Meeting of Member Committee
("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
held on December 18, 2024, and September 18, 2025
In the matter of the Trading Member: Nirmal Bang Securities Private Limited

CORAM:

Mr. S Ravindran	-	Chairperson
Justice (Retd) Smt. Abhilasha Kumari	-	Committee Member
Prof (Dr.) Mamata Biswal	-	Committee Member
Mr. Essaji Vahavanti	-	Committee Member
Mr. Ashishkumar Chauhan	-	Committee Member

ALSO PRESENT:

Mr. Piyush Chourasia	-	Chief Regulatory Officer
Mr. Ankit Sharma	-	Chief Regulatory Officer
Ms. Sonali Karnik	-	Vice President – Enforcement
Mr. Janardhan Gujaran	-	Vice President - Enforcement

BACKGROUND

1. **Nirmal Bang Securities Private Limited** ("**Noticee/ Nirmal Bang**") is a Trading Member registered with the Exchange in the Capital Market **("CM")** segment since May 1997, Futures & Options **("F&O")** segment since June 2000, and Currency Derivatives **("CD")** segment since September 2008.

2. The Exchange conducted a limited-purpose inspection of the books of accounts and records of the Noticee in the months of August, 2023 to September, 2023 for the period from October 1, 2022, to July 31, 2023 ("**Inspection Period**"). Post-inspection, the Exchange issued a Show Cause Notice (**"SCN"**) dated July 12, 2024, for the observed violation. The Noticee vide its email dated July 24, 2024, submitted a reply to the said SCN. The matter was placed before MC and after hearing the parties, the MC has passed the following:

INSPECTION OBSERVATION/VIOLATION

3. The observation/violation alleged in the SCN are summarized hereunder:

3.1 Failure to monitor operations of Authorized Persons **("APs")**

REGULATORY PROVISIONS

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

4.1 Failure to monitor operations of Authorized Person

a. Exchange Circular No. NSE/MEM/13429 dated November 9,2009 (SEBI Circular No. MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009)

Annexure-1

7. Obligations of Stock Broker

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

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

g. On noticing irregularities, if any, in the operations of authorized person, stock broker shall seek withdrawal of approval, withhold all moneys due to authorized 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/INSP/42448 dated October 18, 2019

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:

3. 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.

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

20. The Branch/AP records/data are properly maintained with confidentiality in a secure manner including sufficient backup.

c. Exchange *Circular No. NSE/COMP/48536 dated June 9, 2021*

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 *…*

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.

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

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.

CONSIDERATION AND FINDINGS

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

5.1 Failure to monitor operations of Authorized Person

5.1.1 The Exchange verified data pertaining to 3 active APs of the Noticee along with AP inspection reports submitted. Upon verification, the Exchange observed that the Noticee failed to inspect 3 out of 3 of APs selected for sample scrutiny (100% of the total sample instances verified) as per parameters prescribed by the Exchange. The details are as per Table 1 as under: -

Table 1 - Failure to inspect APs as per prescribed parameters.

Sr. No	AP's PAN	AP's Name	Area(s) Not Inspected
1	AAJPB 9991N	Jatin D. Bhanushali ("**AP-1**")	(i) Maintenance of AP records/data properly with confidentiality, in a secure manner including sufficient backup.
2	AABPD 4155E	Upendra Kantilal Doshi ("**AP-2**")	(i) Maintenance of AP records/data properly with confidentiality, in a secure manner including sufficient backup. (ii) Movements of funds and securities between the client and AP/branch official for settlement of trades on the Exchange. Examination of Demat statement and bank accounts of the AP to verify such instances.
3	AACPB 1726E	Vijay Manoharlal Bubna ("**AP-3**")	(i) Movement of funds and securities between the client and AP/branch official for settlement of trades on the Exchange. Examination of Demat statement and bank accounts of the AP to verify such instances.

5.1.2 The Exchange verified the bank statement of the Noticee's APs. Upon verification, the Exchange observed that funds were transferred between Noticee's clients and AP-1 and AP-2 involving Rs. 46.20 lakhs. Thus, the

Noticee failed to exercise adequate control and due diligence over the activities of its APs.

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

a. Submissions in respect of maintenance of records:

The Noticee submitted that they inspected the APs as per 22 applicable and specified guidelines. However, the report inadvertently omitted the inspected point in respect of maintenance of record / data with confidentiality in a secure manner and sufficient backup. The oversight has been corrected and now set out a standard model of inspection report for subsequent AP inspections.

AP-2 conducts its business out of our registered office situated at B-2, 301/ 302, 3rd Floor, Marathon Innova, Off Ganapatrao, Kadarn Marg, Lower Parel (West) Mumbai - 400013, which has the best systems in place in respect of maintenance of records and in case of AP-1, the AP-1's premises are similarly equipped with the necessary infrastructure to securely maintain the records.

b. Submissions in respect of movement of funds between client and APs:

i. NSE Circular NSE/INSP/42448 dated October 18, 2019, on framework for supervision of APs and branches by Members, NSE inter alia clarified the indicative scope of the inspection which included, under Annexure - A, the following requirement:

"*3. 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.*"

ii. Further, NSE Circular NSE/COMP/48536 dated June 9, 2021, on market access through APs, provided as under:

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

I. 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.

iii. The upshot of the above analysis that the guidelines seek to curb any practice of moment of funds and securities between the Client and APs/ branch official for settlement of trades on the exchange outside the formal channel and mechanisms put in place by a member. Therefore, the basis of an allegation would lie only if movement of funds between the client and AP is for *"settlement of trades on the exchange"* and for *"services rendered on behalf of the Member as an agent"*.

iv. Thus, in absence of finding in the SCN that the observed fund movements are for the purpose of a settlement obligation on the Exchange for the trades executed through the APs or dues emanating out of services provided by the APs as an agent of a member, no allegation can be made of deficiency of oversight.

v. It is a matter of practice with our registered clients that pay-in, pay-out, margin or any other settlement obligation is processed through established mechanism directly through the Noticee and not the APs and therefore, the observed fund movements between the client and the APs are not in violation of the prescribed guidelines.

vi. Receipt of Rs. 40 lakhs by the Noticee's AP-2 from the client Pushpam Consultancy Pvt. Ltd. ("**PCPL**")

The said transaction between AP-2 and PCPL was a transaction pertaining to investment by AP-2 in PCPL. Since the investment could not be finalised, the amount was transferred back by the client to AP-2 on February 09, 2023. This was supplemented by the fact that PCPL is an inactive client and executed last trade in September 2021.

Further vide mail dated October 17, 2024, the Noticee provided bank statements, ledger of client PCPL and Noticee's AP-2 and letter of undertaking dated October 14, 2024.

vii. Transfer of Rs. 5 lakhs by the Noticee's AP-3 to the Client Mr. Sandeep Sarawgi (**"Mr. Sandeep"**)

The said transaction was a loan given by the AP-3 to the client in personal capacity. The said transaction was not in respect of any trade related obligation of the client. In support the Noticee submitted Memorandum of Understanding (MOU).

viii. Transfer of Rs. 1.20 lakhs by the Noticee's AP-3 to the Client Mr. Manohar Lal Jat (**"Mr. Manohar"**)

Mr. Manohar is not a client, but an employee / staff of the AP-3 and the transaction pertained to remittance of salary of the said individual. In support, the Noticee submitted salary slip of FY 2022-23, letter of appointment, copy of Aadhaar and PAN card.

5.1.4 The Committee finds as under: -

a. The Noticee accepted the inspection observation of non-compliance with inspection parameter No. 20 of the Exchange Circular No. NSE/INSP/42448 dated October 18, 2019 *"The AP records/data are properly maintained with confidentiality in a secure manner including sufficient backup"* while inspecting AP-1 and AP-2. The Noticee submitted that the APs Inspection report inadvertently omitted the inspected point and the oversight has now been corrected and a standard model of inspection report has been framed.

The Noticee further contended that, the AP-2 operates and conducts its business out of the Noticee's registered office situated at B-2, 301/ 302, 3rd Floor, Marathon Innova, Off Ganapatrao, Kadan Marg, Lower Parel (West) Mumbai – 400013 is not acceptable. Upon verification, it was observed that AP's registered office is situated at B/3602, RA-Residence, Dr. B. A. Road, Opp Sharda Cinema, Dadar East, Mumbai – 400014 which is different from location as mentioned by the Noticee. However, it was observed that, the CTCL ("**Computer-To-Computer Link**") terminal was allocated to the AP-2 at the Noticee's registered office address, however, the Noticee failed to provide both the details of maintenance of records by AP-2 to the Exchange and the parameter dealing with maintenance of records, results in non-compliance in AP-2 inspection report.

The Noticee further contented that the AP-1 premises are equipped with the necessary infrastructure to securely maintain the records. However, the Noticee failed to submit any supporting documents

such as logs of system backup, logs of secured accesses / logins to systems and electronic records, etc. in support of its claim. Hence, violation persists.

b. With respect to inspection parameter No. 3 of the Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, pertaining to *"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"*, not inspected by the Noticee while inspecting AP-2 and AP-3, the Noticee submitted that the basis of this allegation shall lie only if movement of funds between the client and AP is for *"settlement of trades on the exchange"* and for *"services rendered on behalf of the Member as an agent"*. However, the Noticee's contention is not acceptable as the observation is with respect to the non-inspection of a particular parameter by the Noticee while inspecting the APs and not an observation of movement of funds between client and AP. Thus, the violation persists.

c. Upon review of the APs' bank account statements, the Exchange observed fund movements between the AP-2 and AP-3 and clients. However, the Noticee failed to observe the same since the Noticee failed to verify these bank statements, as required under Parameter No. 3 of Exchange Circular No. NSE/INSP/42448 dated October 18, 2019. This parameter mandates that Trading Members must review APs' bank account statements to ensure there is no transfer of funds between clients and APs for settlement of trades on the Exchange. Regardless of the nature of the transactions, the Noticee was under an obligation to verify the bank statements at the first instance. Thereby, in not examining the true nature of these transactions, the Noticee failed in its responsibility to supervise the operations of its APs and to exercise adequate control and due diligence, as required under the regulatory framework. Hence, the violation persists.

d. With respect to the receipt of Rs. 40 lakhs by the Noticee's AP-2, from PCPL, the Noticee claimed that the transaction was in the nature of an investment in PCPL and submitted supporting documents, including the AP-2 bank statement, ledgers of the client PCPL and AP-2, and an undertaking dated October 14, 2024. Upon verification, it was observed that AP-2 transferred Rs. 40 lakhs to the PCPL on July 11, 2022, and PCPL returned the same amount on

February 09, 2023, as per the bank statement. However, the receipt entry was recorded by the AP on January 25, 2023, while PCPL recorded it on December 25, 2022. It was further observed that the undertaking was executed after the transactions, and issuance of SCN i.e. on October 14, 2024. Further, the Noticee failed to provide corresponding ledgers such as share application or investment accounts to substantiate its claim. The ledger submitted does not indicate whether the transaction was recorded under investment or loan. Accordingly, the Noticee's claim that the transaction was a personal loan/ investment is not acceptable.

e. With respect to the transfer of Rs. 5 lakhs by the Noticee's AP-3, to client Mr. Sandeep Sarawgi, the Noticee claimed that the transaction was a personal loan extended by the AP-3 to the client Mr. Sandeep Sarawgi and submitted a Memorandum of Understanding (MOU) executed between them in support of its claim. Upon verification, it was observed that the MOU was not dated, not notarised, and did not specify the tenure of the loan. In the absence of these essential details, the authenticity of the MOU cannot be verified.

f. With respect to the transfer of Rs. 1.20 lakhs by the Noticee's AP-3, to the Client Mr. Mohanlal, the Noticee claimed that Mr. Manohar is not a client but an employee/staff of the AP-3, and the transaction pertained to remittance of salary. Upon verification of the documents submitted, the Noticee's claim is found to be correct. However, the Noticee failed in its responsibility to supervise the operations of its APs and to exercise adequate control and due diligence, as mandated under the regulatory framework.

g. The Exchange Circular No. NSE/COMP/50030 dated October 21, 2021, places a responsibility on Trading Members to ensure that APs registered with them comply with regulatory requirements and do not engage in any non-permitted activities. Trading Members are liable for all such acts committed by their APs and/or their directors, partners, employees, etc., including any liabilities arising therefrom. Thus, the Noticee by failing to inspect the parameter No. 3 and 20, the Noticee violated the Exchange circular No. NSE/INSP/42448 dated October 18, 2019.

h. In view of the above, it was observed that the Noticee failed to put in place adequate mechanisms to have oversight on the activities of the 3 APs out of 3 sample APs verified i.e., 100% of sample APs

verified. Thus, the Noticee failed to monitor the operations of its APs and thereby violated the provisions of the Exchange Circular No. NSE/COMP/48536 dated June 09, 2021, NSE/COMP/50030 dated October 21, 2021, and Exchange Circular No. NSE/INSP/42448 dated October 18, 2019.

5.1.5 Given the findings mentioned above, the Committee decided to;

a. For the violation of failure to supervise the operations of its APs and to exercise adequate control and due diligence over the activities of APs, the Committee directs the Noticee to conduct an inspection of all its APs by an Exchange empaneled external auditor, whose cost shall be borne by the Noticee in adherence to Exchange Circular NSE/COMP/56947 dated June 02, 2023, and submit compliance report within 4 months from the date of this order.

b. For the violation of failure to conduct inspection of APs as per prescribed parameters, the Committee decided to warn the Noticee to ensure non-recurrence of the observed violation.

DECISION

6. In view of the above, the Committee levies the following penalty as indicated against the violation:

Sr. No.	Committee's Findings based on the Noticee's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022	Penalty levied post-considering the Noticee's submissions and the Committee's findings
1.	Failure to monitor operations of Authorized Persons a) Failure to supervise the operations of its APs and to exercise adequate control	No prescribed penalty	a) Directed the Noticee to conduct an inspection of all its APs by an Exchange empaneled external auditor, whose cost shall be borne by the Noticee in adherence to Exchange Circular NSE/COMP/56947 dated June 02, 2023, and submit compliance report within 4

Sr. No.	Committee's Findings based on the Noticee's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022	Penalty levied post-considering the Noticee's submissions and the Committee's findings
	and due diligence over the activities of APs. b) Failure to conduct inspection of its APs as per prescribed parameters		months from the date of this order. b) Warning.
Total			**Directions + warning**

7. The Noticee is directed to conduct an inspection of all its APs by an Exchange empaneled external auditor, whose cost shall be borne by the Noticee in adherence to Exchange Circular NSE/COMP/56947 dated June 02, 2023, and submit compliance report within 4 months from the date of this order.

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

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

Date: May 22, 2026