Before the
Member Committee ("MC/Member Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Mumbai – 400051
held on November 21, 2025

In the matter of the Review Request of Member and Core Settlement Guarantee Fund Committee ("MCSGFC/Committee") order dated January 27, 2025, with respect to Show Cause Notice ref: NSE/INVG/2023/120449 dated January 31, 2023, placed by SMC Global Securities Limited

CORAM:

Shri. Srinivas Injeti	- Chairperson
Justice (Retd.) Smt. Abhilasha Kumari	- Committee Member
Shri. Essaji Vahanvati	- Committee Member

ALSO PRESENT:

Shri. Piyush Chourasia	- Chief Regulatory Officer
Shri. Ankit Shamra	- Chief Regulatory Officer
Mr. Bireshwar Chatterjee	- Senior Vice President - Surveillance & Investigation
Mr. Vishnu Gupta	- Chief Manager - Investigation
Mr. Vikram Narvekar	- Senior Manager - Investigation
Ms. Vasundhara Singh	- Manager - Investigation

INTRODUCTION

1. **SMC Global Securities Limited** (hereinafter referred to as **"SMC Global"/ "Noticee"**) vide its Letter dated March 05, 2025, requested a review of penalty levied by the Exchange vide Order dated January 27, 2025.

2. The matter was placed before the Committee and the Committee after evaluating the review request along with the documents provided by SMC Global passed the order as under.

BACKGROUND

3. **M/s. SMC Global Securities Limited** having SEBI Registration No. INZ000199438 is a registered Trading Member of the National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") and enabled for trading in the Capital Market ("**CM**") segment since July

2019 and Futures and Options ("**F&O**") segment since June 2000 and Commodity Segment since October 2018.

4. A penalty of Rs. 6,34,400 (Six Lakhs Thirty-Four Thousand and Four Hundred) was levied vide Exchange letter ref. NSE/INVG/MCSGFC-106/2023/ACT/ 07714/120449 dated January 27, 2025, through which, the Exchange had communicated the order dated January 27, 2025, passed by the Member and Core Settlement Guarantee Fund Committee ("**MCSGFC/Committee**")

5. This above-mentioned order pertains to the impugned transactions in the Equity Call Option Contract, where SMC Global was the trading member on one side for client Asha Maulik Shah **("AMS")** and a related entity (100% subsidiary) of SMC Global was the trading member on the other side for a related counterparty of the client. AMS executed transactions (trades) and subsequently executed reverse transactions with the same counterparty by placing order in a synchronized manner, for which a penalty of Rs. 6,34,400/- (Rupees Six Lakhs Thirty-Four Thousand and Four Hundred) was levied on SMC Global in terms of the Exchange circular no. NSE/INVG/2020/46662 dated December 16, 2020.

6. The details of the impugned transactions on which penalty has been levied are as under:

Trade date	Contract	Buy Client	Sell Client	Trade Qty	Average Trade Price (Rs.)	(SOD) – Positive (P)/ Negative (N) (Rs. Lakhs)	% to Market Gross on the day in the scrip/ contract	Reversal %	Synchronized time
19-Dec-22	IPCALAB -780-CE-25Jan23	A related client of AMS	AMS	7800	41.00	AMS – SOD – N – 6.34 Related client of AMS – SOD – P – 6.34	49.98%	100%	Within 60 sec
19-Dec-22		AMS	A related client of AMS	6500 *	121.00		41.65%		
22-Dec-22		AMS	A related client of AMS	1300 *	129.00		9.09%		

*Weighted Average of Trade Price for sell transactions is Rs.122.33.

SOD – Square off Difference

7. Observations, considerations & findings of the committee as mentioned in the Exchange order dated January 27, 2025:

7.1. The Committee found that in respect to the impugned transactions, SMC Global was the Trading Member on one side of the trade, and the counterparty Trading Member was 100% subsidiary of SMC Global.

7.2. The Committee observed that as per the UCC records of the Exchange, it had been observed that the client Asha Maulik Shah trading through SMC Global and the related client trading through a 100% subsidiary of SMC Global shared common contact details, including (a) common mobile no. [redacted], (b) common email id [redacted] and (c) common address [redacted] Therefore, the buy side and the sell side client of the said transactions were related to each other.

7.3. The Committee noted that 100% of traded quantity in the first leg of the impugned transaction was reversed with the same counter party in the second leg.

7.4. The Committee noted that the second leg was carried out on two days i.e. 83.33% traded quantity in the reversal transactions was executed on December 19, 2022 and it constituted 91.63% of the total traded quantity of the market on that day, while the remaining 16.67% traded quantity in the reversal transactions was executed on December 22, 2022, which constituted 9.09% of the total traded quantity of the market on that day.

7.5. The Committee observed that the traded quantity in the impugned transactions as a percentage of the total traded quantity of the client in the scrip/contract on respective days was 54.54%.

7.6. The Committee found that the time difference between the placement of the buy order and sell order was less than 15 seconds in more than 91% of the trades. Thus, 91% of the transactions were synchronized in nature. The orders were placed through Internet based trading ("**IBT**") and were Non-Algo in nature.

7.7. The Committee noted the response of SMC Global that it did not influence nor interfere in any client's business decisions as to investment and the orders were placed by the client through IBT.

7.8. The Committee found that SMC Global was the Trading Member only on one side of the trade and the counterparty Trading Member was 100% subsidiary of SMC Global. The Committee found that placement of such orders is in a synchronized manner, where 100% of the first leg got reversed with the same counterparty and constituting to 91.63% on 19th December 2022 and 9.09% on

22nd December, 2022 of the market traded quantity of the contract on the respective days. The Committee found that there were no trades in the said contract in the 5 preceding trading days of the impugned transactions, which implies that there was an increase in volume of the traded quantity on the days of reversal transactions, and that the increase in volumes can be attributed to the impugned transactions. In view of the above, the Committee found that the impugned transactions created a false or misleading appearance with respect to the market (Regulation 4.5.4(c)(i)) and to create an artificial appearance of activity in such security thereby violating the Exchange Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment). The Committee observed that as far as the Exchange is concerned, as the transactions are not meant for meaningful change in ownership of the Contract, the same are considered non-genuine in nature and that the trading system of the Exchange cannot be a medium for executing Trade Reversals for any purpose.

7.9. Thus, the Committee was of the opinion that above act attracts provisions of abnormal/ non-genuine transactions as mentioned in circular NSE/INVG/2020/46662 dated December 16, 2020. SMC Global, by executing such trades has violated the provisions of Regulation 4.5.4(c)(i) and Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment). In accordance with the Rules/Regulations and Byelaws of the Exchange, the Committee held that SMC Global has facilitated non-genuine trades and violated legal provisions as mentioned above. Therefore, in the facts and circumstances of the case, the Committee was of the view that appropriate penalty in terms of Exchange Circular No NSE/INVG/2020/46662 dated December 16, 2020, is attracted. As the close out difference is Rs. 6,34,400/-, and SMC Global was on one side of the transaction, the amount of 100% penalty amounts to Rs. 6,34,400/-. (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions).

REVIEW REQUEST OF SMC GLOBAL

8. M/s SMC Global Securities Limited filed a review request vide letter dated March 05, 2025, stating:

8.1. SMC Global submitted, that it appears the penalty levied by the committee is on the basis of assumptions and conjecture without taking into account the complete facts, lacking any concrete or direct evidence to substantiate the conclusions drawn against the trading member.

8.2. As observed in SCN, the transactions executed by the said client were matched and reversed with the same counterparty, resulting in a close-out difference in the mentioned trades.

8.2.1. As per the UCC records of the Exchange, the buy-side and sell-side clients in the said transactions were related parties, with a complete match of traded quantity in the first leg of the trade being reversed with the same counterparty in the second leg at another Trading Member on multiple days.

8.2.2. SMC Global was the trading member on one side of the trade, while the counterparty Trading Member was a 100% subsidiary of SMC Global.

8.3. SMC Global submitted that the observations made in the SCN are subjective in nature and lack a cogent basis. The detailed clarifications are as follows:

8.3.1. The Committee's consideration that SMC Global's counterparty client in the matched trades belongs to its 100% subsidiary is unjustified, as both Trading Members operate as separate legal entities with independent obligations and functions. SMC Global had no role in the execution of the counterparty's trades, and the mere existence of a corporate relationship does not imply regulatory non-compliance. Given SMC Global's extensive client base and the execution of lakhs of trades daily, it is inappropriate to single out specific transactions based solely on an affiliation between two distinct entities. Moreover, no evidence has been provided to substantiate any collusion or intent to execute non-genuine trades. Also, there is no regulatory requirement for a Trading Member to monitor client transactions in conjunction with those of clients registered under its subsidiary. SMC Global does not maintain a combined transaction monitoring surveillance system across independent Trading Members, as both entities operate at arm's length while strictly adhering to client data confidentiality norms. Therefore, penalizing SMC Global purely based on a corporate relationship between two legally independent entities is both unwarranted and inconsistent with regulatory principles.

8.3.2. In this case, SMC Global's role was strictly limited to facilitating the client's order placement on the Exchange platform, with all trades being executed directly by the client through Internet-Based Trading. The Exchange's electronic order-matching system operates on an anonymous basis, ensuring that SMC Global had no visibility or control over the counterparty's identity or intent at the time of execution. It is crucial to note that SMC Global's platform was used for only one leg of the trades, and the counterparty executing the trades was not routed through SMC Global, further reinforcing the lack of information at SMC Global to conclude the alleged trade reversals as non-genuine. Given that the Exchange has full access to real-time trade data and possesses

the capability to detect and prevent such trades proactively, it is neither fair nor justified to impose a penalty on SMC Global for transactions that were entirely beyond its control.

8.3.3. It has been assumed in SCN that there was no change in beneficial ownership; however, this principle is primarily applicable in cases where trades are executed between accounts with the same PAN, classified as "Self- Trades." Wherein the Exchange's self-trade prevention mechanism automatically cancels such orders when they match against the same UCC. In the present case, as informed in SCN that the UCCs in question have different PANs, indicating distinct and independent beneficial owners.

The Exchange has robust trade surveillance systems to detect and flag irregular trading activities in real time. However, in this instance, SMC did not receive any alerts from the Exchange through the system regarding these trades, rather than conducting a post-facto analysis and imposing penalties on the Trading Member, who had no means to identify or prevent such transactions at the time of execution.

8.3.4. On December 19, 2022, the client's reversal trade was executed within a price range of ₹41 to ₹121, while the day's high was ₹125.95. Subsequently, on December 22, 2022, the single-leg reversal of the trade for the position created on December 19, 2022, was executed at ₹129, while the day's high and low were ₹146 and ₹64, respectively. This clearly indicates that the trades took place within the normal market price range, with no evidence of price manipulation. Notably, the SCN does not raise concerns regarding abnormal price movements, and the sole basis for treating these trades as non-genuine primarily due to trade matching among common contact details persons. However, if price manipulation was not observed, the mere fact that trades matched within normal market conditions cannot be the sole criterion for categorizing them as non-genuine.

8.4. SMC Global has conducted its business as a Stock Broker and has not violated any SEBI or Exchange provisions. The allegations in the SCN lack substantial evidence and are based on circumstantial speculation rather than actual wrongdoing. Imposing a penalty on SMC Global for client-driven trades facilitated through an anonymous Exchange platform is unfair and contrary to the principles of natural justice. SMC Global requested to drop the allegations against it and to reconsider the imposed penalty of 6,34,400. SMC Global further requested that the transactions in question were beyond SMC Global's control, and no lapses occurred on its part.

ISSUES FOR DETERMINATION

9. The following issues arise for determination:

9.1. Whether the facts and circumstances warrant waiver or reduction of penalty imposed under Exchange Circular

PROCEEDINGS BEFORE THE MEMBER COMMITTEE HELD ON NOVEMBER 21, 2025

10. The Review Request was placed before the Member Committee in its Meeting dated November 21, 2025. The Committee Members were apprised of the facts of the case and the review request submitted by the Noticee.

OBSERVANCE OF PRINCIPLES OF NATURAL JUSTICE

11. The Committee has considered the written submissions submitted by the Noticee.

12. The Committee is satisfied that adequate opportunity of 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

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

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

15. 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.

COMMITTEE'S OBSERVATIONS ON NOTICEE'S REVIEW REQUEST

16. After duly considering the Review Request dated March 05, 2025, in the MC Meeting held on November 21, 2025, with respect to the Exchange Order dated January 27, 2025, the findings of the Committee are as under:

16.1. The Committee notes that the counterparty trading member is 100% subsidiary of SMC Global as per the available records with NSEIL.

16.2. The Committee also observes that both the clients, i.e. AMS, trading through SMC Global, and the related client of AMS trading through the 100% subsidiary company of SMC Global share common contact details. These include the (a) common mobile number [redacted] (b) common email address [redacted] and (c) common address [redacted] Consequently, the buy-side and sell-side clients involved in the mentioned transactions are related to each other.

16.3. SMC Global's contention that SMC Global and its subsidiary are separate legal entities has come up for the first time in its responses. The Committee, after considering in the MC meeting that both the Trading Members were under one group and that both the clients were related, levied the penalty vide MC order as mentioned in para 7.1 of the penalty order '*The Committee finds that in this transaction, the Noticee was Trading Member on one side of the trade, and the counterparty Trading Member was 100% subsidiary of the Noticee'*

16.4. The traded quantity in the reversal transactions constituted 91.63% of the total market quantity on December 19, 2022, and 9.09% on December 22, 2022.

16.5. The second leg of the reversal transaction was carried out on two days i.e. 83.33% traded quantity in the reversal transactions was executed on December 19, 2022 and it constituted 91.63% of the total traded quantity of the market on that day, while the remaining 16.67% traded quantity in the reversal transactions was executed on December 22, 2022, which constituted 9.09% of the total traded quantity of the market on that day.

16.6. The Committee finds that there were no trades in the said contract in the 5 preceding trading days of the impugned transactions, which implies that there was an increase in volume of the traded quantity on the days of reversal transactions, and that the increase in volumes can be attributed to the impugned transactions.

16.7. The Committee notes that Exchange vide circular reference NSE/INVG/2019/40175 dated February 07, 2019, has provided certain indicative scenarios in order to assist trading members in identifying abnormal/non-genuine transactions. One of such scenarios was "*Trading activity of client(s) concentrated in a specific security / contract which is/are not traded very frequently or trading with low volumes with client squaring up its position within a short span of time.*"

16.8. The Committee further notes that, vide Exchange circular ref NSE/SURV/48818 dated July 01, 2021, on Surveillance Obligation for Trading Members, Exchange has provided indicative themes on which Trading Members may formulate their own alerts. One such theme was "*Client/group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip/contract as compared to the market*."

16.9. The Committee finds that in spite of such indicative scenarios and themes provided by the Exchange, Noticee has not provided any evidence that it had identified the Concentrated activity of its client (AMS) in a particular contract on December 19, 2022, and/or taken any action on the same to alert/caution the client.

16.10. The Committee notes SMC Global's reply, wherein it has contended that SMC Global's role was limited to order facilitation via IBT, is not acceptable as the Exchange, vide its circular ref NSE/SURV/48818 dated July 01, 2021, on Surveillance Obligation for Trading Members, casted responsibility on the Trading members to supervise the trading activity of its clients and the Exchange has also provided indicative themes on which Trading Members may formulate their own alerts. One such theme was "Client/group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip/contract as compared to the market."

16.11. The Committee notes SMC Global's reply, wherein it has mentioned that the Exchange's anonymous matching system meant it had no visibility over the counterparty's identity or intent as only one leg of the trades ran through SMC Global, and since the Exchange itself had real-time surveillance capability to detect and prevent such trades, penalising SMC Global for transaction entirely beyond its control was neither fair nor justified. The Committee notes that 'Internet Based Trading' platforms are provided by SMC Global to its respective clients. Thus, the trading Members have closer supervision and are in possession of considerably more information about their clients. The Committee further finds that the Impugned Transaction constituted 91.63% of the total market quantity on December 19, 2022, and 9.09% on December 22, 2022. SMC Global's client, AMS sold 7800 quantity of the said contract at an average price Rs. 41 and reversed 6500 quantity of the same contract, i.e purchased at an average price of Rs. 121. SMC Global was already in possession of the data (trades executed by its client, market volume) to deduce that a significant proportion of the gross market is constituted by the

impugned transaction and that 83.33% of the trades were reversed on the first day itself by its client, AMS.

16.12. The Committee notes that, SMC Global has not provided any evidence that it had identified the concentrated activity of its client (AMS) in a particular contract on December 19, 2022, and/or taken any action on the same to alert/caution the client. With reference to above, Committee notes that the Exchange vide circular reference NSE/INVG/2019/40175 dated February 07, 2019, has provided certain indicative scenarios in order to assist trading members in identifying abnormal/non-genuine transactions. One of such scenarios was "*Trading activity of client(s) concentrated in a specific security / contract which is/are not traded very frequently or trading with low volumes with client squaring up its position within a short span of time*." Further, the Committee notes that, vide Exchange circular ref NSE/SURV/48818 dated July 01, 2021, on Surveillance Obligation for Trading Members, the Exchange has provided indicative themes on which Trading Members may formulate their own alerts. One such theme was "*Client/group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip/contract as compared to the market*."

16.13. The Committee notes SMC Global's submission, that the assumption of no change in beneficial ownership is a principle that applied to same PAN, self-trades which the Exchange's own system auto-cancels. In the present case, the UCC's involved have different PANs, indicating distinct and independent beneficial owners.

The Committee finds as under:

16.13.1. 100% of traded quantity in the first leg of the impugned transactions was reversed with the same related counter party in the second leg resulting in no meaningful change in the ownership.

16.13.2. As per Exchange circular NSE/SURV/48818 dated July 01, 2021, the Trading Members are obligated to generate alerts at their end to fulfil surveillance obligations to facilitate effective surveillance at the member's end.

16.14. The Committee notes the submission of SMC Global wherein it's stated that the reversal trade on December 19, 2022, was executed within a price range of ₹41 to ₹121, while the day's high was ₹125.95. The single leg reversal on December 22, 2022, was executed at ₹129, while the day's high and low were ₹146 and ₹64 which were within the normal range. The SCN does not allege

abnormal price movements, and the only basis for treating these trades as non-genuine is trade matching among persons sharing common contact details, therefore mere fact of matching orders in normal market conditions cannot be the sole criteria. The Committee finds that the impugned transactions constituted 91.63% on December 19, 2022, and 9.09% on December 22, 2022, of the market's traded quantity for the contract on the respective days. 83.33% of the trades were reversed on the first day itself i.e. on December 19, 2022. It was also observed that there were no trades in the said contract in the five preceding trading days of the impugned transactions, which implies that there was an increase in volume of the traded quantity on the days of reversal transactions, and that the increase in volumes can be attributed to the impugned transactions. SMC Global had the visibility that its client has contributed to more than 90% volume in a particular contract on December 19, 2022.

On December 19, 2022, Noticee's client AMS was present in all the trades either as buyer or seller. Further, there were no trade in the said contract in 5 preceding trading days of the impugned transactions, Therefore, Noticee's contention that *"This clearly indicates that the trades took place within the normal market price range, with no evidence of price manipulation"* is not tenable as its client, AMS was present in all the trades executed in the said contract and hence Noticee's client AMS was the one who contributed in all the trades executed.

16.15. Additionally, the Committee observes that the Noticee has not given any additional /new facts in the review request, other than the contention that the Noticee and the related Trading Member (subsidiary of SMC Global) are two separate legal entities. The Committee has taken note of the same.

16.16. The Committee has carefully considered the submissions of SMC Global seeking waiver/reduction of the penalty imposed under Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020. The Committee observes that the said Circular provides for levy of a penalty equivalent to 100% of the profit earned/loss avoided arising from the execution of abnormal/non-genuine transactions.

16.17. The Committee further observes that the surrounding circumstances including the execution of trades within short time intervals; reversal of a substantial quantity with the same counterparty; relationship between the entities involved;
concentration of trading volume, collectively establish that the transactions were non-genuine in nature on the test of preponderance of probabilities.

16.18. The Committee has also considered whether SMC Global has brought on record any new mitigating circumstance, or sufficient ground warranting interference with the penalty imposed in the earlier order. However, the Committee finds that no exceptional circumstance has been placed on record which was not already considered while passing the order dated January 27, 2025.

16.19. In view of the aforesaid facts and circumstances and considering the nature and pattern of the impugned transactions, the Committee does not find any sufficient ground warranting waiver of or reduction in the penalty imposed under the applicable Exchange Circular. Accordingly, the Committee finds no reason to interfere with the penalty levied in the order dated January 27, 2025.

DECISION OF THE COMMITTEE

17. The Committee, after considering the submissions of SMC Global in its review application and the MC order, decided that no change is required in MC order dated January 27, 2025, and thus, rejected the review request filed by M/s SMC Global Securities Limited.

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

Date: July 31, 2026