

ANNEXURE 1

**Member and Core Settlement Guarantee Fund Committee
("MCSGFC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
held on May 8, 2023**

In the matter of the Trading Member M/s. Globe Capital Market Limited

CORAM:

Ms Mona Bhide	- Chairperson
Mr K Narasimha Murthy	- Committee Member
Mr Ranganayakulu Jagarlamudi	- Committee Member
Mr S Ravindran	- Committee Member
Mr Ashishkumar Chauhan	- Committee Member

ALSO PRESENT:

Ms Priya Subbaraman	- Chief Regulatory Officer
Dr Dinesh Kumar Soni	- Senior Vice President – Regulatory
Ms Renu Bhandari	- Vice President – Inspection
Mr Shailesh Adukia	- Vice President – Enforcement
Mr Janardhan Gujran	- Vice President – Enforcement

BACKGROUND

1. **M/s Globe Capital Market Limited ("Globe")** is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**") segment since November 1994, Futures & Options ("**F&O**") segment since June 2000 and Currency Derivatives ("**CD**") segment since August 2008.
2. The Securities and Exchange Board of India ("**SEBI**") along with other stock exchanges and depositories conducted a comprehensive joint inspection of the books and records of Globe covering the period April 1, 2020, to January 31, 2022, in February 2022 and March 2022. Post-inspection, SEBI issued a letter of findings ("**LoF**") dated June 13, 2022, to Globe. Globe, vide its letters/email dated July 8, 2022, January 2, 2023, and May 10, 2023, replied to the LoF.
3. In the 36th Joint Committee Meeting held on March 21, 2023, SEBI decided to allocate the case to the Exchange for post-inspection enforcement action in accordance with the provisions of the Rules, Byelaws, and Regulations of the Exchange. Accordingly,

SEBI, vide its letter dated March 24, 2023, communicated the decision to the Exchange.

4. The Exchange, vide its email dated March 28, 2023, informed Globe regarding the case allocation.

INSPECTION OBSERVATIONS/VIOLATIONS

5. The observations/violations alleged in the LoF are summarized hereunder:
 - 5.1 Misuse of clients' funds to the extent of Rs.72.71 crores, Rs.56.44 crores and Rs.21.80 crores as of September 1, 2020, September 7, 2020, and September 16, 2020, respectively, thereby violating Principle 3 of Enhanced Supervision of Stockbrokers
 - 5.2 Non-settlement of clients' funds in 861 out of 332288 instances selected for sample scrutiny (0.25 % of instances verified) involving Rs.76.00 crores
 - 5.3 Incorrect data submitted in the weekly holding statement in 1088 instances involving 6.42 crores quantity shares as of December 31, 2021
 - 5.4 Discrepancy in computation of net worth as of March 31, 2021
 - 5.5 Incorrect data reported in the monthly monitoring of clients' funds
 - a. Mismatch in mobile numbers of 600 clients reported in monthly enhanced supervision and the UCC database
 - b. Mismatch in e-mail ids of 759 clients reported in monthly enhanced supervision and the UCC database
 - 5.6 Incorrect data submission in risk-based supervision for period ended March 31, 2021
 - 5.7 Observation pertaining to Surveillance alerts
 - a. Globe failed to transfer securities to the demat account of the respective clients within one working day where payment has been made by clients
 - b. Globe failed to close 35 transaction alerts generated on Exchange E-Boss portal
 - 5.8 Non-collection of adequate margins in the form of cash, cash equivalent, or Group I equity shares with appropriate hair cut in 19 clients of 19 instances out of 20 instances of 20 clients selected for sample scrutiny (95% of the instances verified) involving Rs.24.07 crores.
 - 5.9 Incorrect data reported in the weekly bank account balances in 21 bank accounts

involving Rs.399.68 crores

- 5.10 Engagement as a principal in a business other than securities involving personal financial liability, viz. loan extended to 1 group company i.e., Globe Fincap Limited to the extent of Rs.200.00 crores. Globe has also given corporate guarantee of Rs.42.50 crores on behalf of Globe Fincap Limited and charged commission on the same.
- 5.11 Observation pertaining to client registration process in 177 out of 139158 instances

REGULATORY PROVISIONS

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

6.1. **Misuse of clients' funds**

- a. Regulation 4.5.3 (e) of NSEIL Regulations (CM and F&O Segments)

No Trading Member or person associated with a Trading Member shall make improper use of the constituent's securities or funds.

- b. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

3.3 *Based on the aforesaid information submitted by the stockbroker, Stock Exchanges shall put in place a mechanism for monitoring of clients' funds lying with the stockbrokers on the principles enumerated below:*

3.3.3. *Funds of credit balance clients used for margin obligations of debit balance clients and proprietary trading:*

Principle

The clients' funds lying with the clearing Corporation/Clearing Member should be less than or equal to sum of credit clients' margin obligations (MC) and free collateral deposits available with the Clearing Corporation/Clearing Member (MF)

If value of 'G' is positive then, $J = (C - A) - (MC + MF)$

6.2. Non-settlement of clients' funds

- a. Exchange Circular No. NSE/INSP/13606, dated December 03, 2009

The actual settlement of funds and securities shall be done by the broker at least once in a calendar quarter or month, depending on the preference of the client.

While settling the account, the broker shall send the client a statement of accounts containing an extract from the client ledger for funds and an extract from the Register of Securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the pledge details if any.

- b. Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

5.4. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM within next three working days irrespective of the date when the running account was previously settled.

6.3. Incorrect data submitted in the weekly holding statement

- a. Exchange Circular No. NSE/INSP/39855 dated January 3, 2019

All Members were advised to comply with the requirement and upload the holding statement data electronically for all calendar days of the reporting week on or before the next four trading days of the subsequent week through the Inspection module in the Member portal. The procedure for submission of the data was given in Annexure-1 of this circular.

- b. Exchange Circular No. NSE/INSP/46960 dated January 8, 2021

Exchange has provided certain additional clarifications in the revised format of cash & cash equivalent Balances and Holding Statement enclosed as Annexure-A and Annexure-B of this circular.

Members will have to submit the data for all calendar days of the week except Sunday on or before the next four trading days of subsequent week.

6.4. Discrepancy in computation of net worth

Exchange Circular No. NSE/COMP/47873 dated April 1, 2021

Net worth Requirement & Method of Computation

Trading Members/Clearing Members of the Exchange/NCL are required to maintain net worth as prescribed by the Exchange at all points in time as per the continuing membership norms of the Exchange.

Method of computation applicable is Dr L. C. Gupta as prescribed by Schedule VI of Securities and Exchange Board of India (Stock Brokers) (Second Amendment) Regulations, 2013.

Schedule VI of Securities and Exchange Board of India (Stockbrokers) (Second Amendment) Regulations, 2013

The stockbroker shall have such net worth and shall deposit with the stock exchange such sum as may be specified by the Board/Stock Exchange for the relevant segment from time to time.

Explanation.- For the purposes of this Schedule, 'net worth' shall mean paid-up capital, free reserves and other securities approved by the Board from time to time but shall not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, doubtful debts and advances (debts or advances overdue for more than three months or debts or advances given to the associate persons of the member), prepaid expenses, losses, intangible assets and 30% value of marketable securities.

6.5. Incorrect data reported in the monthly monitoring of clients' funds

a. Exchange Circular No. NSE/INVG/21841 dated October 4, 2012

All Trading members are requested to review the details of the clients uploaded on UCI Online pertaining to their mobile number and / or email address and update the same wherever necessary.

Trading Members are hereby requested to take utmost care while uploading client details including mobile number and email address on UCI - ONLINE.

b. Exchange Circular No. NSE/INSP/32471 dated May 31, 2016

Separate mobile number/E-mail address shall be uploaded for each client. The stockbroker may, at the specific written request from client, upload the same mobile number/E-mail address of one of the client's family members.

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

In cases where investors do not have mobile number/email id, member shall obtain a declaration from the client to this effect and report the same in UCI online by entering 'notprovided@notprovided.com' in the email field and '6666666666' in the mobile number field.

6.6. Incorrect data reported in risk-based supervision

Exchange Circular No. NSE/INSP/47935 dated April 07, 2021

Members are requested to submit the Information / data towards the Risk Based Assessment for the period April 01, 2020–March 31, 2021, to the Exchange. The particulars of such information / data sought in this regard is enclosed as Annexure-A and the same has to be submitted to the Exchange electronically through the Inspection module in the Member portal latest by May 31, 2021.

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/cleared even a single trade during the aforementioned period i.e. April 01, 2020–March 31, 2021). 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.

6.7. Observation pertaining to Surveillance alerts

a. BSE Notice No. 20130220-23 dated February 20, 2013

The trading members of the Exchange are hereby informed that in order to facilitate effective surveillance mechanisms at the Member level, the Exchange has derived following transactional alerts that would be downloaded to the trading members. This will facilitate the trading members to effectively monitor the trading activity of their clients.

List of Transactional Alerts provided by BSE in Beta Version:

Sr. No.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash

4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales of Trades	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

b. BSE Notice No. 20130307-21 dated March 7, 2013

This is in continuation to Exchange notice no. 20130220-23 dated February 20, 2013, informing trading members regarding release of Beta Version of e-BOSS (Member Surveillance System) for downloading the following Transactional Alerts to the trading members of the Exchange.

The trading members are hereby further informed that the aforementioned transactional alerts are indicative in nature and the trading members can derive their own alerts in addition to the said transactional alerts as per their surveillance policy.

Trading Members are required to carry out the Due Diligence of its client(s) on a continuous basis. Further, Trading Members shall ensure that key KYC parameters are updated on a continuous basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. Based on this information the Trading Member shall establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

Analysis:

In order to analyse the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, the Trading Members are required to:

- a. *Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.*

- b. *Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself.*
 - i. *In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of securities, demat account statements of the Client(s)/Group of Client(s) from which securities pay-in has been met, to be sought.*
 - ii. *The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.*
- c. *After analysing the documentary evidence, the Trading Member shall record its observations for such identified transactions or Client(s)/Group of Client(s). In case adverse observations are recorded, the Trading Member shall report all such instances to the Exchange within 45 days of the alert generation. The Trading Member may seek extension of the time period from the Exchange, wherever required.*

6.8. Non-collection of adequate margins in the form of cash, cash equivalent, or Group I equity shares with appropriate hair cut

Exchange Circular No. NSE/COM/35125 dated June 15, 2017

1. *The initial margin payable by the client to the stockbroker shall be in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut as specified in SEBI Master circular no. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016.*
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 shortfall, stockbroker shall make necessary margin calls.*
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. Stockbrokers shall have appropriate Board approved policy in this regard.*

6.9. **Incorrect data reported in the weekly bank account balances**

Exchange Circular No. NSE/INSP/43926 dated March 23, 2020

Member's attention is drawn to Exchange circular NSE/INSP/43486 dated February 10, 2020, regarding proposed submission of the following data /details:

1.
2. *Day-wise upload of bank balances (as per the bank statement) of all bank accounts on a weekly basis for all the calendar days of that week except Sunday (i.e. Monday to Saturday)*

The aforesaid data / details shall be required to be submitted on or before the next four trading days of subsequent week.

6.10. **Engagement as a principal in a business other than securities involving personal financial liability**

- a. Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957

8. *The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:*

(3) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if

(f) he engages either as principal or employee in any business other than that of securities [or commodity derivatives] except as a broker or agent not involving any personal financial liability.

- b. Rule (5) (b) of Chapter III of the Rules of NSEIL

(5) No person shall be admitted as a trading member of the Exchange if such proposed member:

(b) is an individual who is engaged as a principal or employer in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such

business;

- c. SEBI Circular No. SMD/POLICY/CIR-6/97 dated May 7, 1997

It has been opined that borrowing and lending of funds, by a trading member, in connection with or incidental to or consequential upon the securities business, would not be disqualified under Rule 8(1)(f) and 8(3)(f).

- d. Exchange Circular No. NSE/COMP/50957 dated January 7, 2022

Members are not permitted to engage in any business or activities or transactions, directly or indirectly, other than that of securities or commodity derivative except as a broker or agent not involving any personal financial liability.

In consultation with SEBI and other Stock Exchanges, the illustrative list of activities that are construed as non-compliance to Rule 8(1)(f) and 8(3)(f) of SCRR, if undertaken by a member are provided as below:

- 1. Issuing Corporate Guarantees towards credit facilities availed by any entity, including group companies such as subsidiaries & associates etc. of the Member, not in connection with or incidental to or consequential upon securities / commodity derivatives business, as applicable.*
- 9. Entering into any arrangement for extending loans or giving deposits/advances to any entity, including group companies such as subsidiaries & associates etc. not in connection with or incidental to or consequential upon the securities/commodity derivatives business*
- 10. Investments made in group companies such as subsidiaries & associates etc., not in connection with or incidental to or consequential upon the securities/ commodity derivatives business. (Ex: Investment in companies engaged in other businesses such as NBFC, Real Estate etc.)*

6.11. Observation pertaining to client registration process

- a. Exchange Circular No. NSE/INSP/19654 dated December 26, 2011

After doing the initial KYC of the new clients, the intermediary shall forthwith upload the KYC information on the system of the KRA and send the KYC documents, i.e. KYC application form and supporting documents of the

clients, to the KRA within 10 working days from the date of execution of documents by the client and maintain the proof of dispatch.

b. Exchange Circular No. NSE/INSP/23113 dated May 22, 2013

The intermediary shall perform the initial KYC / due diligence of the client, shall upload the KYC information with proper authentication in the system of KRA, furnish the scanned images of the KYC documents to the KRA and retain the physical KYC documents.

PREVIOUS MCSGFC PROCEEDINGS

April 21, 2023

The Exchange, vide its email dated April 17, 2023, granted Globe with an opportunity of a personal hearing. Mr. Gautam Gupta – Compliance Officer and Mr. Rajiv Mehta – Compliance Officer, on behalf of Globe, appeared for the personal hearing and sought an adjournment due to non-availability of its director. The Committee acceded to the request of Globe for an adjournment.

PRESENT PROCEEDINGS BEFORE MCSGFC

The Exchange, vide its email dated May 5, 2023, granted Globe with an opportunity for a personal hearing before the Committee. Mr. Yashpal Mendiratta - Designated Director and Mr. Rajiv Mehta – Compliance Officer, on behalf of Globe, appeared for the personal hearing and made the following oral submissions before the Committee:

a. Misuse of clients' funds

Globe reiterated its written submissions dated July 8, 2022, and January 2, 2023.

b. Non-settlement of clients' funds

In 45 instances of foreign portfolio investors/non-resident Indian clients involving Rs.16.57 crores, the same are not required to be settled as per Exchange Circular.

In 45 instances of inactive clients involving Rs.57 crores, the funds were not released on account of order received from Enforcement Directorate. However, Globe kept the amount of Rs.57 crores in separate bank account. It provided the bank account statement for reference.

c. Incorrect data uploaded in the weekly holding statement

Globe reiterated its written submissions dated July 8, 2022, and January 2, 2023.

CONSIDERATION & FINDINGS

7. The observations/violations, the reply of the Globe and the findings of the Committee are as under:

7.1. Misuse of clients' funds

- 7.1.1 Upon verification of the data submitted by Globe under the Enhanced Supervision of Stockbrokers for all trading days in September 2020 and March 2021 vis-à-vis trial balance, bank statements, bank books, client ledgers, and records of the Exchange/Clearing Corporation/Clearing Member relating to margin requirements and collaterals maintained by Globe, it is observed that Globe misused the clients' funds as under:

Funds of credit balance clients were used to meet the margin obligations of debit balance clients and proprietary trading to extent of Rs.72.71 crores, Rs.56.44 crores and Rs.21.81 crores as of September 1, 2020, September 7, 2020, and September 16, 2020, respectively, thereby violating Principle 3 of Enhanced Supervision of Stockbrokers.

- 7.1.2 In reply to the LoF, Globe submitted as under:

- a. The value of "J" became positive for the said 3 (three) dates due to following reasons which are as under:
- i. The amount given in MF column i.e., unutilised collateral lying with the Clearing Corporation were understated than actual amount.
 - ii. Non-consideration of client and proprietary stock collaterals (after Var) lying with the NCL on the said given dates under the old margining mechanism.

After considering the above-mentioned values there is no violation.

- b. The date-wise explanation to the observed instances is as under:

September 1, 2020

- c. The value of unutilised collateral lying with the Clearing Corporation (i.e., value of MF as per Exchange records) should be Rs.1548 crores approximately and as per inspection report it is Rs.978 crores approximately resulting in difference of Rs.570 crores.

- d. The client stock and proprietary stock collaterals involving Rs.640 crores (after Var) were lying with the NCL under old margining mechanism. It has provided the list of securities along with proof of pledge i.e. DP statement. These securities were not considered while computing the value of MF, moreover, Clearing Corporation had stopped giving the benefit against the same w.e.f. September 1, 2020, onwards. Further, this value of securities pledged with the Clearing Corporation was also reported in its weekly submission to the Exchange. It has provided the file submitted for the week ended September 5, 2020, for reference.

September 7, 2020

- e. The value of unutilised collateral lying with the Clearing Corporation (i.e., value of MF as per Exchange records) should be Rs.1363 crores approximately and as per the inspection record it is Rs.920 crores approximately resulting in difference of Rs.443 crores.
- f. The client stock and proprietary stock collaterals involving Rs.35.91 crores (after Var) were lying with the NCL under old margining mechanism. It has provided the list of securities along with proof of pledge i.e., DP statement. These securities were not considered while computing the value of MF, moreover, Clearing Corporation had stopped giving the benefit against the same w.e.f. September 1, 2020, onwards. Further, this value of securities pledged with the Clearing Corporation was also reported in its weekly submission to the Exchange. It has provided the file submitted for the week ended September 12, 2020, for reference.

September 16, 2020

- g. The value of unutilised collateral lying with the Clearing Corporation (i.e. value of MF as per Exchange records) should be Rs.1038 crores approximately and as per the inspection record it is Rs.689 crores approximately resulting in difference of Rs.349 crores.
- h. The client stock and proprietary stock collaterals involving Rs.29.92 crores (after Var) were lying with the NCL under old margining mechanism. It provided the list of securities along with proof of pledge i.e. DP statement. These securities were not considered while computing the value of MF, moreover, Clearing Corporation had stopped giving the benefit against the same w.e.f. September 1, 2020, onwards. Further, this value of securities pledged with the Clearing Corporation was also reported in its weekly submission to

the Exchange. It provided the file submitted for the week ended September 19, 2020, for reference.

- i. The challenges were experienced by all the stakeholders with introduction of new pledge/re-pledge Margining Mechanism. SEBI vide its circular dated September 1, 2020, introduced a new margining system through Pledge/Re-pledge of securities instead of existing collateral based margining system, wherein stock is transferred to broker account by the client to broker collateral accounts and broker in turn transfer the same to Clearing Corporation custodial accounts and then pledge the same in favour of Clearing Corporation.
- j. During the month of August 2020, all the brokers, depositories and clearing corporation along with its back-office software vendors were busy in updating the back-office software and front-end system systems to accommodate with these changes. In spite of the best efforts of all the stakeholders, stock lying with the Clearing Corporation under old mechanism could not be moved to new system i.e. pledge and re-pledge system. The Clearing Corporation stopped giving benefit of value of securities lying/pledge with them under old margining/ margin collection system from September 1, 2020. Further, the Exchange had relaxed the penalty norms vide its Circular no. NCL/CMPL/45586 dated September 3, 2020, mentioning that no penalty will be levied for 15 days, in case of shortfall in margin collection by the brokers from the clients as new margin system i.e., pledge/re-pledge procedure are yet to be fully familiarized. Further, the brokers/Clearing Corporation are releasing the securities held by them in old margining system on piecemeal basis. Due to this shifting of securities lying under old margining system to new margining system had taken entire month of September 2020.
- k. Also, due to covid pandemic and lockdown, the staff was working from home. The system was new and the process of shifting the securities collateral from the old system to the new system was extremely voluminous, tedious and time consuming. The observed instances pertain to this period of September 2020.
- l. It did not mis-utilized funds of credit balance clients towards margin obligation of debit balance clients and proprietary margin obligation on said three days and at all the time it had sufficient owned funds with Clearing Corporation against obligation. Globe also had free pledge collateral of Rs.95.34 crores, Rs.66.82 crores and Rs.55.34 crores for the trade dates September 1, 2020, September 7, 2020, and September 16, 2020, respectively lying in its depository account on given dates, but Globe could not pledge the same under new

mechanism as there was heavy turbulence in all the stakeholder system.

- m. The value of non-cash collaterals, pledged by Globe with NSE Clearing Limited, was not fully reflected in the margin file (MG11) provided by Clearing Corporation. Therefore, it considered the value of pledged non-cash collaterals from NSE Clearing Limited file i.e. SEC Pledge file, which were pledged with Clearing Corporation. Globe considered the value of cash collaterals, pledged with Clearing Corporation and margin utilized, from margin files (MG11) and (MG01) and respective Exchange files. After considering correct figure of non-cash collaterals pledged with NSE Clearing Limited, the value of total free collateral will be Rs.1009.38 crores instead of Rs.689 crores.
- n. Out of the total credit balance of clients considered by inspection team, an amount of Rs.17.37 crores credit balance pertains to its group entities i.e. wholly owned subsidiary of Globe. The details are as under –

(Rs. in crores)

Code	Entity Name	Amount
DIMASS	Globe Commodities Limited	2.97
GDSL	Globe Derivatives and Securities Limited	14.26
G	Globe Fincap Ltd	0.18
TOTAL		17.37

- o. Globe has a free pledgable proprietary non-cash collateral valued as Rs.55.34 crores lying in its depository account. Globe was not able to pledge the same under new mechanism due to heavy turbulence in all the stakeholder system as explained by Exchange vide Circular No. NCL/CMPL/45586 dated September 3, 2020. Hence, if the said securities are pledged with the Clearing Corporation, the value of “J” will automatically become negative.

7.1.3 The Committee finds as under:

September 1 and September 7, 2020

- a. Globe contended that collateral lying with Clearing Corporation under the old margining mechanism could not be moved to new system i.e. pledge-repledge system as the system of pledge-repledge was on early stage of implementation. Further, Clearing Corporation vide their circular NCL/CMPL/45586 dated September 3, 2020, it is stated that,

“Consequent to the implementation of new framework of acceptance of securities as margin by way of pledge / re-pledge mechanism through the depository system, based on the feedback received from the members effective September 1, 2020, there has been a system congestion due to large number of client securities being pledged in TMs/ CMs/ CCs systems. This has restricted the ability of the members to comply with the requirements of collection of margins.

In view of the same, it has been decided to not levy penalty for client margin short/non collection and reporting in Cash and Derivatives segments. This provision shall be applicable for a period of 15 days i.e. from September 1, 2020 to September 15,2020 to facilitate a smooth transition for members to the new system.”

- b. Accordingly, in view of the above-mentioned Circular regarding relaxation for margin collection, the benefit of the same can be extended for both the dates viz., September 1, 2020, and September 7, 2020. Hence, it is observed that Globe has not misused the clients' funds. Globe's contention is acceptable, and no violation persists.

September 16, 2020

Globe contended that value of unutilised collaterals lying with all the Exchanges/ Clearing Corporations were not considered by the inspection team. Upon verification of the working file and documents provided by the Globe, it is observed as under:

- a. With respect to free collaterals lying with BSE and MSEI to the tune of Rs.12.95 crores and Rs.2.44 crores respectively - Upon verification of collateral reports, it was observed that Globe's contention is correct. Hence, benefit for the same can be extended.
- b. With respect to free collaterals lying with NCDEX to the tune of Rs.22.57 crores were considered as against Rs.24.12 crores available - Upon verification of collateral reports, it was observed that Globe's claim is correct. Hence, benefit for the same can be extended.
- c. Free collaterals lying with NSE to the tune of Rs.471.10 crores were considered as against Rs.875.87 crores available. Upon verification of collateral reports, it was observed that the difference was on account of the following:
- i. Free collateral in NSE CDS segment - Globe additionally contended the value of non-cash collateral of Rs.19.59 crores. However, upon verification of margin file (MG11) provided by

Globe, it is observed that there were no such non-cash capital reflecting in the report. Further, Globe has provided “SEC Pledge” file reflecting value of such securities. However, these securities cannot be considered as collateral in form of securities for margin as the same are not re-pledged to Clearing Corporation/Clearing Member. Accordingly, total collateral as per “SEC Pledge” file cannot be considered for the calculation of unutilised collateral also. Hence, Globe’s contention of considering non-repledged securities as free collateral is not acceptable and violation persists.

- ii. Free collateral in NSE FO segment - Globe additionally claimed the value of non-cash collateral of Rs.1322.83 crores which resulted in reflecting excess collaterals in Globe’s working for NSE FO margin. However, upon verification of margin file (MG11) provided by Globe, it was observed that non-cash collateral to the tune of Rs. 47.61 crores were reflecting in the report. The details are as under:

(Rs. in crores)

Particulars	Cash Collateral	Non – cash Collaterals	Margin Utilized	Free Collateral
	A	B	C	(A+B-C)
As per Globe’s claim	4540.29	1322.83	5126.22	736.90
As per margin (MG-11) file	4540.29	47.61	5126.22	-538.31

Further, Globe provided “SEC Pledge” file reflecting value of securities to the tune of Rs.1322.83 crores, however, these securities cannot be considered as collateral in form of securities for margin as the same are not re-pledged to clearing corporation/clearing member. Accordingly, total collateral as per “SEC Pledge” file cannot be considered for the calculation of unutilised collateral. Hence, Globe’s contention of considering Rs.736.90 crores as free collateral is not acceptable, and violation persists.

- d. With regards to total credit balance: Globe contended that the Exchange considered an amount of Rs.17.37 crores in credit balance pertaining to its group entities which are wholly owned subsidiary. Since, the said entities are registered as clients in Globe’s and Exchange database, the said funds payable cannot be excluded from creditors while computing availability of client funds. Hence, Globe’s contention is not acceptable, and violation persists.

- e. With respect to free pledgable proprietary non-cash collateral: Globe contended that it has free pledgable proprietary non-cash collateral valued as Rs.55.34 crores for the trade date September 16, 2022, lying in its own depository account. However, Globe was not able to pledge the same under new mechanism.
- f. Considering the above-mentioned, the revised misuse stands as under –

(Rs. in crores)

Sr. No.	Particulars	Amount
1	Misuse of client funds (J) on September 16, 2020	21.81
2	Value of BSE collaterals not considered	(12.95)
3	Value of MSEI collaterals not considered	(2.44)
4	Difference in Collateral available with NCDEX but not considered	(1.55)
	Revised value of Misuse of Client funds (J)	4.87

- g. Globe provided “SEC Pledge” file reflecting value of such securities; however, these securities cannot be considered as collateral in form of securities for margin as the same are not re-pledged to clearing corporation/clearing member. Accordingly, total collateral as per “SEC Pledge” file cannot be considered for the calculation of unutilised collateral also.
- h. Thus, the revised value of misuse of clients’ funds stands to Rs.4.87 crores as of September 16, 2020.
- i. The Committee notes NSE Clearing Limited issued circular NCL/CMPL/45180 dated July 30, 2020 mentioning "The mechanism of pledge / re-pledge issued vide circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 shall be implemented with effect from August 01, 2020. Trading member (TM) / Clearing member (CM) shall endeavour to align their systems and accept client collateral and margin funded stocks by way of creation of pledge / re-pledge in the Depository system. The TM / CM shall also be allowed to accept client securities as collateral by way of title transfer into the Client Collateral Account as per the present system. The system of parallel acceptance of the client securities by way of title transfer shall be available only up to August 31, 2020, and no further extension shall be granted."
- j. After considering above-mentioned circular and Globe’s contention that it could not re-pledge the securities under new mechanism as

there was system related issues during its initial stage of implementation and that, the adequate securities were lying with Globe but could not be re-pledged with Clearing Corporation due to recent change in mechanism, the Committee decided to warn Globe for the observed violation.

7.1.4 Given the findings mentioned above, the Committee decided to warn Globe to ensure non-recurrence of the said observed violation.

7.2. Non-settlement of clients' funds and securities

7.2.1 Upon verification of client ledger balances of clients across Exchanges/Segments and collaterals, cash maintained as margins with Globe against retention of clients' obligation and margin requirement, statements of accounts for funds and securities sent to clients on quarterly basis, it is observed that Globe failed to settle the funds of inactive clients in 861 out of 3,32,288 instances selected for sample scrutiny (0.25% of the total sample instances) involving Rs.76 crores.

7.2.2 In reply to the LoF, Globe submitted as under:

Out of 861 instances, it settled most of the clients. In the remaining 180 instances, it had transferred the funds to separate designated bank account. In 418 cases, account had already been settled. Globe provided the reasons for non-settlement of account as under:

Reasons	Instances
Trading accounts duly settled. Retention statement along with log report are provided for reference.	418
Inactive accounts/Non traceable Clients. Fund transferred to separate bank account.	180
Complete bank account details were not available. Fund transferred after getting new bank details on the mentioned date.	131
Bank details are not correct/changed. Finally transferred to separate bank account.	27
Due to technical glitch in software, settled after one- or two-days delay	27
Clients not having account in same demat depository, Clients are requested to open demat account as the securities are not transferrable inter-depository	25

Foreign Portfolio investors/NRI (Not required to be Settled)	19
Death cases where finally fund transferred in nominee account on or after completion of due diligence	15
Settlement not required, as fresh fund received	10
Matters are sub-judice, fund were transferred in separate bank account.	9
Total	861

Further, Globe stated that it settled all the accounts as per SEBI and Exchange rules and regulations.

7.2.3 The Committee finds as under:

- a. In 418 instances, Globe contended that clients have been settled. Upon sample verification of clients, it is observed that the contention of Globe is found to be correct. Thus, no violation persists in the case of 418 instances.
- b. In 180 instances, Globe contended that these are inactive account and clients were not traceable. However, Globe failed to provide any supporting documents to prove that the efforts were taken to trace the client, to settle its funds and audit trail for such efforts made for tracing such clients viz. email log confirmation log, Banks statement of Escrow account in which funds are kept. In absence of adequate documents, the violation persists.
- c. In 131 instances, Globe contended that complete bank account details of the clients were not available, however, after obtaining the new bank details of the said clients, it transferred the funds to the clients is not acceptable in absence of supporting documents. However, post-inspection compliance does not absolve the Globe from violation already committed. Thus, the violation persists.
- d. In 27 instances, Globe contended that bank details of the clients are incorrect/changed, later it transferred the funds to separate bank account. However, Globe failed to provide any supporting documents viz., bank statement in which the funds are transferred, and communication with clients regarding bank account details. In absence of adequate documents, the violation persists.
- e. In 1 instance, Globe attributed the violation to technical glitch in software due to which client was settled after one or two days. Since, Globe failed to settle the client as on settlement date, the violation persists.

- f. In 25 instances, Globe contended that client did not have account with the depository. However, Globe contention is not acceptable as the observation is pertaining to settlement of funds. Hence, the violation persists.
 - g. In 19 instances, Globe contended that these are Non-Resident Indian clients. Upon sample verification of UCC files, it is observed that Globe mapped these clients in correct category. Hence, no violation persists.
 - h. In 15 instances, Globe contended that these are deceased clients and the same were settled after completion of formalities. However, Globe failed to provide supporting documents viz., death certificate of the clients. Hence, the violation persists.
 - i. In 10 instances, Globe contended that settlement of these clients was not required on account of fresh fund being received from clients. However, Globe failed to provide supporting documents viz., client ledger. Hence, the violation persists.
 - j. In 9 instances, Globe contended that these matters are sub-judice and funds were transferred in separate bank account. However, Globe failed to provide supporting documents. Hence, the violation persists.
 - k. The concept of monthly or quarterly running settlement of clients' accounts by the Trading Member as per client preference is incorporated in Exchange Circular No. NSE/INSP/13606 and NSE/INSP/33276 dated December 3, 2009, and September 26, 2016, respectively, to instil greater transparency and discipline in the dealings between the clients and the stockbrokers. Non-settlement of clients' accounts is prejudicial to the investors' interests. Thus, Globe violated the regulatory provisions mentioned above by failing to settle the clients' accounts.
 - l. The observation/violation stands revised to 50 out of 332288 instances in the last quarter selected for sample scrutiny (0.015% of total sample instances) involving Rs.10.55 crores.
- 7.2.4 Given the findings mentioned above, the Committee decided to advise Globe to ensure non-recurrence of the observed violation in terms of Exchange Circular No. NSE/INSP/36248 dated November 6, 2017.

7.3. Incorrect data submitted in the weekly holding statement

7.3.1 Upon verification of the weekly holding statement submitted by Globe vis-à-vis the demat account holding statement, it is observed that Globe submitted incorrect data in the weekly holding statement in the case of 1,088 instances involving 6.42 crores quantities as of December 31, 2021.

7.3.2 In reply to the LoF, Globe submitted as under:

- a. Due to absence of clear guidelines, Globe have been regularly uploading the holding pertaining to its registered clients only on weekly basis at the Exchange portal.
- b. On being pointed out by the Exchange officials, it is observed that the difference in reporting pertains to holding of Trading Member own securities. After clarification by the Exchange officials, it rectified the reporting from the month of March 2022 and started uploading the holding of registered clients along with holding of Trading Member. It provided details of Trading Members along with ISIN and quantity belonging to them for reference.
- c. Further, Globe had not submitted wrong data in holding statement as it had uploaded the holding for the registered clients only.

7.3.3 The Committee finds as under:

- a. Globe accepted the inspection violations and attributed the incorrect reporting to absence of clear guidelines; it regularly uploaded the holding pertaining to its registered clients only and not own securities. Thus, the violation persists.
- b. As per the Exchange Circular No. NSE/INSP/40743 dated April 12, 2019, the Trading Member must maintain the holding statement and submit client-wise and scrip-wise for all the demat accounts where the Trading Member is holding the client securities including own securities lying in pool, early pay-in account, own/proprietary account, collateral account, Clearing Member, or any other account where such securities are held. Hence, Globe's contention is not acceptable as it was required to report holding of their registered clients as well as of own securities in weekly holding.
- c. As per the Exchange Circular No. NSE/INSP/46960 dated January 8, 2021, has provided certain additional clarifications in the revised format of the holding statement and further reiterated that the Members are required to submit the data for all calendar days of the

week except Sunday on or before the next four trading days of subsequent week. Thus, Globe violated the regulatory provisions mentioned above by incorrectly reporting the data in the weekly holding statement to the Exchange.

7.3.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.1,00,000/- for the observed violation in terms of Exchange Circular No. NSE/INSP/45899 dated September 30, 2020.

7.4. Discrepancy in computation of net worth

7.4.1. Upon verification of the net worth certificate submitted by Globe, as of March 31, 2021, vis-à-vis the trial balance, balance sheet and other data submitted by Globe, it is observed that Globe deducted Rs.34.69 crores on account of doubtful debts and advances more than 3 months, while computing the net worth. Further, it is observed that as per data submitted during the inspection the ageing debtors is Rs.46.02 crores. However, Globe has maintained sufficient net worth as required by the Exchange/SEBI.

7.4.2. In reply to the LoF, Globe submitted as under:

- a. As per our books and records, produced before the Chartered Accountant, the amount calculated by Chartered Accountant was deducted during the computation of net worth.
- b. On the perusal of list of debtors provided by Exchange, Globe found out that in some cases the debtors were having credit balance in separate back-office account.
- c. In spite of considering the amount given by the Exchange officials, the net-worth is still much higher than the required net-worth.

7.4.3. The Committee finds as under:

- a. Globe accepted inspection violation and attributed the violation/observation to deduction of wrong amount in respect of doubtful debt and advances for more than 3 months resulting in difference in net worth.
- b. As per Exchange Circular No. NSE/COMP/47873 dated April 1, 2021, Trading Members are required to compute the net worth as per Dr. L.C. Gupta's net worth computation method. Thus, Globe violated the regulatory provisions mentioned above by incorrectly reporting the net worth.

7.4.4. Considering that the net worth of Globe is above the minimum prescribed net worth, the Committee decided to warn Globe to henceforth compute the net worth strictly as per Dr L.C. Gupta's net worth computation method.

7.5. Incorrect data reported in the monthly monitoring of clients' funds

7.5.1. Upon verification of client wise funds and securities vis-à-vis back-office holding of securities and trial balance, it is observed that Globe reported incorrect data towards monthly monitoring of clients' funds. The details are as under:

- a. Mismatch in mobile numbers of 600 clients reported in monthly enhanced supervision and the UCC database
- b. Mismatch in e-mail ids of 759 clients reported in monthly enhanced supervision and the UCC database

7.5.2. In reply to the LoF, Globe submitted as under:

- a. It always maps only those e-mail ids and mobile numbers which are provided by clients in the KYC and the same are updated simultaneously at Exchange portal. The inspection team had compared the file uploaded by Globe as of December 31, 2020, which is more than one year old, with the client master provided by Globe on February 17, 2022. Further, during this period, wherein the clients had updated the contact, it updated the same in UCC records of the Exchange.
- b. Mismatch in mobile numbers and email ids - After verification of records by Globe with UCC database, it observed that there is no difference between the UCC database and its back-office records. Further, on sample verification of 25 clients, it found that these 25 clients updated the mobile numbers and email ids in its records after December 2020. Due to aforementioned reason, there is difference between UCC database and enhance supervision file uploaded on December 31, 2020. It provided photocopy of client modification form of 25 sample clients for reference.
- c. As on date, there is no difference between the clients' contact details as per its back-office records and UCC database. The difference is due to matching of current data with more than one year old uploaded file under enhance supervision data. It have approximately 1.60 lakhs registered clients, out of which only 600 mobile numbers and 759 email ids have been updated by clients in the span of 1 year.

7.5.3. The Committee finds as under:

Globe contended that it had provided the client master file on February 17, 2022. Upon verification of the records provided by Globe, it is observed that there is no difference between the Exchange UCC database and Globe's back-office records. Hence, the contention of Globe is acceptable, and no violation persists.

7.5.4. Given the findings mentioned above, the Committee decided that no action is warranted against Globe for the observed violation.

7.6. Incorrect data submission in Risk based Supervision

7.6.1. Upon verification of the risk-based supervision data submitted by Globe as of March 31, 2021, vis-à-vis the trial balance, it is observed that Globe submitted incorrect data towards risk-based supervision as under:

- a. Debit Balance of all clients amounting to Rs.7.41 crores
- b. Value of collaterals from the debit balance clients amounting to Rs.512.11 crores

(Rs. in crores)

Particulars	Reported Values	Actual Values as per trial balance	Difference
Debit Balance of all clients	97.67	105.08	7.41 (7 clients)
Value of collaterals from the debit balance clients	*561.20	49.09	512.11 (3465 clients)

**It is observed that Member has included POA stock of debit clients while reporting value of collateral from debit balance clients*

7.6.2. In reply to the LoF, Globe submitted as under:

- a. Debit Balance of all clients - The differences in the debit balances pertain to 7 clients only. These 7 clients have credit balance lying in a separate margin account which was not considered by the inspection team. Hence, if the said amount of credit balances lying in a separate margin account is considered, no difference in the amount will appear while comparing with the figures considered at the time of uploading

of RBS.

- b. Value of collaterals from the debit balance clients - The difference in collaterals, is on account of inadvertent consideration of the value of POA stock while calculating the collateral.

7.6.3. The Committee finds as under:

- a. Debit Balance of all clients - Globe contended that the observed 7 clients have credit balance kept in a separate margin account which was not considered by the inspection team. However, every Member is required to maintained single ledger for single clients. Thus, the contention of Globe is not acceptable, and the violation persists.
- b. Value of collaterals from the debit balance clients - Globe accepted the inspection violation and attributed the difference in collateral to inadvertent consideration of POA stock while calculating value of collateral.
- c. As per Exchange Circular No. NSE/INSP/47935 dated April 07, 2021, Trading Members are requested to submit the information / data towards the Risk Based Assessment for the period April 01, 2020– March 31, 2021, to the Exchange. The particulars of such information / data sought in this regard is enclosed as Annexure-A and the same has to be submitted to the Exchange electronically through the Inspection module in the Member portal latest by May 31, 2021. Thus, Globe violated the regulatory provisions mentioned above by reporting incorrect data towards risk-based supervision.

7.6.4. Given the findings mentioned above, the Committee decided to warn Globe to ensure non-recurrence of the said observed violation.

7.7. Observation pertaining to Surveillance alerts

7.7.1. Upon verification of Client Unpaid Securities Account (CUSA) as of January 31, 2022, it is observed that Globe failed to transfer securities to the demat account of the respective clients within one working day where payment has been made by clients. Further, Globe failed to close 35 transaction alerts generated on Exchange E-Boss portal.

7.7.2. In reply to the LoF, Globe submitted as under:

- a. With regards to transfer of securities, Globe transferred the securities in client unpaid securities account CUSA account only due to non-payment of the pay-in by the clients where the securities can be kept for 5 working days.

- b. The Exchange Circular No. NSE/INSP/42229 dated September 27, 2019, regarding handling of client securities. As per the Circular, it is stated that in case of part payment, Trading Member can retain full securities till 5 days and, Trading Members are allowed to treat the securities lying CUSA account as collateral against margin.
- c. With regards to failure to close 35 transaction alerts - During the inspection period, Globe received total 5,064 transaction alerts on E-Boss platform. Globe uploaded the same in its back office PMLA software named Trackwiz (TSS Consultancy Private Limited) and it is in the process of closing all the alerts after due diligence and procedures. The observed 35 alerts are closed in its back office PMLA software but due to oversight or human error the same were not closed on E-boss portal. The alerts are only 0.7% of total alerts generated on E-Boss alerts.

7.7.3. The Committee finds as under:

Since, the Exchange has initiated separate offsite inspections for the observed violation, the same shall be dealt in separate order.

- 7.7.4. Given the findings mentioned above, the Committee decided no action is warranted against the observed violation.

7.8. **Non-collection of adequate margins in the form of cash, cash equivalent, or Group I equity shares with appropriate hair cut**

7.8.1. Upon verification of clients' ledgers for margin collection, register of securities, transaction statement of constituent beneficiary account, it is observed that Globe failed to collect adequate margins in the form of cash, cash equivalent, or group I equity shares with appropriate hair cut in the case of 19 instances belongs to 19 clients out of 20 instances of 20 clients selected for sample scrutiny (95% of the total sample instances) involving Rs.24.07 crores.

7.8.2. In reply to the LoF, Globe submitted as under:

- a. It collected adequate margin from all the observed clients. In the observed instances, the funded stock is compared with the collateral lying in the account with collateral securities available and not with the debit balance in the account on the observed dates. Due to fungibility of fund, the fund given at the time of start of the margin trading account, reduced the debit balance in the account due to purchase of funded stock. It provided the detailed calculations of the funded stock and resultant surplus fund and securities have been done.

- b. Furthermore, Globe had sufficient collateral in all the accounts except in two cases where the total value of shortage was approximately Rs.8 lakhs. In these two cases, clients are maintaining sufficient funds and securities in the non MTF accounts. If the value of such funds and securities in non MTF account is considered, then the clients have surplus fund and securities in the non MTF accounts vis-à-vis the shortage in MTF accounts. It provided the details of value of funds and collaterals of said two clients in their non MTF accounts.

7.8.3. The Committee finds as under:

- a. Globe contended that adequate margins are collected from all the observed clients. The inspection team considered only funded stock with the collateral lying in the account with collateral securities available, and not the debit balance in the account. Upon verification of 5 sample instances, it is observed that Globe has adequate cash collaterals to meet the margin obligation. Hence, Globe's contention is acceptable for 17 instances and no violation persists.
- b. Further for 2 instances, Globe accepted that there is shortage of Rs.8 lakhs and if the value of the funds and securities in the non MTF accounts are considered, there will be surplus funds and securities in the non MTF account vis-à-vis the shortage in MTF account.

As per NSE circular NSE/COMP/48531 dated June 09, 2021, "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 in the non-MTF ledgers. Any transfer of balances from non-MTF ledgers to MTF ledgers undertaken with a view to avoid the actual settlement requirements will not be permitted. Further, any transfer of balances from non-MTF ledger to MTF ledger for MTF trades post confirmation of client will not be considered for computation of clear ledger balance till the settlement of trades. Members are requested to accordingly report the clear balances of the clients under weekly submissions of monitoring of client funds under Enhanced supervision guidelines of SEBI and Weekly submissions of Cash & Cash Equivalent balances to the Exchange."

However, the transfer of funds from non-MTF ledgers to MTF ledgers can be considered towards a margin position in MTF, provided it belong to the same clients and there are sufficient and free fund balances available in the non-MTF ledgers. Globe contention is not

acceptable as it failed to provide sufficient supporting documents. Hence, the violation persists in the case of 2 instances of 2 clients out of 20 instances of 20 clients selected for sample scrutiny (10% of the total sample instances) involving Rs.8.92 lakhs.

- c. Exchange Circular No. NSE/COM/35125 dated June 15, 2017, explicitly states that the initial margin payable by the client to the stockbroker shall be in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut as specified in SEBI Master Circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016. Thus, Globe violated the regulatory provisions mentioned above by failing to collect adequate margins from the clients.

7.8.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.89,300 (10% of Rs.8.92 lakhs is Rs.89,280 rounded off to Rs.89,300) for the observed violation in terms of Exchange Circular No. NSE/INSP/42919 dated December 16, 2019.

7.9. **Incorrect data reported in the weekly bank account balances**

7.9.1. Upon verification of bank account balances reported by Globe, vis-à-vis the bank statements as of December 21, 2021, it is observed that Globe reported incorrect bank account balance in 21 bank accounts involving Rs.399.68 crores.

7.9.2. In reply to the LoF, Globe submitted as under:

- a. It had reported correct bank balances. The difference in the figure reported and calculation done by the inspection team was due to non-consideration of unencumbered FDR in hand. Globe considered the amount which is approximately Rs.403 crores while reporting.
- b. Exchange vide its Circular No. NSE/INSP/50012 dated October 19, 2021, specified that the balance of FDR's will not be included in bank balance w.e.f. January 7, 2022. Pursuant which Globe reported correct bank balances in all the other cases. It provided the bank statements for that date to substantiate its claim. Further, there is no difference between the reported figure and actual figure.

7.9.3. The Committee finds as under:

- a. Globe contention that the difference is due to non-consideration of unencumbered FDR in hand is not tenable since Globe cannot consider the FDR balance while reporting bank account balances. Hence, the violation persists.

- b. Further, contention of Globe stating that that as per Exchange Circular No. NSE/INSP/50012 dated October 19, 2021, the balance of FDR's will not be included in bank balance w.e.f. January 7, 2022, is not tenable as the said circular was issued by the Exchange with respect to submission of data towards the monitoring of client funds under enhanced supervision guidelines and the observed violation is respect to incorrect reporting of bank balances under Exchange Circular No. NSE/INSP/43926 dated March 23, 2020.
- c. As per Exchange Circular No. NSE/INSP/43926, dated March 23, 2020, stipulates the Trading Members to report day-wise Client Level Cash & Cash Equivalent Balances and bank balances of all bank accounts on a weekly basis. The said Circular was put in place to enhance the level of monitoring. Hence, the Trading Members are required to verify the data before submission to the Exchange. Thus, Globe violated the regulatory provisions by submitting incorrect data in the weekly bank account balances.

7.9.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.1,00,000/- for the observed violation in terms of Exchange Circular No. NSE/INSP/48655 dated June 18, 2021.

7.10. Engagement as a principal in a business other than securities involving personal financial liability

7.10.1. Upon verification of the bank books of Globe as of March 31, 2021, it is observed that Globe is engaged as a principal in a business other than securities involving personal financial liability. Globe executed loan/ investment transactions with its group company Globe Fincap Limited from account numbers viz. HDFC Bank-00030340003420 and ICICI Bank 000705005027. The details are as under:

(Rs. in crores)

Party Name	Opening Balance as on April 1, 2020 (Rs.)	Total payment during inspection period (Rs.)	Total receipt during inspection period (Rs.)	Closing balance as on January 31, 2022 (Rs.)
GLOBE FINCAP LIMITED	-	1,00.00	-	1,00.00
	24.00	7877.79	7801.79	1,00.00

Further, on analysis of annual accounts for the year ended March 31, 2021, it is observed that Globe has given corporate guarantee of Rs.42.50 crores on behalf of Globe Fincap Limited and has charged commission on the same.

7.10.2. The Committee finds as under:

The Exchange updated the Committee about the violation pertaining to engagement as a principal in a business other than securities involving personal financial liability. The Committee decided to keep the said observation in abeyance. The said observation shall be dealt with subsequently by a separate order.

7.11. Observation pertaining to client registration process

7.11.1. Upon verification of all active clients registered with CERSAI, it is observed that Globe has not done CKYC of all active clients on CERSAI portal in 177 out of 1,39,158 instances (0.13% of sample instances verified) during inspection period.

7.11.2. In reply to the LoF, Globe submitted as under:

It uploaded records of 1,91,597 clients on CKYC portal. In case of observed 177 clients, it regularly followed up with these clients for obtaining required documents before inspection. Globe completed the CKYC on CERSAI portal for all the active clients except in one case of deceased client.

7.11.3. The Committee finds as under:

- a. Globe completed the CKYC on CERSAI portal as on date except in case of one deceased client is not acceptable. Since, post-inspection compliance does not absolve the member from violation already committed. Hence, the violation persists.
- b. As per Exchange Circular No.NSE/INSP/23113 dated May 22, 2013, states that the intermediary shall perform the initial KYC / due diligence of the client, shall upload the KYC information with proper authentication in the system of KRA, furnish the scanned images of the KYC documents to the KRA and retain the physical KYC documents. Thus, Globe violated the regulatory provisions by failing to register the clients on CERSAI.

7.11.4. Given the findings mentioned above, the Committee decided to advise (0.13% of total sample instances) for the observed violation in terms of Exchange Circular No. NSE/INSP/36248 dated November 6, 2017.

DECISION

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

Sr. No.	Committee's Findings	Prescribed penalty as per Exchange Circular No. NSE/INSP/36248 dated November 6, 2017, Exchange Circular No. NSE/INSP/45899 dated September 30, 2020, Exchange Circular No. NSE/INSP/48655 dated June 18, 2021, and Exchange Circular No. NSE/INSP/42919 dated December 16, 2019	Penalty Levied
a.	Globe misused the clients' funds to the extent of Rs.4.82 crores as of September 16, 2020 (Principle 3 of Enhanced Supervision)	Rs. 1,00,000/- or 1% of the amount involved, whichever is higher.	Warning (Reasons enumerated above)
b.	Globe failed to settle client's funds in 50 out of 332288 instances selected for sample scrutiny (0.015% of total sample instances) involving Rs.10.55 crores.	Up to 2% of number of instances - Advise	Advise
c.	Globe submitted incorrect data in the weekly holding statement in 1088 instances involving 6.42 crores quantity shares.	Warning to Rs. 1 lakh	Rs.1,00,000/-
c.	Globe failed to compute the net worth as per Dr L.C. Gupta's net worth computation method.	No prescribed penalty	Warning

d.	Globe submitted incorrect data in risk-based supervision	No prescribed penalty	Warning
e.	Non-collection of adequate margins in the form of cash, cash equivalent, or Group I equity shares with appropriate hair cut	10% -25% of the violation – 10% of the amount involved	Rs.89,300/-
f.	Globe reported incorrect data in the weekly bank account balances	Rs.1 lakh	Rs.1,00,000/-
g.	Observation pertaining to client registration process	Rs. 5,000/- for more than 20% of instances, otherwise advise	Advise
Total			Rs.2,89,300/-

9. Globe is directed as under: -

- a. To pay a monetary penalty of Rs. 2,89,300/- (Rupees Two Lakhs Eighty-Nine Thousand Three Hundred only).
- b. To note the non-monetary penalties mentioned above and ensure non-recurrence of the observed violations.
- c. To submit a certificate duly certified by a Chartered Accountant within 15 days from the date of this order certifying the compliance of the aforesaid directions of the Committee. Failure to submit the said certificate within prescribed timeline shall be construed as non-compliance and appropriate disciplinary proceedings for non-adherence to the directions of the Committee shall be independently initiated.

Sd/-
Mona Bhide
(Chairperson)

Sd/-
K Narasimha Murthy
(Committee Member)

Sd/-
S Ravindran
(Committee Member)

Sd/-
Ranganayakulu Jagarlamudi
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: May 26, 2023

ANNEXURE 2

You are advised to pay/deposit the penalty amount along with applicable GST in your Exchange Dues Account as and when Bill for the same is raised by the Exchange.

1. In case of late payment, interest @18% p.a. calculated on a daily basis will be levied from the due date for the delayed period i.e., till the date of payment. Late payment may also attract withdrawal of trading facility pursuant to Circular no. NSE/F&A/2571 dated May 29, 2001.
2. In addition to the mentioned penalty amount, tax @ 18% under Section 15 of Central Goods and Services Tax Act, 2017 will be levied on the penalty amount as well as on the interest in case of late payment.