Member Committee ("MC/Member Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Mumbai – 400051
held on May 23, 2025

In the matter of the Trading Member – Motilal Oswal Financial Services Limited

CORAM:

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

ALSO PRESENT:

Shri. Piyush Chourasia	-	Chief Regulatory Officer
Shri. Ankit Sharma	-	Chief Regulatory Officer
Shri. Bireshwar Chatterjee	-	Senior Vice President - Surveillance & Investigation
Shri. Vishnu Gupta	-	Chief Manager - Investigation
Shri. Vikram Narvekar	-	Senior Manager- Investigation
Smt. Vasundhara Singh	-	Manager - Investigation
Shri. Kush Sodhi	-	Deputy Manager - Investigation

BACKGROUND OF THE CASE:

1. **Motilal Oswal Financial Services Limited** ("**Noticee**") having SEBI Registration No. INZ000158836 is a registered Trading Member of the National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") and is enabled for trading in the Capital Market ("**CM**") segment January 1995.

2. The Exchange during monitoring of the trading activity of the Noticee, in the Equity Segment in October 2024, observed that certain transactions (the Impugned Transactions) were executed by Noticee's clients. In these transactions the Noticee was a trading Member on both sides of the Impugned Transactions. In the first instance the clients involved in these transactions were B Sumanthkumar Reddy ("**BSR**") on one side and Kumaraswamy Reddy Bathina ("**KRB**") on the other side, and in the second instance the clients involved in these transactions were Nayani Haritha ("**NH**") on one side and Kumaraswamy Reddy Bathina ("**KRB**") on the other side, in both the instances, the buy and sell orders were placed in a synchronized manner and reversed with the same counterparties.

3. During the period from October 01, 2024, to October 04, 2024, the Noticee's clients BSR, KRB, and NH executed the Impugned Transactions by placing orders in a synchronized manner in the scrip Spacenet Enterprises India Limited (**SPCENET)** where, in the first instance the Noticee's clients KRB made a positive close out difference of Rs 7.99 lakhs and BSR made a negative close out difference of Rs. 7.99 lakhs. Whereas again in the second instance Noticee's clients KRB made a positive close out difference of Rs 9.44 lakhs and NH made a negative close out difference of Rs. 9.44 lakhs.

4. Relationship of the clients of the Noticee:

4.1. The details uploaded by Motilal Oswal Financial Services Limited in the Unique Client Code ("**UCC**") database of the Exchange is as follows:

Client Name	**Client Mobile Number**	**Client Email ID**	**Client Address**	**Dealer Details**
B Sumanthkumar Reddy	9972055884	investbkr@gmail.com	No G 001 Le promenade 39 Promenade Road Frazer Town 39 Promenade Road Frazer Town, Bengaluru, 560005 Karnataka, India.	Mr. Varun P R Bengaluru, 560009 Karnataka, India
Kumaraswamy Reddy Bathina	9972055884	investbkr@gmail.com	01 Le Promenade 39 Promenade Road Frazer Town Bengaluru, 560005, Karnataka, India.	Mr. VARUN P R Bengaluru, 560009 Karnataka, India
Nayani Haritha	9972055884	investbkr@gmail.com	N0 535 3rd Flr Gurmukh Sing Commercial Cmplx Amarjyoti Lyt Above Sbi Domlu, Bengaluru, 560071 Karnataka, India.	Mr. VARUN P R Bengaluru, 560009 Karnataka, India

4.1.1. Further, from the UCC submissions it is observed that the Noticee's clients BSR, KRB and NH involved in Impugned Transactions share the common details as below:

4.1.1.1 Common mobile numbers viz, “9972055884”

4.1.1.2 Common email ID viz, investbkr@gmail.com

4.1.1.3 Common dealer Mr. VARUN P R

4.1.1.4 Common address of BSR and KRB viz “W-102 2nd Floor, Greater Kailash Part-1, Delhi 11004 No G 001 Lepromenade 39 Promenade Road Frazer Town 39 Promenade Road Frazer Town, Bengaluru, 560005 Karnataka, India”.

4.2. Based on the KYC submitted by the Noticee, the Exchange observed that the Noticee’s clients BSR, KRB and NH are related to each other. The details mentioned in the KYC is in the following table.

Client Name	**Father’s/Spouse Name (As per KYC dated 2016, 2017 & 2020)**	**Address (As per KYC dated 2016, 2017 & 2020)**	**Email ID (As per KYC dated 2016, 2017 & 2020)**	**Mobile No. (As per KYC dated 2016, 2017 & 2020)**
B Sumanthkumar Reddy (BSR)	Kumaraswamy Reddy Bathina	No G 001 Lepromenade 39 Promenade Road Frazer Town, Bengaluru, 560005 Karnataka, India.	investbkr@gmail.com	9972055884
Kumaraswamy Reddy Bathina (KRB)	Narayana Reddy Bathina	01 Le Promenade 39 Promenade Road Frazer Town Bengalore, 560005, Karnataka, India.	investbkr@gmail.com	9972055884
Nayani Haritha (NH)	Kumaraswamy Reddy Bathina	N0 535, 3rd Flr Gurmukh Sing Commercial	investbkr@gmail.com	9972055884

		Cmplx Amarjyoti Lyt Above SBI Domlur, Bengaluru, 560071 Karnataka, India.		

As per the KYC received from the Noticee, Kumaraswamy Reddy Bathina is the father of B. Sumanthkumar Reddy and Nayani Haritha. Thus, it is observed that Client B Sumanthkumar Reddy, Kumaraswamy Reddy Bathina and Nayani Haritha are related to each other.

5. The summary of instance of reversal transactions is as under:

Instances	Trade Date	Scrip	Buy Client	Sell Client	Trade quantity	Trade Price	Square off difference (SOD) – Positive (P)/ Negative (N) (Rs. lakh)	% to Market Gross on the day in the scrip	Reversal %
1	01/10/2024	SPCENET	BSR	KRB	842503	25.00	BSR-SOD/N-7.99	30.92	99.33
	04/10/2024		KRB	BSR	836857	24.04	KRB-SOD/P 7.99	21.11	
2	01/10/2024	SPCENET	NH	KRB	983542	25.03	NH-SOD/N –9.44	36.10	95.13
	04/10/2024		KRB	NH	935639	24.02	KRB-SOD/P 9.44	23.60	

5.1. With respect to the Impugned Transactions, the Noticee is the Trading Member on both sides, and the transactions were reversed with the same counterparties.

5.2. In the first instance, the Noticee's client KRB made a positive close out difference of Rs 7.99 lakhs and BSR made a negative close out difference of Rs. 7.99 lakhs

and in the second instance Noticee's client KRB made a positive close out difference of Rs 9.44 lakhs and NH made a negative close out difference of Rs. 9.44 lakhs on the above-mentioned impugned trades.

5.3. The traded quantity in the first instance ranges from 21.11% to 30.92% of the market traded quantity of the contract on the respective days and for the second instance it ranges from 23.60% to 36.10% of the market traded quantity of the contract on the respective days.

5.4. In the first instance, the traded quantity in the first leg was 8,42,503, and in the second leg, it was 8,36,857, resulting in a reversal percentage of 99.33%. In the second instance, the traded quantity in the first leg was 9,83,542, and in the second leg, it was 9,35,639, with a reversal percentage of 95.13%.

5.5. The buy and sell orders were placed in a synchronized manner, that is, the time difference between the placement of buy and sell orders in 77.55% of the total orders for the scrip SPCENET in the first instance was less than or equal to 60 seconds. In the second instance, the time difference between the placement of buy and sell orders in 81.25% of the total orders for the scrip SPCENET was less than or equal to 60 seconds. The orders on both sides of the trades were placed through CTCL terminals.

5.6. It was observed that reversal trades were executed between clients of the Noticee who were associated with each other by placing orders in a synchronized manner.

ISSUE OF SHOW CAUSE NOTICE:

6. Based on the above-mentioned observations of the Exchange, the Exchange issued a show cause notice ("**SCN**") bearing Ref. No. NSE/INVG/2024/140049 dated November 26, 2024.

RELEVANT REGULATORY PROVISIONS:

7. 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:

7.1. NSE Regulation 4.5.4(c)(i) and Regulation 4.6. of NSEIL Regulations (CM Segment).

"4.5.4 General Guidelines

(c) Misleading Transactions:

A Trading Member shall not –

(i) make bids and/or offers for securities with an intention of creating a false or misleading appearance with respect to the market for, or the price of any security or…"

"4.6. Unfair Trading Practices:

4.6.1. No Trading Member shall execute or cause to be executed or participate in an account for which there are executed purchases of any eligible security at successively higher prices, or executed sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

4.6.2. No Trading Member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an eligible security or creating or inducing a false or misleading appearance with respect to the market in such security,

(a) enter any order or orders for the purchase of such security with knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or

(b) enter any order or orders for the sale of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price for the purchase of such security has been or will be entered by or for the same or different parties."

7.2. Extract from the Exchange Circular No. NSE/INVG/39647 dated December 13, 2018 -

"Sub: Abnormal/Non-Genuine Transactions

In this regard, Trading Members are advised to refrain from entering into abnormal/ non-genuine transactions executed by the market participants primarily with an objective of transferring profit/loss between the concerned entities or creation of artificial volume in securities/contracts."

7.3. Extract from the Exchange Circular No. NSE/INVG/2019/40175 dated February 07, 2019 -

"Sub: Guidance note on Abnormal / Non-Genuine trades

This is in continuation of NSE Circular No. NSE/INVG/39647 dated December 13, 2018, with respect to "Abnormal / Non-Genuine transactions" inter alia advising trading members to refrain from entering abnormal / non – genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts.

In this regard, in order to assist trading members in identifying such type of transactions, certain indicative scenarios have been listed below which may need additional attention and examination by the trading member.

- *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. Additionally, factors such as clients earning significant profit or incurring losses on account of such transactions, their consistent contribution to daily average volumes of security / contract may also be looked at.*

- *Securities /contracts where the total traded volume of the client vis a vis the average daily traded volumes in that security is significant.*

Trading Members may please note that these alerts and guidance note is indicative and not exhaustive and hence should exercise necessary caution and due diligence at all times."

7.4. Extract from the Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020 -

"Sub: Penalty on Abnormal / Non-Genuine Transactions

The Exchange shall send necessary advice/caution letter to Trading Members and initiate appropriate disciplinary actions against the members concerned in case the activity is observed to be abnormal/non-genuine. Exchange shall levy a penalty of 100% of the traded value/ profit made/ loss incurred as a result of the trades on the trading members for both profit and loss making abnormal / non-genuine transactions after following the due process & providing necessary opportunity to the trading member for clarification in the matter.

The decision whether a trade or trades is / are abnormal / non-genuine would be of the Exchange which would be final and binding.

The Exchange may also consider taking appropriate disciplinary actions against the member concerned for multiple instances of such abnormal / non-genuine trades as per the Rules, Regulations and Byelaws of the Exchange.

RESPONSE OF THE NOTICEE TO THE SHOW CAUSE NOTICE:

8. The Noticee vide its email dated January 03, 2025, submitted the following response to SCN, which is summarised below:

   8.1. The Noticee stated that his client B SUMANTHKUMAR REDDY, KUMARASWAMY REDDY BATHINA and NAYANI HARITHA had opened their Trading Account with them on August 30, 2016, October 13, 2017, and March 24, 2020, respectively.

   8.2. The Noticee submitted that it had carried out client due diligence, followed KYC norms and had collected necessary supporting documents.

   8.3. The Noticee submitted that it had executed the orders under normal course of business. The clients had placed the request for execution of orders. Subsequent to placement of orders, the orders got executed in the market through Exchange's anonymous trading platform.

   8.4. The Noticee stated that it had asked for the clarification from the clients and is waiting for the client's reply in the said matter.

   8.5. The Noticee further mentioned that this was a onetime transaction without any intention of manipulation of volume or prices of mentioned contract and had also cautioned the clients to avoid such instances in future.

PRESENT PROCEEDINGS BEFORE MEMBER COMMITTEE:

9. The Exchange vide email dated May 16, 2025, granted the Noticee with an opportunity of personal hearing before the Committee in its meeting held on May 23, 2025. The Noticee was represented by Mr. Neeraj Agarwal – Executive Group Vice President and Akshada Sakpal – Associate Vice President, who appeared for the personal hearing and reiterated what was submitted by the Noticee.

ADDITIONAL SUBMISSIONS

10. The Noticee submitted additional submission during the hearing held on May 23, 2025, before the Committee in relation to the SCN Ref No. NSE/INVG/2024/140049 dated November 26, 2024, and also vide letter dated June 13, 2025. The response is summarised below:

10.1. The Noticee submitted that at the time of account opening, full due diligence was conducted for the clients in accordance with KYC norms. Necessary supporting documents were obtained and verified.

10.2. All trades by the aforementioned clients were executed through its authorized dealers. The orders, once placed, were matched and executed through the Exchange's anonymous trading platform based on the price-time priority mechanism. These trades were executed with available counterparties.

10.3. The transactions by Mr. Kumaraswamy Reddy Bathina (Client Code: BL500) in the scrip Spacenet Enterprises India Limited during the period October 1, 2024, to October 4, 2024, were purely delivery-based. He had been holding 39,98,116 shares of the said scrip since January 2024.

10.4. Upon receipt of the earlier Show-Cause Notice dated November 26, 2024, the Noticee had sought clarification from the concerned clients. However, no response has been received from their end till date.

10.5. As per Noticee's internal alert mechanism, a Match Trade Alert was triggered for the said clients where potentially matching trades were identified. The clients were immediately cautioned against reversing such trades. Subsequently, a second alert was issued upon identification of reversal trades.

10.6. The Noticee stated that it has obtained the latest income, and net worth details of Mr. Sumanthkumar Reddy, Mr. Kumaraswamy Reddy Bathina, and Ms. Haritha Nayani.

10.7. The Noticee mentioned that it had submitted a letter to NSE dated March 8, 2022, requesting the introduction of system-level checks to prevent reversal trades, especially in cases where trades are executed by the same counterparty across brokers.

10.8. The Noticee submitted that the preventive mechanism was made effective from July 07, 2024.The Noticee was under the belief, that the proposed mechanism had been implemented by the Exchange earlier with a look back period of minimum 3 months, and that such reversal transactions could have been restricted at the system level itself, thereby preventing any possibility of such trades.

OBSERVATIONS, CONSIDERATIONS & FINDINGS OF THE COMMITTEE:

11. After considering the oral and written submissions made by the Noticee on the charges mentioned in the SCN dated November 26, 2024, the Committee finds as under:

11.1. The Committee notes that with respect to the Impugned Transactions, the Noticee is the Trading Member on both sides of the Impugned Transactions, and the transactions were reversed with the same counterparties.

11.2. The Committee notes the following observations regarding the impugned trades:

11.2.1 In the first instance, the Noticee's client KRB made a positive close-out difference of Rs. 7.99 lakhs, while BSR made a negative close-out difference of Rs. 7.99 lakhs.

11.2.2 In the second instance, the Noticee's client KRB again made a positive close-out difference of Rs. 9.44 lakhs, whereas NH recorded a negative close-out difference of Rs. 9.44 lakhs.

11.3. The traded quantity in the first instance ranges from 21.11% to 30.92% of the market traded quantity of the scrip on the respective days and for the second instance it ranges from 23.60% to 36.10% of the market traded quantity of the contract on the respective days.

11.4. The Committee notes that in the first instance the quantity traded in the first leg is 8,42,503 and in the second leg it is 8,36,857 i.e. reversal percentage of the traded quantity constitutes 99.33%. Whereas, in the second instance the quantity traded in the first leg is 9,83,542 and in the second leg it is 9,35,639 i.e. reversal percentage of the traded quantity constitutes 95.13%.

11.5. The Committee observes that as per the KYC details the relationship of the clients to be that of father and daughter/son as Kumaraswamy Reddy Bathina is the father of B. Sumanthkumar Reddy and Nayani Haritha and also notes that as per the UCC records of the Exchange (which is uploaded by the respective Trading members), it is observed that the clients, BSR, KRB and NH, share the following common details:

(a) common mobile number i.e., "+91-9972055884";
(b) common email ID i.e. "investbkr@gmail.com";
(c) common dealer "Mr. Varun PR"
(d) similar address between BSR and KRB i.e., "No G 001 Lepromenade 39 Promenade Road Frazer Town 39 Promenade Road Frazer Town, Bengaluru, 560005 Karnataka, India.

11.6. As per the response of the Noticee, the Noticee submitted that it had executed the orders under normal course of business. The clients had placed the request for execution of orders. Subsequent to the placement of order, the order got executed in the market through the Exchange's anonymous trading platform. The Committee notes that with respect to the Impugned Transactions, the Noticee was the Trading Member on both sides of the Impugned Transactions, and the transactions were reversed with the same counterparties, thus his statement, "The

order got executed in the market through Exchanges anonymous trading platform", is not acceptable as the Noticee had visibility of both sides of transactions. The Committee further observed that the transactions do not appear to be meant for meaningful change in ownership of the scrip and hence the Committee finds the Impugned Transactions to be non-genuine in nature. The Committee also emphasizes that the trading system of the Exchange cannot be a medium for executing Trade Reversals for any purpose.

11.7. As per the response, the Noticee stated that all trades by the aforementioned clients were executed through our authorized dealers. The orders, once placed, were matched and executed through the Exchange's anonymous trading platform based on the price-time priority mechanism. These trades were executed with available counterparties. However, the Committee notes that the clients involved were trading through a common dealer, Mr. Varun P. R., who is based in Bangalore. Also, the Committee observes that in *the first instance*, 77.5% of buy and sell orders were placed within 60 seconds. In *the second instance*, 81.25% of buy and sell orders were placed within 60 seconds, with the orders being placed in a synchronized manner. These transactions were executed on both sides of the trade using CTCL terminals. Further, the Committee notes that the reversal percentage between first leg and the second leg for the first instance constituted 99.33%, whereas reversal percentage in first leg and the second leg for the second instance constituted 95.13%.

11.8. The Noticee argued that the transactions by Mr. Kumaraswamy Reddy Bathina (Client Code: BL500) in the scrip Spacenet Enterprises India Limited during the period October 1, 2024, to October 4, 2024, were purely delivery-based. And the said client had been holding 39,98,116 shares of the said scrip since January 2024. However, The Committee notes that the SCN pertains only to the Impugned Transactions which are in the nature of reversal transactions and does not extend to the entire period of the shareholding. The Committee notes that KRB realized a positive close out difference of Rs.7,99,923 in the first instance and Rs. 9,44,233 in the second instance through trades in the scrip SPCENET, conducted between October 1 and October 4, 2024. These transactions were reversed with the same counterparty, indicating that they did not result in a genuine change in ownership.

11.9. With respect to the effect of the Impugned Transactions on the volume of the said scrip on the respective days, the Committee notes as below:

11.9.1 For scrip SPCENET, the Committee notes that in the first instance on October 01, 2024 and October 04, 2024 , the average market volume for a 15-minute slots was 92,778 (where the Noticee's clients were not active), however, during the specific 15-minute slot when the Impugned Transactions were executed the volume was 5,59,787, which was 503.36% more than the average volume in the 15-minute slots where the Noticee's clients were not active. In the second instance on October 01,

2024 and October 04, 2024, the average market volume for a 15-minute slots was 88,336 (where the Noticee's clients were not active), however during the specific 15-minute slot when the Impugned Transactions were executed the volume was 6,39,727, which was 624.19% more than the average volume in the 15-minute slots where the Noticee's clients were not active.

In view of the above, the Committee notes a significant change in the volume of the scrip SPCENET due to the Impugned Transactions during the reversal days. This indicates that the Exchange platform was used for transactions that did not result in a genuine change in beneficial ownership, which is contrary to its intended purpose. The Committee reiterates that, under no circumstances, should the Exchange trading system be used to execute trade reversals.

11.10. The Noticee mentioned that as per their internal alert mechanism, a Match Trade Alert was triggered for the said clients where potentially matching trades were identified. The clients were immediately cautioned against reversing such trades. Subsequently, a second alert was issued upon identification of reversal trades. However, the Committee observes that, since the Noticee acted as the trading member on both sides of the transactions, the Noticee is required to have detected and prevented the trades between the related clients. The Committee reiterates that the Exchange's trading system must not be used as a medium for executing trade reversals under any circumstances.

11.11. The Committee further, finds that the close out difference w.r.t. the Impugned Transactions as a % of total close out difference for the clients in the said scrip on the respective days and the traded quantity in the reversal trades as a % of total traded quantity of the clients in the said scrip on the respective days is mentioned below for the respective clients:

Instance	Scrip	Client	Close out difference w.r.t. reversal trades as a % of total close out difference for the clients in the scrip/contract on respective days	Traded quantity in Reversal trades as a % of total traded quantity of the client in the scrip/contract on respective days
1		BSR	98.41	98.45
		KRB	43.91	45.24

2	SPCENET	NH	93.84	93.56
		KRB	51.83	50.58

11.12. In view of the above, the Committee finds that the Noticee, by placing such orders on both sides of the transaction, made bids and/or offers for securities with an intention of creating a false or misleading appearance with respect to the market for, or the price of any security. Thus, Noticee by allowing execution of such trades have violated the provisions of Regulation 4.5.4(c)(i) and Regulation 4.6. of NSEIL Regulations (CM Segment). Further, the transactions executed are non-genuine transactions as per Exchange Circular Nos. NSE/INVG/39647 dated December 13, 2018, NSE/INVG/2019/40175 dated February 07, 2019, and NSE/INVG/2020/46662 dated December 16, 2020. Therefore, based on the facts and circumstances of the case, the Committee is 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. 7,99,923/- for instance 1 and Rs. 9,44,233/- for instance 2 and since the Noticee is on both sides of the transaction, the amount of 100% of the penalty of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions is attracted, amounting to Rs. 34,88,312/-.

MEMBER COMMITTEE DECISION:

12. Accordingly, a penalty of Rs. 34,88,312/- (Rupees Thirty-Four Lakhs Eighty- Eight Thousand Three Hundred Twelve only) (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) is levied on the Noticee in terms of the Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020.

13. The Noticee is also directed to take adequate measures / put in place effective systems and controls to comply with the provisions of the Exchange Regulation 4.5.4(c)(i) and Regulation 4.6. of NSEIL Regulations (CM Segment) and NSE Circulars NSE/INVG/39647 dated December 13, 2018, NSE/INVG/2019/40175 dated February 07, 2019, and NSE/INVG/2020/46662 dated December 16, 2020.

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

Date: April 06, 2026