Member Committee ("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051
held on January 30, 2026
In the matter of Trading Member M/s. SS Corporate Securities Limited

CORAM:

Mr. Srinivas Injeti	-	Chairperson
Justice (Retd) Smt. Abhilasha Kumari	-	Committee Member
Mr. Essaji Vahanvati	-	Committee Member
Mr. Ashishkumar Chauhan	-	Committee Member
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INVITEE:

Shri. Vijai Pratap Singh	-	Committee Member/Invitee

ALSO PRESENT:

Mr. Piyush Chourasia	-	Chief Regulatory Officer - Member Compliance, Surveillance, Member Inspection & Investigation
Mr. Renu Bhandari	-	Senior Vice President - Inspection, Member Registration & Compliance
Mr. Sanjayu Nair	-	Vice President - Legal
Mr. Janardhan Gujaran	-	Vice President - Enforcement

INTRODUCTION

1. **M/s. SS Corporate Securities Limited** ("**Noticee**") is a Trading Member registered with the National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") and is enabled for trading in the Capital Market ("**CM**") segment since August 1995, Futures and Options ("**F&O**") segment since January 2002 and Currency Derivatives ("**CD**") segment since September 2008.

2. The Exchange conducted Limited Purpose Inspections ("**LPI**") of the books of Accounts and records of Noticee. Post-inspection, the Exchange issued a Show Cause Notice ("**SCN**") dated September 01, 2025, to the Noticee seeking an explanation for the observed non-compliances with the regulatory provisions by the Noticee and its Authorised Persons ("**AP**"). The Noticee has submitted its reply to the aforementioned SCN on November 03, 2025. The matter was placed before

the Committee. The Committee, after evaluating the SCN and the reply, passed the order as under.

FACTS OF THE CASE / INSPECTION OBSERVATIONS/VIOLATIONS

3. The following are the inspection observations mentioned in the SCN:

   3.1. Failure to undertake adequate due diligence and supervision over the operation of AP

      3.1.1. Noticee has failed to ensure that its AP is engaged only in permitted activities and not undertaking any businesses which are disallowed under the byelaws, rules/regulations of SEBI/Exchange

      3.1.2. Noticee has not adhered to Exchange guidelines related to Regulatory Framework for Market Access through AP

      3.1.3. The Noticee has not captured actual reason on ENIT portal, while cancelling AP registration based on disciplinary grounds

   3.2. The Noticee executed non permissible transfer of funds to the client bank account from Upstream Account (USCNBA) instead of Downstream Account (DSCNBA)

   3.3. The Noticee has allowed a minor to trade in the account.

   3.4. The Noticee has failed to report short selling to the Exchange and the Noticee has not collected information pertaining to short sale from retail clients.

ISSUES FOR DETERMINATION

4. Considering the observations/violations alleged in the SCN and the submissions made by the Noticee, the following issues arise for determination:

   4.1. Whether the Noticee has violated provisions of NSEIL Rules and Regulations and SEBI / Exchange Circulars, as stated in the SCN?

   4.2. Whether the violations, if any, attract penalty under Rule 2 of Chapter IV of NSEIL Rules read with Regulation 4A.1 of Chapter 4A of the NSEIL Regulations (Capital Market and F&O segment) and as per Exchange Circular Nos. NSE/INSP/73792 dated April 17, 2026, read with NSE/INSP/53530 dated September 02, 2022, and NSE/INSP/70746 dated October 10, 2025.

REGULATORY PROVISIONS

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

5.1. **<u>Failure to undertake adequate due diligence and supervision over the operation of Authorised Persons</u>**

5.1.1. **<u>The Noticee failed to ensure that Noticee's AP is engaged only in permitted activities. Thus, the Noticee has acted in violation of the provisions of the following Circulars of the Exchange:</u>**

a. <u>Exchange Circular No. NSE/MEM/13429 dated November 09, 2009 (SEBI Circular No. MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009.)</u>

<u>Market Access through Authorised Persons</u>

5. Conditions of Appointment

b) All acts of omission and commission of the authorized person shall be deemed to be those of the stock broker.

c) The authorized person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of stock broker.

7. Obligations of Stock Broker

a) The Stock broker shall be responsible for all acts of omission and commission of his authorised person(s) and/or their employees, including liabilities arising there from.

e) Stock broker shall conduct periodic inspection of branches assigned to authorised persons and records of the operations carried out by them.

f) ….. No fund/securities of clients shall go to account of authorized person.

g) On noticing irregularities, if any, in the operations of authorised person, stock broker shall seek withdrawal of approval, withhold all moneys due to authorised person till resolution of investor problems, alert investors in the location where authorised person operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.

b. Exchange Circular No. NSE/COMP/48536 dated June 09, 2021

Market Access through Authorized Persons

An Authorised Person is a person/entity who, as an agent of a Member, provides access to the clients of the Member to trading platform of a stock exchange. While doing so, the Authorised Person is prohibited from:

1. Accepting any receipt or payment/delivery of funds & securities of the clients. Authorised Person shall not collect or receive any funds or securities from the clients and shall not charge any amount from the clients, directly or indirectly, for the services rendered on behalf of the Member as an agent.

2. Employing any device, scheme or artifice or engage in any act or practice, including operating assured return schemes, unauthorised portfolio management & investment schemes etc, in contravention of the provisions of various SEBI/Exchange Rules & Regulation and circulars issued from time to time.

Members should ensure that their Authorised Persons are engaging only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns etc. It is, hereby, reiterated that all the acts of omission and commission of the Authorized person and/or their Directors/Partners, employees etc., shall be deemed to be those of the Member and the Member shall be responsible for all such acts of its Authorised person(s) and/or their Directors/Partners, employees etc., including liabilities arising there from.

c. Exchange Circular No. NSE/COMP/50030 dated October 21, 2021

Market Access through Authorized Persons

5. As stipulated in Exchange circular NSE/COMP/48536 dated June 09, 2021, it is re-iterated that APs are not permitted to undertake activities such as providing assured/guaranteed *return schemes, unauthorised portfolio management & investment schemes etc. as well as directly accepting or paying/delivering any funds and securities from/to the clients/investors. It is responsibility of the Members to ensure that all APs registered with them are complying with the regulatory requirements and do not undertake any non-permitted activities. Members shall be liable for all such acts of its APs and/or their Directors/Partners, employees etc., including liabilities arising therefrom.*

5.1.2. **The Noticee has not adhered to Exchange guidelines related to Regulatory Framework for Market Access through AP. Thus, the Noticee has acted in violation of the provisions of the following Circulars of the Exchange:**

a. Exchange Circular No. NSE/COMP/48536 dated June 09, 2021

Market Access through Authorised Persons

Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorised persons. Member shall conduct periodic inspection of their Authorised Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details.

b. Exchange Circular No. NSE/COMP/63628 dated August 28, 2024

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

Members shall ensure adequate scanning of social media to identify any mis-selling/ assured returns or unauthorised schemes operated by AP including loan transactions. It is hereby reiterated that Members shall be mandatorily required to report any observed incidents related to assured returns or unauthorised schemes operated by the AP to the Exchange within one working day. On identification of any such case the

Member shall inspect the AP concerned/ investigate the matter and take appropriate actions as required. Additionally, as communicated in Exchange circular ref no. NSE/COMP/ 56947 dated June 02, 2023, Members are required to take necessary actions, including withdrawal of approval on disciplinary grounds, withholding funds due to the APs until investor issues are resolved, sending alert messages to investors in the APs location, filing complaints with the relevant police station, and implementing all necessary measures to safeguard the interests of investors and the market. Members are required to maintain and provide documentary evidence of police complaints, press releases, advertisements issued to the market, communication logs of alert messages sent to investors, and other measures taken to safeguard interest of investors including disciplinary actions taken against the APs.

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

<u>Market Access through Authorised Persons</u>

3. *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. *It is further reiterated, that Trading Members shall be held responsible and accountable for all acts of omission and commission of their APs and/or employees at their branches including any arrangements entered by the AP/employees with the clients of the Trading Member including: a) Any unauthorised trading on behalf of the investors b) Participation in any scheme of price manipulation willingly or*

unwillingly c) Allowing investors to trade in instruments or amounts beyond limits specified in the SEBI/Exchange regulations/circulars.

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

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

iii. The indicative scope of the Inspection to be carried out is outlined in Annexure A. Members are advised to put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. Members shall on an annual basis place an MIS before their Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of inspections undertaken, irregularities observed, and action taken.

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:

……

1) There is no movement of Funds and securities between the client and AP/branch official for settlement of trades on the Exchange. Demat statement and bank accounts of the AP to be examined to verify such instances.

……

5.1.3. **<u>The Noticee has not captured actual reason on ENIT portal, while cancelling AP registration based on disciplinary grounds. Thus, the Noticee has acted in violation of the provisions of the following Circulars of the Exchange:</u>**

a. <u>Exchange Circular No. NSE/COMP/48536 dated June 09, 2021</u>

<u>Market Access through Authorised Persons</u>

Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorized persons. Members shall conduct periodic inspection of their Authorized Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSEIINSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details.

b. <u>Exchange Circular No. NSE/COMP/50030 dated October 21, 2021</u>

<u>Market Access through Authorised Persons</u>

3. Members are also hereby notified that they shall be mandatorily required to report any incidence, observed by them, involving assured returns or any unauthorised schemes operated by the AP, to the Exchange, within 2 working days. The reporting shall be made electronically through the link as provided in para 2 above i.e. https://enit.nseindia.com/MemberPortal/. Members, additionally, shall also take necessary measures, as mentioned in SEBI circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009, including filing of police complaint, upon noticing such incidence. Exchange may also require Members to obtain confirmation from their clients that there are no claims against such AP.

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

<u>Market Access through Authorised Persons</u>

6. Trading Members are advised to capture actual reason on ENIT portal, while cancelling AP registration based on disciplinary grounds.

5.2. **<u>The Noticee transferred funds to the client bank account from Upstream Account (USCNBA). Thus the Noticee acted in violation of the provisions of the following circulars of the Exchange: -</u>**

a. <u>Exchange Circular No. NSE/INSP/59725 dated December 12, 2023</u>

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

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. <u>Exchange Circular No. NSE/INSP/60369 dated January 20, 2024</u>

<u>Operational Guidelines with respect to Upstreaming of Clients funds</u>

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)*

5.3. **<u>The Noticee has allowed trading in minor account. Thus, the Noticee has acted in violation of the provisions of the following Circulars of the Exchange:</u>**

a. <u>FAQ issued by SEBI on minor trading dated September 25, 2018</u>

3**. Can a trading account be opened in the name of a minor?**

Trading account can be opened in the name of the minor only for the sole purpose of sale of securities which minor has possessed by way of investment in IPO, inheritance, corporate action, off market transfers under the following reason:
i. Gift / Donation
ii. Transfer between family members
iii. Implementation of Government / Regulatory Directions or Orders
However, such an account will be operated by the natural guardian till the minor becomes a major.

4. **Can buying and selling of securities be done in minor’s trading account?**

A minor cannot enter into a contract with a stock broker to purchase or sell any security. However, a trading account in the name of a minor can be opened only for the sole purpose of selling of securities possessed by the minor in the manner specified above.

5.4. **The Noticee has not collected information pertaining to short sale from retail clients and The Noticee has failed to report short selling to the Exchange. Thus, the Noticee has acted in violation of the provisions of the following Circulars of the Exchange:**

a. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/1 dated January 05, 2024 (Exchange Circular No. NSE/CMTR/60226 dated January 12, 2024)

Framework for Short Selling

9. *The brokers shall be mandated to collect the details on scrip-wise short sell positions, collate the data and upload it to the stock exchanges before the commencement of trading on the following trading day. The stock exchanges shall then consolidate such information and disseminate the same on their websites for the information of the public on a weekly basis. The frequency of such disclosure may be reviewed from time to time with the approval of SEBI.*

b. Exchange Circular No. NSE/CMTR/10596 dated April 17, 2008

Short Selling of Securities

SEBI vide its circular no. MRD/DoP/SE/Dep/Cir-14/2007 dated December 20, 2007, has provided guideline regarding Short Selling of Securities. As per the SEBI directive, trading members are mandated to disclose scrip wise short sell positions to the Exchange. Further SEBI vide its circular no. MRD/DoP/SE/Cir- 05 /2008 dated March 19, 2008 provided April 21, 2008 as implementation date for the above.

Further Exchange issued circular no. NSE/CMTR/006/2008 (Download No. NSE/CMTR/10161) dated January 30, 2008 regarding a facility to trading members to upload short sell information through Electronic NSE Interface (ENIT).

Members have represented to the Exchange that the file upload facility is required for the same. Pursuant to this, Exchange has decided to provide file upload facility for reporting Short Selling of Securities. The detail procedure for reporting short selling is provided in Annexure 1.

OBSERVANCE OF PRINCIPLES OF NATURAL JUSTICE

6. The Committee has considered the written submissions made by the Noticee dated November 03, 2025.

7. The Committee is satisfied that adequate opportunity for representation has been provided and therefore the requirements of the principles of natural justice have been duly complied with.

STANDARD OF PROOF IN REGULATORY PROCEEDINGS

8. Proceedings of this nature are regulatory and quasi-judicial in character.

9. The applicable standard of proof in such proceedings is the test of preponderance of probabilities.

10. The findings recorded in this order are therefore based on evaluation of the material on record and the submissions of the Noticee viewed through the standard of preponderance of probabilities.

CONSIDERATION & FINDINGS

11. Whether the Noticee has violated provisions of NSEIL Rules and Regulations and SEBI / Exchange Circulars, as stated in the SCN?

11.1. **Failure to undertake adequate due diligence and supervision over the operation of Authorised Persons.**

11.1.1. **The Noticee has failed to ensure that its Authorised Person (AP) is engaged only in permitted activities and not undertaking any businesses which are disallowed under the byelaws, rules/regulations of SEBI/Exchange**

11.1.1.1. Upon verification of the bank statements of the Noticee's AP – Sandeep Rathi, the Exchange observed movement of funds between the Noticee's AP and clients mapped to him and other non-clients.
The details of the fund transactions in case of "Client of SS Corporate Mapped to AP" are summarized in the below table:

S.No	Account Details	Funds paid to Clients Mapped to AP (in Rs.)	Funds received from Clients Mapped to AP (in Rs)
1	AU Bank- 4251	4,53,74,000	2,28,02,000
2	HDFC Bank - 8836	1,16,67,500	3,28,20,500
3	HDFC Bank- 27493	5,77,54,000	5,86,15,000
	TOTAL	**11,47,95,500**	**11,42,37,500**

The details of the fund transaction in case of "various individuals / entities who were not client of SS Corporate" are summarized in the below table:

S.No	Account Details	Funds paid to non-client entities (in Rs.)	Funds received from non-client entities (in Rs.)
1	AU Bank- 4251	68,29,365	15,00,000
2	HDFC Bank - 8836	1,19,84,858	45,32,000
3	HDFC Bank- 27493	56,32,000	75,00,000
	TOTAL	**2,44,46,223**	**1,35,32,000**

11.1.1.2. In reply to the SCN, the Noticee submitted as under: -

The transactions referred to in the SCN only pertain to the bank accounts of the AP and no funds have been credited to the account of the Noticee. The above accounts are the personal bank accounts of the AP and are registered in the AP's personal trading account where the alleged amounts from the clients and other persons have been directly received.

The Noticee was unaware of such transactions and did not have any control of the personal bank accounts of the AP and the AP has received the funds in his personal capacity, and these are not related to the activities under the capacity of an AP.

Further, AP clarified that amounts identified pertain to borrowing/lending among family members and friends and was not with respect to operating any scheme of unauthorised collective investment or other non-permitted schemes. Some of the transactions also pertain to other business ventures of the AP.

The Notice submitted that on precautionary basis the trading activities of the AP was suspended on May 05, 2025.

In respect to the activities carried out by the AP in the securities market, the AP did not receive or pay in its own name or accounts, all activities were carried under the name of the stock broker, and no securities / funds of the clients went to the account of the AP.

11.1.2. **The Noticee has not adhered to Exchange guidelines related to Regulatory Framework for Market Access through AP**

11.1.2.1. The Exchange observed that the Noticee's AP has engaged in fund-based activities such as collecting deposits from clients and non-clients. The Exchange upon verification of the AP inspection report dated January 27, 2024, submitted by the Noticee, observed that the Noticee has failed to observe such non-compliances in the AP inspection report.

11.1.2.2. In reply to the SCN, the Noticee submitted as under: -

The Noticee conducted the inspection of the AP on January 24, 2024, and had submitted the inspection report dated January 27, 2024. However, the bank statement referred by the Exchange pertains to the period April 01, 2024, to March 31, 2025, which is a period after the inspection conducted by the Noticee. Therefore, it cannot be alleged that the Noticee failed to observe the non-compliance.

Further, the Noticee submitted that the trading activities of the AP has been suspended on May 05, 2025, and that there is no client complaint against the AP.

11.1.3. The Committee finds as under for the observations laid down in paragraph no. 11.1.1 and 11.1.2:

The Committee notes the Noticee's submissions and observes that the Noticee is required, as per Exchange Circular no. NSE/COMP/ 56947 dated June 02, 2023, to *"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."* Thus, the Noticee is required to exercise adequate control over the activities of the AP. The Committee finds that, though the Noticee claimed that most of the instances pertaining to movement of funds related to borrowing / lending with family / close relatives & friends, the Noticee failed to provide the relevant supporting documents to evidence the relationship between the parties.

The Committee further notes that as per Exchange Circular No: NSE/COMP/63628 dated August 28, 2024, the Trading Member is required to review all bank accounts of the AP for inspecting movement of funds between AP and its clients. The Committee finds that the Noticee has failed to exercise adequate control and due-diligence over the activities of its AP on a continuous basis. The Committee finds that since the Noticee has failed to identify the movement of funds between the AP and clients / non-clients, the violation persists.

The Committee has considered the Noticee's submission that trading activities of the AP were suspended on May 05, 2025, by the Noticee, as a precautionary measure. While this remedial step is noted, it does not absolve the Noticee of the supervisory failure that persisted throughout the period under review, prior to such suspension. A remedial measure taken subsequent to the detection of irregularities cannot cure a pre-existing failure to exercise continuous due diligence as mandated under Exchange Circular No. NSE/COMP/63628 dated August 28, 2024.

11.1.4. **The Noticee has not captured actual reason on ENIT portal, while cancelling AP registration based on disciplinary grounds**

11.1.4.1. The Exchange verified the reasons for the cancellation of the AP registration of Mr. Sandeep Rathi on the ENIT portal, it was observed that the AP was terminated on May 05, 2025, and the reason cited for the termination was: *"Trading Member does not wish to continue business with all APs/a particular AP."* However, the Exchange had informed the Noticee at the time of inspection that the AP was found to be engaged in unauthorised practices like fund-based activities carried out by AP, and accordingly the termination should have been recorded on disciplinary grounds.

11.1.4.2. In reply to the SCN, the Noticee submitted as under: -

The actual reason for the termination of the AP was Trading Member does not wish to continue business with all APs/a particular AP." And the same was provided in the ENIT portal. The Noticee states that post the inspection conducted by the Exchange on April 08, 2024, a list of queries was sent to the AP, and one query was in reference to the transaction by the AP. Before the SCN was issued to the Noticee, even though there were no conclusive findings by the Exchange the Noticee suspended the trading activities of the Noticee despite receiving confirmation that the transactions were between family and friends. Due to the above, the Noticee had provided the said reason for cancellation of registration.

11.1.4.3. The Committee finds as under: -

The Committee notes that the Exchange Circular no. NSE/COMP/56947 dated June 02, 2023, provides that. *"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…."*

Trading Members are advised to capture actual reason on ENIT portal, while cancelling AP registration based on disciplinary grounds. Further, Exchange circular NSE/COMP/48536 dated June 09, 2021 inter-alia states: *"On noticing irregularities, if any, Member shall take necessary measures…..*, *including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details and taking necessary measures as stipulated in the SEBI circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009 Market Access through Authorised Persons*"

The Committee, considering the above requirements finds that the Noticee has failed to identify the transactions between the AP and its clients and therefore has failed to report and cancel the AP under appropriate grounds.
The Committee further notes that the obligation to record the correct reason for cancellation on the ENIT portal is triggered by the Member's own identification of irregularities in the conduct of its AP and does not await conclusive findings by the Exchange. Since the Noticee's own inspection report and subsequent suspension of the AP's trading activities reflect an acknowledgment of fund-based irregularities, the reason for cancellation ought to have been recorded as 'Disciplinary action' at the relevant time, irrespective of the pendency of the Exchange's examination.

11.2. **The Noticee executed non permissible transfer of funds to the client bank account from Upstream Account (USCNBA) instead of Downstream Account (DSCNBA)**

11.2.1. Upon verification, of the Noticee’s bank account, the Exchange observed that the Noticee executed non-permissible transfer of fund from the USCNBA instead of the DSCNBA to a client in one instance.

11.2.2. In reply to the SCN, the Noticee submitted as under: -

The clients’ funds are received only in USCNBA, and funds are transferred to clients only from DSCNBA. During the period of inspection there were 52,795 bank payment transactions from the DSCNBA which amounted to Rs. 1,479.50 Crore. There was a single instance of transfer of funds to the client bank account from USCNBA. The same was an exception and does not indicate any procedural lapse.

11.2.3. The Committee finds as under: -

The Committee notes the Noticee's submission that there was only one such instance out of 52,795 bank payment transactions during the period of inspection, amounting to Rs. 1,479.50 Crore processed through the DSCNBA. However, the Committee finds that the regulatory requirement under Clause 15.3.2.1 of SEBI's Master Circular on Stock Brokers dated May 17, 2023, and

Exchange Circular No. NSE/INSP/60369 dated January 20, 2024, admits of no exception, and even a single instance of non-permissible transfer constitutes a violation of the prescribed account segregation norms. Accordingly, the violation is established. Having regard to the isolated nature of the instance, the volume of compliant transactions during the period, and the absence of any resultant harm to the client, the Committee considers it appropriate to advise the Noticee rather than impose a monetary penalty.

11.3. **The Noticee has allowed minor to trade in account.**

11.3.1. Upon verification of all Minor Unique Client Code traded during the inspection period and Trade Data Analysis, the Exchange observed that in 21 instances pertaining to 3 clients, the Noticee allowed minor to undertake transactions for purposes other than selling of securities possessed by the minor by way of investment in IPO, inheritance, corporate action, off market transfers.

11.3.2. In reply to the SCN, the Noticee submitted as under: -

For the inspection period, the Noticee had 570 minor traded codes, out of which adverse observation was identified only for the 3 minor traded codes. The same was due to unintentional oversight, the risk management system control was not applied to the said minor clients, however upon identification stringent controls were immediately implemented. Further these trades were placed by the Guardians of the minors through the Mobile App. The Noticee also stated that no such instances have occurred post September 30, 2024.

11.3.3. The Committee finds as under: -

The Committee has considered the Noticee's submission that the trades were placed by the Guardians of the minors through the Mobile App. The Committee clarifies that the permissibility of a minor's trading account under the SEBI FAQ dated September 25, 2018, is not determined by the identity of the person operating the account, but by the nature of the transaction undertaken. A natural guardian may operate a minor's account, but only for the sale of securities already possessed by the minor by way of investment in IPO, inheritance, corporate action, or off-market transfers. Since the 21 instances involved transactions beyond this permitted scope, the involvement of the Guardians in placing such orders does not render the transactions compliant.

The Committee also notes that the Noticee has accepted the observation and has attributed the oversight to unintentional lapse in the risk management system control which did not block the buying orders placed from accounts of minors.

11.4. **The Noticee has failed to report short selling to the Exchange and the Noticee has not collected information pertaining to short sale from retail clients.**

11.4.1. Upon verification of the Trade Data analysis and the report submitted by the Noticee to the Exchange, the Exchange observed that in 1 instance the Noticee had failed to report the short selling information to the Exchange and had failed to collect the short selling information from its retail client.

11.4.2. In reply to the SCN, the Noticee submitted as under: -

The Noticee stated that in one instance the client held an open position in the Futures and Options which upon expiry triggered a physical settlement obligation instead of a sale transaction. This delivery obligation was confirmed only later in the night on March 28, 2025. As it did not constitute a sale in secondary market no sell side trade data was generated. The Noticee further stated that since it was neither a sale transaction nor was there an off-market transfer, no counterparty trade record was available to capture. The settlement obligation falls under post trade process with clearing and delivery rather than trade reporting or capturing. Accordingly, the Noticee stated that the collection of selling information is not applicable in this context.

11.4.3. The Committee finds as under: -

The Committee has considered the Noticee's submission that the open position in the Futures and Options segment, upon expiry, resulted in a physical settlement obligation rather than a sale transaction in the secondary market, and that the delivery obligation was confirmed only late on March 28, 2025. The Committee notes that this submission raises a distinct question as to whether a physical settlement obligation arising from F&O expiry falls within the scope of short sale reporting obligations under SEBI Circular No. SEBI/HO/MRD/MRD-PoD-

3/P/CIR/2024/1 dated January 05, 2024, and Exchange Circular No. NSE/CMTR/60226 dated January 12, 2024, which is a matter requiring detailed examination of the applicable framework for short selling as distinct from post-trade settlement processes. In view of the above, the Committee decided to keep the enforcement action against the Noticee for this observation in abeyance, pending separate examination by the Exchange of the applicability of the short sale reporting provisions.

12. Whether the violations, if any, attract penalty under Rule 2 of Chapter IV of NSEIL Rules read with Regulation 4A.1 of Chapter 4A of the NSEIL Regulations (Capital Market and F&O segment) and as per Exchange Circular Nos. NSE/INSP/73792 read with NSE/INSP/53530 dated September 02, 2022, and NSE/INSP/70746 dated October 10, 2025.

The Committee notes that the penalty is attracted as soon as the contravention of the statutory obligation as contemplated in the regulatory framework is established. The Committee notes that since the violation persists, the Noticee is liable for monetary penalty and actions to be taken as per Exchange Circular Nos NSE/INSP/73792 read with NSE/INSP/53530, dated September 02, 2022, and Exchange Circular No. NSE/INSP/70746, dated October 10, 2025, as under:

12.1. **Failure to undertake adequate due diligence and supervision over the operation of Authorised Persons.**

Given the findings above mentioned in paragraph 11.1.3 and 11.1.4.3., the Committee decided to warn the Noticee and has directed the Noticee to strengthen the supervision of its AP’s for all the APs onboarded henceforth.

12.2. **The Noticee executed non permissible transfer of funds to the client bank account from Upstream Account (USCNBA) instead of Downstream Account (DSCNBA)**

Given the findings above mentioned in paragraph 11.2.3, the Committee decided to Advice the Noticee for the observed violation in terms of Exchange Circular Nos. NSE/INSP/73792 read with NSE/INSP/70746 dated October 10, 2025 and NSE/INSP/53530, dated September 02, 2022.

12.3. **The Noticee has allowed a minor to trade in account.**

In arriving at the quantum of penalty, the Committee has had regard to the Noticee's acceptance of the violation, the fact that the lapse arose from an unintentional gap in the risk management system rather than any deliberate circumvention, the limited scale of the violation (21 instances out of 570 minor trading codes), and the Noticee's submission that stringent controls were implemented upon identification, with no recurrence since September 30, 2024. Having regard to these mitigating factors, the Committee considers a monetary penalty of Rs. 25,000/- to be proportionate and adequate as per Exchange Circular Nos. NSE/INSP/73792 read with NSE/INSP/70746 dated October 10, 2025, and NSE/INSP/53530, dated September 02, 2022.

12.4. **<u>The Noticee has failed to report short selling to the Exchange and the Noticee has not collected information pertaining to short sale from retail clients.</u>**

The Committee decided to keep the enforcement action against the Noticee for the observation pertaining to collection of information and reporting of short sale in abeyance.

DECISION

13. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticee, the Committee impose the following penalty for the violations committed by the Noticee:

Sr. No.	Committee's Findings based on the Noticee's submissions	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, and Exchange Circular No. NSE/INSP/70746, dated October 10, 2025 read in line with Exchange Circular No NSE/INSP/73792 dated April 17, 2026.and Rule 2 of Chapter IV of NSEIL Rules read with Regulation 4A.1 of Chapter 4A of the Regulations (Capital Market) and Regulations (F&O segment) of the Exchange	Monetary Penalty/ Material/Financial Disincentive	Penalty levied post considering the Noticee's submissions and the Committee's findings

1.	Failure to undertake adequate due diligence and supervision over the operation of Authorised Persons.	No prescribed penalty	-	Warning and directed the Noticee to strengthen the supervision of its AP's for all the APs onboarded henceforth.
2.	The Noticee executed non permissible transfer of funds to the client bank account from Upstream Account (USCNBA) instead of Downstream Account (DSCNBA)	Advise	Material	Advice
3.	The Noticee has allowed minor to trade in account.	Rs. 25,000/-	Material	Rs. 25,000/-
4.	The Noticee has failed to collect information and report short selling to the Exchange	No prescribed penalty	-	Kept in Abeyance
Total Penalty				**Rs. 25,000/-, Warning along with Direction to strengthen supervision of AP.**

14. The Noticee is directed to pay a monetary penalty of Rs. 25,000/- (Rupees Twenty Five Thousand only) as indicated above.

15. The Noticee is directed to note the non-monetary penalties as indicated above and ensure non-recurrence of the observed violations.

16. The Noticee is advised to pay the penalty amount within the specified timeline mentioned in the invoice raised by the Exchange.

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

Date: July 08, 2026