1 and/or T+2 day as a matter of prudent practice by requesting their respective relationship managers. A close perusal will reveal that the Pay-Outs caused to the Clients, are on the above attributes and no complaints have been received from any Clients in Assured and/or Fixed Returns. The mentioned clients are HNI Clients who carry out their Investment Decisions by themselves and are not at all handled by SMIFS's advice.

5.2.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that on the day of expiry the client provides upfront cash collateral which is withdrawn by the client by EOD and the clients mentioned are High Net worth Individuals (HNI) who carry out their investment decisions by themselves and are not at all handled by SMIFS's advice.

ii. The Committee further notes that as per the Exchange Circular No. NSE/INSP/51830 dated March 31, 2022, if the client specifically requests for a pay-out, the same shall be made and the evidence of such requests received from clients shall be maintained by the member. The Committee observes that as per said circular for each such payout to the credit balance clients, a separate request received from clients, which could be, inter alia, in the form of writing, telephone recording, email from registered mail id, record of messages through registered

mobile phones, log for internet requests shall be maintained by the members. Therefore, SMIFS was required to maintain the record for the payout request. Hence, the violation persists.

5.2.4. Given the findings mentioned above, the Committee decided to warn SMIFS for non-recurrence of the observed violation.

5.3. **Non permissible transfer of funds between the bank accounts of members**

5.3.1. Upon verification of bank books of SMIFS, the Exchange observed that, SMIFS has not followed operational guidelines with respect to Upstreaming of the clients' funds. SMIFS has directly transferred funds from Downstream account to Settlement account for upstreaming of client funds in case of 67 instances, pertaining to 19 clients.

5.3.2. In reply to the LO, SMIFS stated as follows:

i. That the existing bank account of SMIFS which was already recorded with the Exchanges and was in use by the Clients, where few of them had been re-designated as Down Streaming Client Nodal Bank Account ("**DSCNBA**") and others as Up Streaming Client Nodal Bank Account ("**USCNBA**").

ii. The doctrine laid was communicated to the clients through appropriate Internal Circulars, repeatedly, to avoid any inadvertent non-compliance. However, in the initial days of implementation of the aforesaid Circulars, the Clients erred in transferring funds without any intentional wrongdoing as the DSCNBA were already existing on their Bank Account database.

iii. The non-permissible transfer receipts in the DSCNBA from the clients could have hampered the interest of clients in case SMIFS chose to return the funds to the transferee Client, resulting in short margin collection/reporting. Thus, SMIFS chose not to return the funds to the transferee clients and retained the credits in the DSCNBA for Margin Compliance. As corrective measures, SMIFS educated the clients to ensure non-recurrence of such non-permissible transfer of funds to the DSCNBA in the future.

iv. Further, SMIFS has duly taken corrective measures and educated the clients to ensure non-recurrence of such non-permissible transfer of

funds to the DSCNBA in the future. At present, the matter stands plugged and such instances are not being repeated.

5.3.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that in the initial days, due to implementation of the aforesaid circulars, the clients erred in transferring funds. SMIFS chose not to return the funds to the transferee clients because it could have hampered the interest of clients resulting in short margin/reporting.

ii. The Committee notes that the Exchange Circular No. NSE/INSP/60369 dated January 20, 2024, requires the clients to transfer the funds in the USCNBA. Hence, the violation persists.

5.3.4. Given the findings mentioned above, the Committee decided to advise SMIFS to ensure non-recurrence of the observed violation for the observed deficiency in adherence to the compliance requirements.

5.4. **Improper maintenance of books and records**

5.4.1. Upon verification of the bank book and the client ledger, the Exchange observed that there was improper maintenance of bank book and client ledger in the case of 57 instances and 601 instances respectively as on multiple dates.

5.4.2. In reply to the LO, SMIFS stated as follows:

i. With respect to the observation in the client ledger, SMIFS stated that it charges processing fees for providing trade execution services to its clients with regard to order placement over telephone using corporate dealing desk. The said charges are reflected on the contract note as “Processing Fees”. However, due to automated custom Narration Heads on the back-office software, the Processing Fees were assigned under the Narration as “Additional Brokerage”. SMIFS has taken up the matter with the software vendor to provide flexibility for additions of customized narration heads on the back-office software by SMIFS itself, to comply with extant provisions.

ii. In the case of observation with respect to bank book, the captioned bank transfers were caused prior to the provisions laid in the Exchange Circular Nos. NSE/INSP/59725 dated December 12, 2023, and NSE/INSP/60369 dated January 20, 2024, and the narration thereof. As the Books of Records are now maintained in compliance with the Exchange Circular, the issue regarding maintenance of books of records is complied.

5.4.3. The Committee finds as under:

i. The Committee notes that for client ledger SMIFS has accepted the violation contending that due to automated custom Narration Heads on the back-office software, the processing fees were assigned under the narration as “Additional Brokerage”. Hence, the violation persists.

ii. In the case of non-maintenance of bank book, SMIFS was required to maintain the bank book in the prescribed format along with the narration as per the Annexure A of Exchange Circular No. NSE/INSP/38743 dated August 30, 2018. The Committee notes that SMIFS complied with the same post inspection. However, post-inspection compliance does not absolve the liability of SMIFS from inspection violation and SMIFS is expected to ensure compliance with the regulatory directives of the Exchange. Hence, the violation persists.

5.4.4. Given the findings mentioned above, the Committee decided to levy a financial disincentive of Rs. 35,000/- (comprising Rs. 10,000/- per book for failure to maintain bank books properly, and Rs. 25,000/- for not maintaining the client ledger properly as per Sr. No. 43 and 44 of Annexure 1.1 of Exchange Circular No. NSE/INSP/70746, dated October 10, 2025, respectively. The Committee further directed SMIFS to maintain the bank books within 30 days.

5.5. **Delay in issuance of Daily Margin Statements (“DMS”) to the clients**

5.5.1. Upon Verification of Daily Margin Statement logs issued to clients the Exchange observed that SMIFS has delayed in sending the daily margin statement on September 02, 2023, September 06, 2023, October 11, 2023, and February 14, 2024, for 100% instances.

5.5.2. In reply to the LO, SMIFS stated as follows:

i. SMIFS had already explained to the inspection officials of the Exchange that DMS is issued to the clients on the T+1 day for the transactions executed on the T-Day and/or the Open Positions held on T-Day. The final submission of Margin Collection for T-Day is done on T+5 Day, the clients are re-issued with a final DMS on the T+5 Day for their records and reference, as there could be changes in Margin Collection/Shortage Position on account of uncleared cheques which were considered while issuance of the DMS on the T+1 Day. Thus, as per the prudent internal practice and procedure with regard to issuance of the DMS to the Clients, the DMS are issued on T+1 Day and T+5 Day for the Transactions executed on the T-Day and/or the Open Positions held on T-Day. All efforts are made to issue margin and other statements within time. However, in rare instances observed above, when next day is a public holiday, report was sent on the subsequent day. All efforts will be made to ensure the error is not repeated.

ii. Further, SMIFS stated that as per prudent internal practice with regard to issuance of DMS to the clients, the DMS are issued on T+1 Day and T+5 Day (Final Margin Reporting date) for the transactions executed on the T-Day and/or the Open Positions held on T-Day. SMIFS has provided a comparative statement of Log of sample Clients. SMIFS contended that the Prudent Internal Practice with regard to issuance of Daily Margin Statement to Clients have been fulfilled in true letter and spirit.

5.5.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that the DMS were issued on T+1 day. When next day was a public holiday, report was sent on the subsequent day.

ii. The Committee observes that as per Exchange Circular No. NSE/INSP/36786 dated January 19, 2018, Daily Margin Statement is required to be issued by Members to clients on a daily basis at the end of the trade day (T- Day) itself. In the observed instances SMIFS has sent the DMS on T+ 1 day. Hence, the violation persists.

iii. The violation persists in 10,205 out of 10,205 instances (100% of total instances).

iv. As per Sr. No. 27 of Annexure 1.1 of Exchange Circular No. NSE/INSP/73792, dated April 17, 2026, the financial disincentive for delay in issuance of margin statement is (a) delay for 1 day (more than 2 Occurrences) - Rs. 5,000/- per unique trading day with maximum capping of Rs. 1 lakh (b) Delay is more than 1 day -Rs. 5,000/- per unique trading day of delay with maximum capping of Rs. 1 lakh. In current case out of 10,205 instances, there is delay of 1 day on 4 instances viz., September 01, 2023, September 05, 2023, October 10, 2023, and February 13, 2024, and delay of 7 days on 3 instances viz., August 30, 2023, October 04, 2023, and February 07, 2024.

5.5.4. Given the findings mentioned above, the Committee decided to levy a financial disincentive of Rs.35,000/- (4 instances of delay of 1 day i.e. Rs.5,000*4 + 3 instances of delay of 7 days i.e. Rs.5000*3) for the observed violation in terms of Sr. No. 27 of Annexure 1.1 of Exchange Circular No. NSE/INSP/73792, dated April 17, 2026.

5.6. **Unauthorised trades executed by SMIFS since pre-order placement evidence is not maintained or not provided**

5.6.1. Upon verification of data, the Exchange observed that SMIFS and its authorized persons have not kept appropriate evidence in respect of the order placed by its clients including voice recordings where orders are received through telephone in the case of 24 instances as on July 30, 2024, July 31, 2024, and August 01, 2024.

5.6.2. In reply to the LO, SMIFS stated as follows:

i. SMIFS stated that the Dealers/ Terminal Operators/ Sales Officers of SMIFS and its Authorized Person, receive instruction from its clients over the Telephone (which are routed through a Voice Recorder Software) and through Text Messages sent by clients on the Mobile Telephone Devices of Dealers/ Terminal Operators/ Sales Officers. SMIFS has a Voice Logger Team who collates evidence for day-to-day transactions and tally them with the voice clips records. In case evidence through voice clip records are missing, ink signed written instructions are obtained on “ipso facto” basis from the Clients and such records are preserved. To ensure the prompt service to its clients, the Sales Officers obtain Orders from Clients through Text Messages which are not available on the Voice Bytes on the T-Day. However, these text

messages are later collated in entirety and necessary ink signed written instructions are obtained from Clients on “ipso facto” basis.

5.6.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that the clients give instructions through telephone (which are routed through a Voice Recorder Software) and text messages sent by clients on the Mobile Telephone Devices of Dealers/ Terminal Operators/ Sales Officers. Voice recordings and written instructions are maintained for day-to-day transactions, ink signed records obtained when voice clip evidence is missing. Text messages received on T-Day are later collated and written instructions obtained on "ipso facto" basis to ensure prompt service to client.

ii. The Committee observed that SMIFS could not provide ink signed documents of the clients during the inspection and that the ink signed documents provided by SMIFS post inspection lacked a verifiable timestamp therefore it does not constitute conclusive evidence for authenticity of such documents. Moreover, SMIFS has also not provided the text messages obtained from the clients, which are not part of the Voice Bytes.

iii. The Committee notes that post-inspection compliance does not absolve the liability of SMIFS from inspection violation and SMIFS is expected to ensure compliance.

iv. The Committee observes that as per the Exchange Circular No. NSE/INSP/62813 dated July 05, 2024, the non-maintenance or not providing pre-order placement evidence for trades of clients when sought, was construed by the Exchange as unauthorized trade executed by the Trading Member as said trades were executed without the consent of the client. However as per Exchange Circular No. NSE/INSP/70671, dated October 08, 2025, the aforesaid provision treating non maintenance of pre-order placement evidence as unauthorised trading has been deleted retrospectively.

v. Notwithstanding the above, non-maintenance of pre order placement evidence by SMIFS continues to constitute a lapse of regulatory directives of the Exchange. Hence, the violation persists.

5.6.4. Given the findings mentioned above, the Committee has decided to levy a monetary penalty of Rs. 25,000/- and direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication as per Sr. No. 63 of Schedule I of Exchange Circular No. NSE/INSP/53530, dated September 02, 2022 read in line with Exchange Circular No. NSE/INSP/73792, dated April 17, 2026. .

5.7. **SMIFS has not adhered with the guidelines prescribed in Exchange Circular No. NSE/INSP/43824 while offering referral schemes**.

5.7.1. Upon verification of the data, the Exchange observed that SMIFS has not adhered to the guidelines prescribed for referral schemes as the Exchange found that the pamphlet of SMIFS offers slab-based commission.

5.7.2. In reply to the LO, SMIFS stated as follows:

i. Though SMIFS had prepared the captioned pamphlet, it had neither circulated the same, nor had been financially benefited from the said pamphlets. No referral commission had been disbursed either for brokerage and/or for the opening of new accounts to any referral partner, as canvassed on the pamphlet. The said pamphlets were destroyed forthwith as the same were found to be non-compliant by the visiting Inspection Officials of the Exchange. SMIFS also prepared modified pamphlet. SMIFS undertakes that the Digital Marketing Team of SMIFS have been strictly advised to obtain requisite permission from the Stock Exchanges before circulation of any Advertisement Materials.

ii. Now SMIFS has been obtaining requisite permission/approval from the Stock Exchanges before circulation of any Advertisement Materials.

5.7.3. The Committee finds as under:

i. The Committee notes that SMIFS has accepted the observation and further contended that it had not circulated the pamphlet, and no referral commission had been disbursed.

ii. The Committee notes that the rate of the incentive should be flat (i.e., not slab based) as per the Exchange Circular No. NSE/INSP/43824 dated March 11, 2020, and a single rate should be applied. Upon verification of the pamphlet and the website, SMIFS had displayed the rate of brokerage applicable for different slabs.

iii. Further, SMIFS provided the modified pamphlet. Upon verification of the same, it has been observed that SMIFS continues to mention the rate of brokerage applicable for different slabs. Hence, the violation persists.

5.7.4. Given the findings mentioned above, the Committee decided to advise SMIFS to adhere to the Exchange guidelines on referral scheme for the observed non-compliance.

5.8. **Inspection of branches/Registered authorised persons (APs) not undertaken**

5.8.1. During inspection, it was observed that SMIFS has not inspected the Authorised Persons and branch diligently in case of 4 instances as on October 31, 2023, November 16, 2023, January 29, 2024, and February 01, 2024, and following was found upon visit to the said AP and Branch.

i. Atul Chawla (AP)

a. No Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients.

b. All terminals observed at the inspection location is not as per the information reported to the Exchange.

c. The AP has dealt with other trading member on behalf of its clients / self on the same Stock Exchange.

ii. Amina Dey (AP)

a. No Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients.

b. Trading terminals situated at the place of inspection were not operated by approved and certified users.

c. The AP has dealt with other trading member on behalf of its clients / self on the same Stock Exchange.

iii. Poulami Sen (AP)

a. Pre Order placement was not maintained by the AP.

iv. Branch Office at 7 Lyons Range, Dalhousie, Kolkata (Branch Head - Nihar Roy)

a. Pre Order placement was not maintained by the Branch.

b. Trading terminals situated at the place of inspection were not operated by approved and certified users.

c. Terminals observed at the inspection location is not as per the information reported to the Exchange.

5.8.2. In reply to the LO, SMIFS stated as follows:

i. SMIFS had conducted regular Inspection of its Branches and/or Registered Authorized Persons regularly through personal visits by the Officers of SMIFS. The Authorized Persons are equipped with Voice Recording Devices. The change in location observed by the visiting Inspection Officials, was temporary as the Terminal Operators had logged in from an alternate location as they could not reach the registered location due to challenges faced for the ensuing rainy season. It had been the intention of the Terminal Operators to provide uninterrupted service to their clients, in a volatile market.

ii. Upon advice of the Inspecting Officials of the Exchange, the MAC reference identification number of the Computer Hardware System used by the Terminal Operators, have been mapped in the Admin Trading Software of the Order Management System of SMIFS, to avoid recurrence of such instances, as corrective measures. To overcome the challenges faced due to weather hazards, in few instances, the Trading Terminal was temporarily operated by an alternate operator for the continuance of Client Servicing at the offices of Authorized Person(s). Such Authorized Persons have been warned to ensure that the Stock Exchange Circulars are adhered in true letter and spirit. SMIFS has strengthened the Internal Audit Team by engaging a Professional Qualified Auditor to conduct Inspection of Branches/ Registered Authorized Persons of SMIFS.

5.8.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that due to the weather problems, Terminal Operators had logged in from an alternate location, and the trading terminals were operated by alternate operator. The Committee notes that as per the Exchange Circular No. NSE/MSD/34638 dated April 13, 2017, the location of the trading terminal is required to be only in the main/branch offices or in the office of the registered Sub-broker (only in CM segment) / approved Authorised Person (CM / FNO / CD Segment) of the trading member or at the co-location facility provided by the Exchange or at the Third party data centres/service providers site and further the circular states that No CTCL terminal(s) shall be allotted by trading member without prior approval of the Exchange and use of terminal(s) shall be treated as Unauthorised and in violation of the requirements.

ii. The Committee notes that as per indicative scope of inspection by the Member given in the Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, SMIFS is required to inspect following:

- *Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients.*

- *All terminals observed at the inspection location is as per the information reported to the Exchange.*

- *Trading terminals situated at the place of inspection are operated by approved and certified users.*

- *The Branch/AP has not dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.*

iii. The Committee finds that SMIFS failed to inspect the Authorised Persons and branch as per prescribed guidelines. Hence, violation persist.

5.8.4. Given the findings mentioned above, the Committee decided to warn SMIFS for the observed non-compliance.

5.9. **The Branch/AP has dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange**

5.9.1. Upon verification, the Exchange observed that SMIFS has not done proper due diligence during on-boarding of the Authorized Person as AP – Atul Chawla and AP – Amina Dey, were registered and trading through other trading member.

5.9.2. In reply to the LO, SMIFS stated as follows:

i. At the time of registration as Authorized Persons necessary declarations are obtained from the applicants whether they are registered through other Trading Members. In case the applicant's resort to false declarations, the applications are forthwith cancelled by the Exchange when the Applications are submitted through the ENIT Software of the Exchange. It is practically difficult to restrict any Authorized Person from carrying out securities trading through any other Trading Member in the absence of Software Checks. Orders placed by the Authorized Persons in its Self-Account from any other Trading Member should be rejected through Software to avoid non compliances as it is being presently done for Trading Members registered with the Exchange, where a Trading Member is restricted to place Order through other Trading Member through software mechanism, maintained by the Exchange.

5.9.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that it is difficult to restrict the Authorized Person from trading through any other Trading Member.

ii. The Committee notes that the Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, provides the indicative scope of branch /AP inspection by members and indicative scope also includes that the Branch/AP has not dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange. Further, the Exchange Circular No. NSE/COMP/56947 dated June 02, 2023, requires SMIFS to conduct enhanced due diligence.

iii. Therefore, SMIFS is expected to ensure compliance with the regulatory directives of the Exchange. Hence, the violation persists.

5.9.4. Given the findings mentioned above, the Committee decided to advise SMIFS and directed to close the accounts within 15 days in terms of Sr. No. 132 of Annexure 1.1 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026, for the observed non-compliance.

5.10. **SMIFS has not provided margin trading facility in accordance with prescribed guidelines w.r.t :- source of funds**

5.10.1. Upon verification of the data, the Exchange observed that SMIFS has not reported the source of funds/ borrowings in the case of 10 instances amounting to Rs. 87,88,27,242/-.

5.10.2. In reply to the LO, SMIFS stated as follows:

i. The SEBI Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017, allows the Trading Member to borrow Funds from Banks and NBFCs and SMIFS has extended Margin Trading Facility to its Clients from its Own Funds and borrowed funds from a NBFC in usual course of business, to avail funds whenever necessary.

ii. The data provided in the Letter of Observation of the Exchange substantiates that the Funds were borrowed from a NBFC which is a legitimate source and can be verified from the Ledger provided to the Inspecting Officers of the Exchange.

iii. The Inspecting Officials of the Exchange have guided the Operations Team to declare the source of funds on a daily basis through the software mechanism while reporting Margin Trading Facility Compliance. The above guidance has helped to comply with the relevant circulars pertaining to Margin Trading Facility. However, it had never been the case that SMIFS has not provided Margin Trading Facility in accordance with prescribed guidelines w.r.t:- a. source of funds. The sources of funds had been through legitimate channels as laid in SEBI Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017.

5.10.3. The Committee finds as under:

i. The Committee notes SMIFS has accepted the observation and submitted that it has extended Margin Trading Facility to its Clients from its Own Funds and borrowed funds from NBFC. The inspection team of the Exchange had guided SMIFS to declare the source of funds on a

daily basis through the software mechanism while reporting Margin Trading Facility Compliance.

ii. The Committee observes that SMIFS failed to report the borrowed funds in the MTR file. Therefore, the violation persists.

5.10.4. Given the findings mentioned above, the Committee decided to advise SMIFS to ensure non-recurrence of the observed violation for the observed deficiency in adherence to the compliance requirements.

5.11. **Adequate margin has not been collected by the member in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut**

5.11.1. Upon verification of MTR files and ledgers of clients, the Exchange observed that SMIFS has not collected adequate margin in the form of cash, cash equivalent or Group I equity shares with appropriate haircut in case of 04 instances on July 03, 2023, amounting to Rs. 2,79,10,945 /- as mentioned below:

Sr.no	Date	Client Code	Client Name	Margin Obligation	Exposure Amount	Ledger Balance	Margin Shortfall
1	03-07-2023	54440	Rambabu Veldi	44,63,091.43	1,12,14,523.62	-1,13,89,588.51	44,63,091.43
2	03-07-2023	54427	Guttikonda Vara Lakshmi	1,44,42,962.54	3,65,18,236.51	-3,81,39,619.38	1,44,42,962.54
3	03-07-2023	54435	Anuradha Guthikonda	46,91,907.37	1,18,63,229.76	-1,20,13,049.92	46,91,907.37
4	03-07-2023	54428	Rajasekhar Guttikonda	43,12,983.32	1,09,05,141.14	-1,40,09,991.10	43,12,983.32
Total							**2,79,10,945.66**

5.11.2. In reply to the LO, SMIFS stated as follows:

i. SMIFS has always collected adequate margin in the form of cash, cash equivalent or Group I equity shares, with appropriate haircut, from its clients while providing Margin Trading Facility. The security collateral provided by the Client was a security which was in the List of Group I Equity Shares as declared by the relevant authorities. However, the securities placed as margin had been classified for Adhoc Margin. At the time of reporting, the back software should have applied VaR Margin (only) as appropriate haircut to calculate the “adequate margin” collected by SMIFS from the Client but due to inadvertent software functionality the haircut applied included the VaR Margin, Extreme Loss Margin and Adhoc Margin taking the appropriate haircut upto 100% to

calculate the “adequate margin” which made the value of “adequate margin” collected by SMIFS from the Client to be NIL.

ii. SMIFS further provided Demat Transaction Statements of all the respective Clients along with the proof of collection of adequate margins collected by SMIFS in the form of Group I equity shares and the calculation thereof with appropriate haircut.

5.11.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that due to inadvertent software functionality the haircut applied included the VaR Margin, Extreme Loss Margin and Adhoc Margin taking the appropriate haircut upto 100% to calculate the “adequate margin” which made the value of “adequate margin” collected by SMIFS from the Client to be NIL.

ii. The Committee further notes that as per the Exchange Circular No. NSE/INSP/43069 dated December 31, 2019, which stipulates that Excess margin/collateral available in MTF ledgers cannot be considered towards Margins of non-MTF transactions. However, in exceptional scenarios, transfers from non-MTF ledgers to MTF ledgers can be considered towards a margin position in MTF, provided they belong to the same clients and there are sufficient & free balances available.

iii. Thus, based on the Exchange circular and upon verification of MTR file, segregation file and margin files of the Clearing Corporation along with submission of SMIFS, it is observed as follows:

- **For UCC:54440** - Excess securities from non-MTF ledgers to MTF ledgers towards a margin position in MTF amounting to Rs. 7,36,959/- . Post considering the same the value of cash collateral and securities amounting to Rs. 7,36,959/- is not sufficient to meet the margin obligation available of Rs. 44,63,091/-. Hence, the revised margin shortfall amounting to Rs. 37,26,133/-. Thus, the violation persists.

- **For UCC:54435** - Excess securities from non-MTF ledgers to MTF ledgers towards a margin position in MTF amounting to Rs. 46,32,188/-. Post considering the same the value of cash collateral and securities amounting to Rs. 46,32,188 /- is not sufficient to meet the margin obligation available of Rs. 46,91,907/-. Hence, the revised margin shortfall amounting to Rs. 59,719/-. Thus, the violation persists.

- **For UCC: 54427 –** Excess securities from non-MTF ledgers to MTF ledgers towards a margin position in MTF amounting to Rs. 4,35,83,404/-. Post considering the same the value of cash collateral and securities amounting to Rs. 4,35,83,404 /- is sufficient to meet the margin obligation available of Rs. 1,44,42,963 /-. Thus, no violation persists.

- **For UCC: 54428 -** Excess securities from non-MTF ledgers to MTF ledgers towards a margin position in MTF amounting to Rs. 3,20,71,374/-. Post considering the same the value of cash collateral and securities amounting to Rs. 3,20,71,374/- is sufficient to meet the margin obligation available of Rs. 43,12,983 /-. Thus, no violation persists.

iv. After considering the above factors, the revised violation persists for 2 instances amounting to Rs. 37,85,852/-.

5.11.4. Given the findings above, the Committee decided to levy a monetary penalty of Rs. 75,717/- (2% of Rs. 37,85,852 /-) for the observed violation as per Sr. No. 63 of Annexure 1.1 of the Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

5.12. **SMIFS has not adhered to the exposure limits while granting the Margin trading facilities**

5.12.1. Upon verification of MTR files, client ledgers and Loan ledgers, it has been observed that SMIFS has given excess Margin Trading Facility exposure to a client in the case of 01 instance on January 08, 2024, amounting to Rs. 1,13,32,192/-.

Date	08-01-2024
Client Code	W700006
Client Name	Chandran Sivaram Krishnamoorthy
Exposure Allowed by TM to its clients (Rs.)	51574820.64
Networth Half Year ended	Sep-23
Networth Reported (In Rs.)	63,57,03,300.00
Total Borrowings	8,45,74,633.00
Maximum Exposure Allowed (50% of Net worth & Borrowed Funds) (In Rs.)	40,24,26,283.00
Exposure Allowed as per Sebi Circular 10% of Brokers max allowable exposure	4,02,42,628.30
Excess Exposure Allowed (In Rs.)	1,13,32,192.34

5.12.2. In reply to the LO, SMIFS stated as follows:

i. SMIFS stated that it has always adhered to leverage and Exposure Limits while granting the Margin Trading Facility. However, due to in advertent oversight, the captioned violation had occurred as SMIFS could not make available the requisite funds from the collaborating NBFC. Corrective measures have been taken whereby a Maker Checker mechanism has been devised to ensure compliance.

ii. SMIFS further stated that upon implementation of the corrective measures whereby a Maker-Checker mechanism has been devised to ensure compliance, SMIFS has always adhered to leverage and Exposure Limits while granting the Margin Trading Facility. Further, a detailed calculation of the Exposure Limits being granted to MTF Clients along with the latest Net worth Certificate, is enclosed herewith.

5.12.3. The Committee finds as under:

i. The Committee notes that SMIFS has accepted the violation and attributed that due to inadvertent error, the violation had occurred and SMIFS has taken corrective measures to ensure compliance.

ii. The Committee further notes that as per Exchange circular no. NSE/COMP/48531 dated June 09, 2021, “The maximum allowable exposure shall be within the self-imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his “net worth”.

5.12.4. Given the findings above, the Committee decided to levy monetary penalty Rs.10,000/- (Where the irregularity is up to 20% of the latest net worth – Rs. 10,000/-) for the observed violation in terms of the Sr. No. 41 of Part B of the Schedule I of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, read in line with Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

5.13. **Trading terminals situated at the place of inspection were not operated by approved users/persons**

5.13.1. Upon verification of SMIFS’s location as on August 12, 2024, the Exchange observed that, trading terminals which were situated at the

place of inspection were not operated by approved users/persons in the case of 6 instances as mentioned below:

S. No	MEM SEGMENT	CTCL ID	DC CTCL LOGIN ID	DC CONN MODE	DC APP PER NAM	Dealer which was available at time of inspection	Address	Traded in the day of visit
1	CM	700020001264	Gopal	Other	Mr. Gopal Ghoshal	Mr. Rajesh Kochar	5 Th Floor, Vaibhav Building, 4 Lee Road, Kolkata,700020.	Yes
2	FO	700020001172	Gopal	Other	Mr. Gopal Ghoshal	Mr. Rajesh Kochar	5 Th Floor, Vaibhav Building, 4 Lee Road, Kolkata,700020.	Yes
3	CM	700020001115	Subrata	Other	Mr. Subrata Sushanta Guha	Mr. Gopal Ghoshal	5 Th Floor, Vaibhav Building, 4 Lee Road, Kolkata,700020.	Yes
4	FO	700020001098	Subrata	Other	Mr. Subrata Sushanta Guha	Mr. Gopal Ghoshal	5 Th Floor, Vaibhav Building, 4 Lee Road, Kolkata,700020.	No
5	CM	700020001002	Padma	Other	Mrs. Padma Debi Suran	Operated By Other Than Authorised Person	5 Th Floor, Vaibhav Building, 4 Lee Road, Kolkata,700020.	Yes
6	CM	741126078001	X599	Other	Mrs. Anima Dey	Abani Saha	Bethuadhari, Khidirpur, Madhyaparanadia, Nadia, Kolkata,741126.	Yes

5.13.2. In reply to the LO, SMIFS stated as follows:

i. SMIFS contended that the Trading Terminals of SMIFS situated at the place of inspection were operated by approved users /persons in its usual course of business. However, in case of challenges faced due to weather hazards and/or employee absenteeism, at times to ensure continuity of business and client servicing the alternate arrangements for operation of Trading Terminals were allowed under the supervision of Senior Officials.

5.13.3. The Committee finds as under:

i. The Committee notes that SMIFS has accepted the violation and attributed the same to weather hazards or employee absenteeism, alternative arrangements were made. As per Exchange Circular No. NSE/MEM/3574 dated August 29, 2002, the persons who handle each CTCL terminal of the Trading Member are known as Approved Persons. Necessary prior approval of the Exchange is required to be obtained before any CTCL terminal is entrusted to an Approved Person failing which it shall be treated as a violation. Hence, the violation persists.

5.13.4. Given the findings above, the Committee decided to levy a financial disincentive of Rs. 9,000/- (1500 per terminal * 6 terminals) for the observed violation as per Sr. No.118 of Annexure 1.1 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

5.14. **Terminals observed at the inspection location were not as per the information available with the Exchange**.

5.14.1. Upon verification of terminals in the selected location along with CTCL data uploaded by SMIFS, the Exchange observed that 10 terminals were not found at the inspection location as per the Exchange records. The details of the same are as follows:

S. No	CTCL ID	DC CTCL LOGIN ID	DC APP PER NAM	Address
1	700001007012	X409	Mr. Dilip Kumar Kesari	CSEA Building,3rd Floor,7 Lyons Range,Kolkata,700001
2	700001007012	X409	Mr. Dilip Kumar Kesari	CSEA Building,3rd Floor,7 Lyons Range,Kolkata,700001
3	700001007013	BISWAJIT	Mr. Biswajit Mondal	CSEA Building,3rd Floor,7 Lyons Range,Kolkata,700001
4	700001007013	BISWAJIT	Mr. Biswajit Mondal	CSEA Building,3rd Floor,7 Lyons Range,Kolkata,700 001
5	700001007018	HIRALAL	Mr. HIRA LAL SHAW	CSEA Building,3rd Floor,7 Lyons Range,Kolkata,700001
6	700001007015	HIRALAL	Mr. HIRA LAL SHAW	CSEA Building,3rd Floor,7 Lyons Range,Kolkata,700001
7	700015056001	X897	Mr. Atul Chawla	Flat No. 11d, Block 1,Ekta Oleandar,16, Radhanath Chowdhury Road,Tangra, Kolkata
8	700015056004	DIPANKAR	Mr. Dipankar Das	Flat No. 11d, Block 1,Ekta Oleandar,16, Radhanath Chowdhury Road,Tangra, Kolkata
9	700015056005	X897B	Mr. Atanu Kabasi	Flat No. 11d, Block 1,Ekta Oleandar,16, Radhanath Chowdhury Road,Tangra, Kolkata
10	700015056002	ATUL	Mr. Atul Chawla	Flat No. 11d, Block 1,Ekta Oleandar,16, Radhanath Chowdhury Road,Tangra, Kolkata

5.14.2. In reply to the LO, SMIFS stated as follows:

i. SMIFS's trading terminals are operated from the locations as per the information made available to the Stock Exchange in its usual course of business. However, in case of challenges faced due to weather and/or employee absenteeism, at times to ensure continuity of business and client servicing the alternate arrangements for operation of Trading Terminals are allowed under the supervision of Senior Officials. The same has been discontinued with immediate effect. Upon advice of the Inspecting Officials of the Exchange the MAC reference identification number has been mapped in the Admin Software of the Order Management System to avoid recurrence of such instances, as corrective measures.

5.14.3. The Committee finds as under:

i. The Committee notes that as per the Exchange Circular No. NSE/MEM/1591 dated April 20, 2000, the trading terminal shall be located only in the main/branch offices of the trading member or in the office of the registered sub broker of the trading member.

ii. The Committee further notes the contention of SMIFS that due to weather and/or employee absenteeism, at times operation of Trading Terminals are allowed under the supervision of Senior Officials and the same has been discontinued with immediate effect.

iii. The Committee notes that SMIFS is expected to ensure compliance with the regulatory directives of the Exchange. Hence, violation persists.

5.14.4. Given the findings above, the Committee decided to levy a monetary penalty of Rs. 2,00,000/- (Rs. 1,00,000 per location * 2 locations) for the observed violation in terms of the Sr. No. 53 of Part B of the Schedule I of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, read in line with Exchange Circular No. NSE/INSP/73792 dated April 17, 2026. .

5.15. **Incorrect data submitted towards Risk Based Supervision**

5.15.1. Upon verification of trial balance and the data submitted towards risk-based supervision, the Exchange observed that SMIFS has incorrectly reported data towards RBS as of March 31, 2024, in 1 area as stated below:

DATA UPLOADED IN RBS SUBMISSION 31-03-2024	Data uploaded	NSE computed	Difference
Value of collaterals from the debit balance clients.	1,54,12,63,129.43	20,22,71,005.30	1,33,89,92,124.13

5.15.2. In reply to the LO, SMIFS stated as follows:

i. The data submitted to the Exchange is driven by the back-office software where no manual intervention is caused. The Dealing Officer has been educated on the subject and corrective measures have been suggested to the back-office vendor. SMIFS was guided by the inspection officials of the Exchange to consider the value of security collateral only to the extent of the outstanding debt is guided by reporting the Risked Based Supervision data to the Stock Exchange. Due diligence would be applied while submitting data towards Risk Based Supervision.

5.15.3. The Committee finds as under:

i. The Committee notes that SMIFS accepted the violation and stated that there is no manual intervention in the data submitted to the Exchange and corrective measures have been taken in reporting.

ii. The Committee notes that the errors in reporting material data to the Exchange on account of inadvertent errors are not acceptable. Further, SMIFS is expected to ensure compliance with the regulatory directives of the Exchange. Therefore, violation persists.

5.15.4. Given the findings above, the Committee decided to advise SMIFS for the observed violation as per Sr. No. 162 of Annexure 1.1 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

5.16. **Incorrect data submitted towards weekly monitoring of the client funds**

5.16.1. Upon verification of enhanced data such as Collateral files, Bank statements, Cliental trial balance, segregation files, the Exchange observed that SMIFS has incorrectly reported the data in the weekly monitoring of clients' funds to the Exchange under following 2 areas as mentioned below:

Date	Particulars	NSE computed	TM reported	Difference
05-01-2024	MC (Margin of clients having credit balance)	29,04,03,037.96	30,01,80,192.60	-97,77,154.6
05-01-2024	MF (Free/unblocked collateral with CC/CM)	4,05,16,23,580.70	3,95,08,66,805.79	10,07,56,774.91

5.16.2. In reply to the LO, SMIFS stated as follows:

i. The MC (Margin of Clients having Credit Balance) is derived from Back office Software of SMIFS, whereby the closing prices are randomly selected from the Database Tables of NSE and/or BSE. Further the Valuation of the Re-Pledged Stock is also subjected to such differential valuation due to differences of prices of NSE and/or BSE. It is further submitted that the applicable Haircut, as mentioned in the Exchange Circular dated December 20, 2023, is considered while valuing the Security Collateral placed by the Clients.

ii. SMIFS has maintained its Books of Records in accordance with the Collateral Valuation for MF (Free/ Unblocked Collateral with CC/CM) provided by its erstwhile Clearing Member – ICICI Bank Limited who provided 2 Reports in respect of the Security Collateral Valuation, namely Margin Movement Report and Securities Collateral Report. It had been explained to the Inspection Officials of the Exchange that the Security Collateral Value provided in the Margin Movement Report by ICICI Bank Limited was provisional in nature which was later corrected by a separate report by ICICI Bank Limited in its Securities Collateral Report for the same day. The calculations computed by the back-office software were uploaded to the Exchange on Weekly Basis and no offsite alerts of non-compliances had been received by SMIFS. The data submitted towards the weekly monitoring of client funds was on the favourable side of the Risk Management Doctrine.

5.16.3. The Committee finds as under:

i. The Committee notes the contention of SMIFS that in the case of MC (Margin of Clients having Credit Balance), it is derived from back-office software of SMIFS, whereby the closing prices are randomly selected from the database tables of NSE and/or BSE. SMIFS had reported the MC (Margin of clients having credit balance) as Rs. 30,01,80,193/- and the value of MC in the working provided by SMIFS is Rs. 30,05,53,352/- . The Committee observes that SMIFS has done incorrect reporting, hence the violation persists.

ii. The Committee further notes that SMIFS has stated that there were two reports received from CM, and SMIFS had reported data as per back-office software. SMIFS further stated that it has reported the data favorable to doctrine of risk management. The Committee notes that the incorrect reporting to the Exchange for whatsoever reason is not permissible. Hence, the violation persists.

5.16.4. Given the findings mentioned above, the Committee decided to advice SMIFS for non-recurrence of the observed violation.

DECISION

6. In view of the above, the Committee levies the following penalties as indicated against each of the violations mentioned below:

Sr. No.	Committee's Findings based on SMIFS's submission	Prescribed Penalty as per Exchange Circular No. NSE/INSP/53530, dated September 02, 2022, and NSE/INSP/73792 dated April 17, 2026	Monetary Penalty/ Material/Financial Disincentive	Penalty levied post-considering SMIFS's submissions and the Committee's findings
1.	SMIFS has made pay-outs of funds to the clients in excess of their available balance in 101 instances involving Rs.4,91,40,43,462/-.	Rs. 25,000/-	Monetary Penalty	Rs. 25,000/-
2.	SMIFS has not maintained the payout request received from the clients for part payment of credit balance clients in 408 instances out of 1359 amounting to Rs. 21,29,71,60,356 /-.	Warning	-	Warning
3.	Non permissible transfer of funds between the bank accounts of SMIFS.	Letter of Deficiency + Advice	-	Letter of Deficiency + Advice
4.	There was improper maintenance of bank book and client ledger in the case of 57 instances and 601 instances respectively as on multiple dates.	Rs. 10,000/- for per book for improper maintenance of bank book Rs. 25,000/- for improper maintenance of Client ledger	Financial Disincentive	Rs. 35,000/-
5.	SMIFS has delayed issuance of Daily Margin Statement to the clients.	Delay is more than 1 day-Rs. 5,000/- per unique trading day of delay with maximum capping of Rs. 1 lakh Delay is more than 1 day-Rs. 5,000/- per unique trading day of	Financial Disincentive	Rs. 35,000/-

Sr. No.	Committee's Findings based on SMIFS's submission	Prescribed Penalty as per Exchange Circular No. NSE/INSP/53530, dated September 02, 2022, and NSE/INSP/73792 dated April 17, 2026	Monetary Penalty/ Material/Financial Disincentive	Penalty levied post-considering SMIFS's submissions and the Committee's findings
		delay with maximum capping of Rs. 1 lakh		
6.	Unauthorised trades executed by SMIFS since pre-order placement evidence is not maintained or not provided in the case of 24 instances as on July 30, 2024, July 31, 2024, and August 01, 2024.	Rs. 25,000/- and direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days	Monetary penalty	Rs. 25,000 and direction/-
7.	SMIFS has not adhered with the guidelines prescribed in circular NSE/INSP/43824 while offering referral schemes	Advice	-	Advice to adhere to Exchange guidelines on referral scheme
8.	SMIFS has not undertaken inspection of branches/Registered Authorised Persons (APs) diligently in 4 instances as on February 01, 2024, January 29, 2024, October 31, 2023, and November 16, 2023	Warning	-	Warning
9.	The Branch/AP of SMIFS has dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange in the case of 2 instances.	Advise + direction to close the account within 15 days	-	Advise + direction to close the account within 15 days
10.	SMIFS has not provided margin trading facility in accordance with prescribed guidelines w.r.t:- source of funds in the case of 10 instances amounting to Rs. 87,88,27,242/-.	Letter of Deficiency + Advice	-	Letter of Deficiency + Advice

Sr. No.	Committee's Findings based on SMIFS's submission	Prescribed Penalty as per Exchange Circular No. NSE/INSP/53530, dated September 02, 2022, and NSE/INSP/73792 dated April 17, 2026	Monetary Penalty/ Material/Financial Disincentive	Penalty levied post-considering SMIFS's submissions and the Committee's findings
11.	SMIFS has not collected adequate margin in the form of cash, cash equivalent or Group I equity shares, with appropriate haircut in case of 04 instances on July 03, 2023, amounting to Rs. 2,79,10,945 /-.	2% of inadequate margin amount	Monetary penalty	Rs. 75,717/- (2% of Rs. 3,78,000/-)
12.	SMIFS has not adhered to leverage and Exposure Limits while granting the Margin trading facility in the case of 01 instance on January 08, 2024, amounting to Rs. 1,13,32,192/-.	Where the irregularity is up to 20% of the latest net worth – Rs. 10,000/-	Monetary penalty	Rs. 10,000/-
13.	Trading terminals situated at the place of inspection were not operated by approved users/persons in the case of 06 instances.	Rs. 1,500/- per terminal	Financial Disincentive	Rs. 9,000/- (Rs.1,500*6)
14.	10 Terminals observed at the inspection location were not as per the information available with the Exchange.	Rs. 1,00,000 per location	Monetary penalty	Rs. 2,00,000/- (Rs. 1,00,000 per location * 2 locations)
15.	SMIFS has submitted ncorrect data towards Risk Based Supervision ("RBS") as of March 31, 2024.	Advise	-	Advise
16.	SMIFS has submitted incorrect data towards the weekly monitoring of client funds in following 2 areas as of January 5, 2024: i)MC(Margin of clients having credit balance) amounting to Rs. 97,77,155/ ii)MF (Free/unblocked collateral with CC/CM) amounting to Rs. 10,07,56,775/-	Advise	-	Advise

Sr. No.	Committee's Findings based on SMIFS's submission	Prescribed Penalty as per Exchange Circular No. NSE/INSP/53530, dated September 02, 2022, and NSE/INSP/73792 dated April 17, 2026	Monetary Penalty/ Material/Financial Disincentive	Penalty levied post-considering SMIFS's submissions and the Committee's findings
Total				**Rs. 4,14,717/-**

7. SMIFS is directed as under: -

   a. To pay a monetary penalty of Rs. 3,35,717/- (Rupees Three Lakhs Thirty-Five Thousand Seven Hundred Seventeen Only) and financial disincentive of Rs.79,000/- (Rupees Seventy-Nine Thousand Only).

   b. To note the non-monetary penalties mentioned above and ensure non-recurrence of the observed violations.

Sd/-	Sd/-	Sd/-
Abhilasha Kumari	Essaji Vahanvati	Ashishkumar Chauhan
(Committee Member)	(Committee Member)	(Committee Member)

Date: May 20, 2026