Before the
Member Committee ("MC"/"Committee"/erstwhile "MCSGFC")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
held on February 21, 2025
In the matter of Trading Member – J M Financial Services Limited

CORAM

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

ALSO PRESENT

Mr. Piyush Chourasia	-	Chief Regulatory Officer
Ms. Renu Bhandari	-	Vice President – Inspection
Ms. Sonali Karnik	-	Vice President – Enforcement
Mr. Janardhan Gujaran	-	Vice President – Enforcement

BACKGROUND

1. **J M Financial Services Limited ("Noticee")** is a Trading Member registered with the National Stock Exchange of India Limited ("**NSEIL**"/"**Exchange**") and enabled for trading in the Capital Market ("**CM**") segment since November 1994, Futures and Options ("**F&O**") segment since June 2004, Currency Derivatives ("**CD**") segment since January 2009 and Commodities Derivatives ("**COM**") segment since November 2019.

2. The Exchange received complaints from the Noticee's clients pertaining to unauthorized trades carried out by its Authorized Person - Ms. Shaili Pranav Shah (**"AP"**). Accordingly, the Exchange initiated a limited purpose inspection of the books and records of the Noticee and its AP covering the period from April 01, 2023, to January 31, 2024, in February 2024, and March 2024. Post-inspection, the Exchange issued a Show Cause Notice ("**SCN**") dated November 04, 2024, for the observed violations. The Noticee replied to SCN on November 15, 2024.

INSPECTION OBSERVATION

3. The inspection observations mentioned in the SCN are summarized hereunder: -

3.1. Non reporting of clients mapped to AP
3.2. Trading Member has not ensured that their Authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges
3.3. Failure to undertake inspection of branches/registered Authorized Persons.
3.4. Non-maintenance of pre-order confirmation for the trades.

REGULATORY PROVISIONS

4. 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:

4.1. **Non-Reporting of clients mapped to AP**

a. Exchange Circular No. NSE/COMP/49509 dated September 03, 2021

Reporting of clients mapped to authorized Persons

…All the trading members are hereby required to upload the details of such clients, if any, as given in Annexure-A, against the respective APs in the Exchange database, as per the following timelines: …….

…….. A provision for uploading client details, if any, at the time of new AP registration has also been provided. The mode of uploading the client data is provided in the user manual attached as Annexure -B. Members are advised to ensure that details of the clients reported should match with the Exchange UCC records. ***……***

4.2. **Trading Member has not ensured that their authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges**

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

An Authorized person can only act as a facilitator and provide administrative assistance to the clients of the Member in accessing the trading platform of the Stock Exchange, failing which the Authorized person and its

Directors/partners shall be liable for appropriate disciplinary actions including cancellation of their registration, debarment from the securities market etc.

Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorized persons. Member 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/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.

Members should ensure that their Authorized 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 unauthorized 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 Authorized person(s) and/or their Directors/Partners, employees etc., including liabilities arising therefrom.

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

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.

c. Exchange Circular No. NSE/INSP/51770 dated March 25, 2022

a)…..

Client shall not be subjected to any kind of trade inducement (including

generating trade calls through the Interactive Voice Response (IVR) system) and shall ensure that all instructions for placement of orders are obtained from the respective client only.

4.3. **Failure to undertake inspection of branches/registered authorized persons (APs)**

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

ii. APs/Branches meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:

c. APs/ Branches against which more than 3 complaints have been received during the previous year.

In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, Members shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

b. Exchange Circular No. NSE/COMP/56947 dated June 2, 2023

3. 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. 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.

4.4. **Non-maintenance of pre-order confirmation for the trades**

a. Regulation 3.2.1 of Exchange Regulations (CM Segment) and Regulation 3.4.1 of Exchange Regulations (F&O Segment)

Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.
Notwithstanding the above, wherever the order instructions are received from clients through the telephone, Members shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

b. SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

Prevention of Unauthorised Trading by Stockbrokers

SEBI in the past has taken several steps to tackle the issue of "Unauthorized Trades" viz Periodic Running Account Settlement, Post transactions SMS/email by exchanges/Depositories, Ticker on broker/DP websites etc. It was observed that in spite of measures taken, a considerable proportion of investor complaints is of the nature of "Unauthorized Trades"

To further strengthen regulatory provisions against un-authorized trades and also to harmonize the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:

a. Physical record written & signed by client,
b. Telephone recording,
c. Email from authorized email id,
d. Log for internet transactions,
e. Record of messages through mobile phones,
f. Any other legally verifiable record.

When a dispute arises, the broker shall produce the above-mentioned records for the disputed trades. However, for exceptional cases such as technical failure etc. where broker fails to produce order placing evidence, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

Further, wherever the order instructions are received from clients through the telephone, the stockbroker shall mandatorily use telephone recording system to record the instructions and maintain telephone recording as part of its records.

CONSIDERATION AND FINDINGS

5. The inspection observation, reply of the Noticee and findings of the Committee are as under: -

5.1. **Non-Reporting of clients mapped to AP**

The Exchange verified the list of clients mapped with AP as submitted by the Noticee during inspection, vis-à-vis the list of clients mapped with AP as reported to the Exchange. Upon verification, the Exchange observed that in case of 1 instance the client (Client Code - 67810327) is mapped with AP as per the Exchange record but not included in the list of clients mapped with AP as provided by the Noticee at the time of inspection. Further, in the case of 29 instances, the clients are mapped with the AP as per the list of the clients provided by the Noticee during the inspection but not reported to the Exchange.

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

a. The Noticee registered all clients post-November 2021, except one client, which was registered in 2016. These registrations were reported weekly on or before the next two trading days of the subsequent week, as per the Exchange Circular no. NSE/COMP/49509 dated September 03, 2021, regarding *"Reporting of clients mapped to Authorized Persons (AP)"*. The client data was uploaded on the ENIT (Electronic NSE Interface for Trading Members) portal, and the confirmation i.e., response file was received from NSE. However, during the inspection, upon receipt of query, the Noticee fetched the data pertaining to the AP and observed that the data was not reflecting on the portal despite being uploaded over the past two years. Consequently, the client list was re-uploaded on March 28, 2024. Upon re-fetching the data after receiving an observation letter, the Noticee realized that the data was still not reflecting. Therefore, to keep the information updated on the Exchange portal, it once again uploaded the data on exchange portal. The Noticee submitted instance wise reply.

b. Further discrepancies were observed when the Noticee downloaded the data pertaining to the AP from ENIT portal, showing 776 entries (for 576 unique clients), while the data uploaded on April 15, 2024, showed a client count of 1707, and, once the data was fetched again on next working day the total count was 776. This issue was reported to the NSE's membership department vide email dated April 16, 2024.

c. Furthermore, the Noticee confirmed that it was correctly updating the client information mapped to the AP on the Exchange portal. However, due to some technical bug, the data is not reflected in the dump fetched from the Exchange portal, leading to the observed discrepancies.

5.1.2. The Committee finds as under: -

a. In case of one instance (Client Code - 67810327), which was reported to the Exchange but not included in the list of clients mapped with AP as provided by the Noticee - The Noticee submitted that the client details were uploaded on ENIT before November 05, 2021. However, the Noticee failed to submit any reply for failure to include a client in the list of clients mapped with AP as provided by the Noticee during the Inspection. Hence the violation persists in one observed instance.

b. In case of 29 instances mapped to the AP, which were provided during inspection but were not reported to the Exchange – The Noticee submitted that, the details of the clients mapped under AP were uploaded on various dates between November 2021 and January 2024, but the same was not reflected in the system, the details were re-uploaded again in March 2024 and April 2024. In support, the Noticee submitted response file to substantiate its claim.

c. Upon verification of response files submitted by the Noticee, it was observed that the Noticee uploaded 26 clients out of the 29 clients. Further as of December 13, 2024, out of the 29 clients, 13 accounts were closed, and the remaining 16 clients were mapped to the AP.

d. The Noticee acknowledged that they correctly updated the details of clients mapped under the AP. However, due to a technical bug, the data is not reflected in the dump fetched from the Exchange portal. Furthermore, the Noticee reported the details of clients mapped under the AP post-inspection. However, post-inspection compliance does

not absolve the Noticee of the violation already committed.

e. Exchange Circular No. NSE/COMP/49509 dated September 3, 2021, stipulates that all the Trading Members are required to upload the details of clients, as given in Annexure-A of the circular, against the respective APs in the Exchange database. Thus, not reporting clients to the Exchange, the Noticee violated the aforementioned circular.

5.1.3. Given the findings mentioned above, the Committee decided to advice the Noticee to ensure non-recurrence of the observed violation in terms of Annexure 1.3, Sr. No. 18 of the Exchange circular No. NSE/INSP/70746 dated October 10, 2025.

5.2. **Trading Member has not ensured that their authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges**

5.2.1. The Exchange verified the call recordings submitted by the Noticee. Upon verification, the Exchange observed that the AP of the Noticee was recommending buying and selling in securities in 23 instances pertaining to 3 clients. Thus, the Noticee has failed to ensure that its AP is engaged only in permitted activities and is not undertaking any business which are disallowed under the Byelaws, Rules, Regulations and Circulars of the Exchange.

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

a. There are no specific descriptions or details as provided by the inspection team or in inspection report which indicates that the employee of AP was recommending trades to clients. However, call recordings pertaining to three clients were reviewed to address the observations and client wise response was submitted by the Noticee, extracts thereof are reproduced here below:

i) For Client Code - 67810677- Priti Rameshchandra Shah and for Client Code - 67810541- Madhuben Rameshchandra Shah:

The call recordings revealed conversations where the clients actively sought prices of various scrips and instructed the dealer

to place buy/sell orders. The dealer informed the clients about losses and mark-to-market (MTM) positions. The clients were aware of their trades and provided specific instructions on which scrips to sell or hold. The employee of the AP referred to past discussions with the clients, which may have been misinterpreted as recommendatory trades. Hence, in all these recordings, the dealer provided trade confirmations and updated the clients on their trading activities. Transcripts of these recordings were also provided for reference.

ii) For Client Code-67810119-Minakshi Alpeshkumar Nandola:

The call recording revealed the client was instructing the dealer to sell shares. The conversation indicated that the client was an active trader, with no discussion of recommendatory trades by the dealer. The client provided confirmations for the orders executed on the said date. The copy of the voice recording was attached.

b. Furthermore, the Noticee asserted that there were no recommendatory trades made by the employee of the AP in the recorded conversations provided during the inspection and these observations appear to be a result of misinterpretation of the conversations.

5.2.3. The Committee finds as under: -

a. The Noticee contended that the dealer provided trade confirmations and updated the clients on their trading activities. In this regard it was observed as under:

i) For Client Code - 67810677- Priti Rameshchandra Shah and for Client Code - 67810541- Madhuben Rameshchandra Shah:

Upon verification of call recordings dated October 16, 2023, pertaining to two clients, it was observed that the recommendation to purchase the positions in the following three scrips and quantities for both the clients had originated from the AP and not from the clients.

The details are hereunder:

Name of Scrip	Segment	Lot Size	No. of lots		Recommendation
			Client code 67810541	Client code 67810677	
JSW STEEL	Derivatives	1350	2	1	Buy
NTPC	Derivatives	3000	2	1	Buy
TATA STEEL	Derivatives	5500	2	1	Buy

Upon verification of transcripts of the recordings submitted by the Noticee, it was observed that the transcripts were found to be inaccurate and did not represent the content of the recordings where AP was recommending purchasing the position. The recordings clearly confirm that the AP was actively suggesting trades / positions in above scrips and quantity in both the accounts, constituting a recommendatory nature of transaction. Therefore, the violation persists with respect to the trades executed in the above-mentioned client accounts on October 16, 2023.

Upon further review of call recordings dated October 17, 23, 25, 26, and 30, 2024, it was observed that the nature of these conversations was limited to reporting of the clients' outstanding positions and executed trades. Hence, there is no violation in such instances.

ii) <u>For Client Code-67810119-Minakshi Alpeshkumar Nandola:</u>

Upon scrutiny of the voice recording dated June 06, 2023, it was observed that the conversation constituted a post-trade confirmation call made by the Noticee. Therefore, the Noticee's contention was found to be correct and hence no violation persists for the said instance dated June 06, 2023.

b. After considering Noticee's submissions and reviewing all relevant voice recordings, it was observed that non-compliance persists in 6 instances dated October 16, 2023.

c. The Exchange Circular No. NSE/COMP/51770 dated March 25, 2022, explicitly prohibits any form of trade inducement, including through

Interactive Voice Response (IVR) systems, and mandates that all trade instructions must originate solely from the client.

d. Exchange Circular No. NSE/COMP/48536 dated June 9, 2021, and Exchange Circular No. NSE/COMP/50030 dated October 21, 2021, stipulates the responsibility of the Trading Members to ensure that all APs registered with it are compliant with the regulatory requirements and do not undertake any non-permitted activities. It is expected that Trading Members must exercise adequate control and due diligence over the activities and transactions of their APs, as a part of continued compliance with the regulatory provisions.

e. In view thereof, it can be concluded that the Noticee has not ensured that their APs are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges, wherein it was found that the employee of AP was recommending trades to its clients. Thus, the Noticee acted in violation of the provisions of the above mentioned circulars of the Exchange.

5.2.4. Given the findings mentioned above, the Committee directed the Noticee to: (a) conduct audit of all active APs by the auditor empaneled with the Exchange (b) submit the inspection reports within 6 months from the date of this order and, (c) The cost of the inspection shall be borne by the Noticee.

5.3. **Failure to undertake inspection of branches/registered Authorized persons (APs)**

5.3.1. The Exchange verified the latest inspection report of the AP conducted by the Noticee. Upon verification, the Exchange observed that the Noticee has failed to conduct inspection of the AP even after receipt of complaints of unauthorized trades from the clients mapped under AP. Thus, the Noticee has failed to undertake inspection of its AP.

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

a. Noticee referred to Exchange Circular No. NSE/COMP/42448 dated October 18, 2019, which outlines the framework for supervision of APs and branches by Trading Members. The extracts whereof are reproduced here below:

In order to enhance the effectiveness of the supervision and ensure uniformity and standardization across all Members, the following guidelines, framed in joint consultation with SEBI & other Exchanges, are being issued:

i. Every Trading Member shall be required to inspect every year at least 30% of its active APs annually and also ensure that each active AP is inspected at least once every three years. For this purpose, an active AP/ Branches would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.

ii. APs/Branches meeting any of the criteria below shall be inspected annually, irrespective of when the last inspection was carried out

a. APs/Branches with more than 500 registered clients across Exchanges
b. APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges
c. APs/Branches against which more than 3 complaints have been received during the previous year.

In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, Members shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

b. The Noticee conducted an inspection of the concerned AP on August 11, 2023, in accordance with clause (ii)(a) of the circular and submitted the inspection report to the Exchange officials.

c. As of April 12, 2024, the AP had 314 active and 258 inactive clients and only one complaint was received by the Noticee against this AP, involving clients Priti Rameshchandra Shah (Client Code-67810677) and Madhuben Rameshchandra Shah (Client Code-67810541), initially filed on November 22, 2023. Subsequently, the same complaint was filed with the exchange which was forwarded by the Exchange to the Noticee on December 28, 2023.

d. The allegations were neither proven nor concluded and that this was the only complaint received in the AP's 13+ years of association with the Noticee.

e. The complaint was filed with malicious intent to recover trading losses by alleging unauthorized trades. The matter was also referred to Online Dispute Resolution (ODR) forum, where the conciliator passed an order on April 2, 2024, in favour of the Noticee.

f. Upon receipt of the complaint, the Noticee conducted internal due diligence, including analysis of voice recordings, pre-trade confirmations, and communications between the dealer and the client. The internal scrutiny revealed that the client was aware of the trades, had received updates on prices of the scrips. It was also revealed that the client received trade confirmations and had actively participated in trading decisions. Supporting evidence also included client actions such as making payments toward mark-to-market losses and providing OTPs for margin pledges. Therefore, it was evident that the complaint was baseless and accordingly the Noticee had replied to the client. Since client was not satisfied with its response, the matter was taken ahead on ODR and the order was passed on April 2, 2024, by the conciliator in favor of the Noticee.

g. Furthermore, the Noticee withheld brokerage payments to the AP since the complaint was pending. It clarified that no alerts or inputs were received regarding suspicious transactions, dealings, or promises of assured returns by the AP, therefore, the Noticee did not carry out an immediate inspection.

5.3.3. The Committee finds as under: -

a. The Noticee contended that the conciliation was in the favor of the Noticee, however, upon examination of the conciliation report dated April 2, 2024, submitted by the Noticee, it was observed that the conciliation process was unsuccessful, and the matter remained unresolved.

b. As per Exchange Circular No. NSE/COMP/42448 dated October 18, 2019,'*Trading Members are mandated to conduct immediate inspections in cases where there are inputs or alerts regarding*

suspicious transactions, dealings, or promises of assured returns by an Authorized Person (AP)'. Despite the receipt of a client complaint alleging unauthorized trading, the Noticee failed to initiate an immediate inspection of the AP's books and records. Irrespective of the outcome of the conciliation process, the Noticee should have scrutinized and inspected the books and records of its AP to ensure compliance with the Rules, Regulations, Byelaws and circulars of the Exchange.

c. Further, upon verification of the AP's inspection report dated August 11, 2023, submitted by the Noticee, it was observed that the Noticee had recorded an observation regarding the non-maintenance of evidence of pre-order placement by the AP. This violation raises the possibility of unauthorized trade. Under these circumstances, upon receiving a complaint alleging unauthorized trades, the Noticee should have immediately conducted an inspection to verify the client's claim and determine whether the AP was maintaining pre-trade confirmations. However, the Noticee failed to carry out the inspection of the AP.

d. As per Exchange Circular No. NSE/COMP/56947 dated June 2, 2023, Trading Members, at all points of time, shall exercise adequate control and due diligence over the activities, conduct and transactions of their APs by conducting surprise and periodic Inspections as well as by obtaining regular feedback from the clients of the AP. Trading Members are vicariously and severally liable for any violations committed by their APs. It is therefore reiterated that Trading Members shall be held responsible and accountable for all acts of omission and commission by their APs and/or employees at their branches including any arrangements entered by the AP/employees with the clients of the trading members.

e. In view thereof, it was observed that the Noticee failed to conduct AP's inspection even after receiving complaints of unauthorized trades from its clients. Thus, the Noticee acted in violation of the Exchange Circular No. NSE/COMP/42448 dated October 18, 2019.

5.3.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 20,000/- on the Noticee for the observed violation in terms of Annexure 1.3, Sr. No. 15 of the Exchange circular No. NSE/INSP/70746 dated October 10, 2025.

5.4. **Non-maintenance of pre-order confirmation for the trades**

5.4.1. The Exchange requested for proof of pre-order confirmation for trades pertaining to 9 clients mapped to AP from the Noticee. However, the Noticee failed to provide the same. Therefore, it was observed that the Noticee failed to maintain pre-order confirmation in case of 9 clients.

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

a. The Noticee submitted a client-wise reply as below:

i. Client Code-67810302 – Madhuben Shah:

The Noticee submitted that the pre-order confirmation for this client, pertaining to trade date April 25, 2023, was uploaded on ENIT under case ID 2024-37822 on March 28, 2024. This submission also included confirmation for client code 67810138 (for trade date April 21, 2023). While the inspection official acknowledged the confirmation for client code 67810138, the confirmation for client code 67810302 was inadvertently overlooked. The Noticee provided the pre-order confirmation for the said client.

ii. Client Code-67810677 – Priti Shah:

The client filed a complaint on November 22, 2023, followed by a similar complaint forwarded by the Exchange on December 28, 2023. The matter was referred to the Online Dispute Resolution (ODR) forum for conciliation and was heard on March 13, 21, and 27 of 2024 respectively. The Noticee also submitted 13 call recordings covering the period from October 16 to October 30, 2023, to both the inspection team and the conciliator. Although earlier recording could not be retrieved due to technical issues, all other relevant communications and evidence were submitted. The conciliator passed a final order in favor of the Noticee on April 2, 2024. Additionally, the client filed for online arbitration, which was adjudicated by the Learned Arbitrator, who rejected the client's claim and passed an award in favor of Noticee on September 19, 2024. A copy of the award was enclosed with the reply.

iii. For 7 other clients:

The Noticee acknowledged that due to technical lapses, it was unable to retrieve voice recordings for the remaining seven clients. However, the Noticee approached these clients and obtained deal memos, which were subsequently submitted to the Exchange.

b. Noticee further stated that following the conclusion of conciliation and arbitration proceedings, the Exchange levied penalties of Rs. 50,000/- in the case of client 67810677 (Priti Shah) and Rs. 55,500/- in the case of client 67810302 (Madhuben Shah), considering these penalties were already imposed, therefore no further proceedings should be initiated under the same facts of the case.

5.4.3. The Committee finds as under: -

a. The client-wise findings are mentioned here below:

i. Client Code 67810302 – Madhuben Shah:

Upon verification of the order placement memo (deal memo) submitted by the Noticee for the trade dated April 25, 2023, it was observed that the memo did not contain a time stamp to establish that client consent was obtained prior to execution of trade and thus, veracity of Noticee's claim could not be ascertained. As per regulatory requirements, trading members must maintain verifiable evidence of pre-order confirmation before executing trades. In the absence of such evidence, the violation persists.

ii. Client Code-67810677 – Priti Rameshchandra Shah:

The Noticee accepted the observation dated May 09, 2023, and attributed the same to technical issue. Hence, the violation persists.

The Noticee's further contention relating to conciliation report dated April 2, 2024, and arbitration award dated October 7, 2024, it was observed that the conciliation was unsuccessful, and the complaint remained unresolved. The arbitration award concluded that the trades in question were unauthorized and in violation of

SEBI circulars, with both parties held responsible. Therefore, Noticee's claim that both proceedings were decided in its favor is not tenable.

iii. 7 other clients:

Noticee accepted the inspection observation admitted that due to technical lapses, it was unable to retrieve voice recordings and submit during the inspection. It subsequently obtained pre-order trade confirmations (deal memos) from the clients. However, upon review, these memos were found to lack time stamps, rendering it impossible to verify whether client consent was obtained prior to the execution of trades. Therefore, the veracity of Noticee's claim could not be ascertained. Hence, the violation persists for these seven clients.

b. As per Regulation 3.2.1 of NSEIL Regulations (CM Segment) and Regulation 3.4.1 of NSEIL Regulations (F&O Segment), Trading Members are required to obtain appropriate confirmed order instructions from clients prior to placement of order in system and maintain relevant records of the same. However, the Noticee failed to comply with these provisions by not maintaining appropriate evidence regarding order placed for its clients.

5.4.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 10,000/- on the Noticee for the observed violation and advice the Noticee to ensure non-recurrence of the observed violation in terms of Annexure 1.1, Sr. No. 60 of the Exchange circular No. NSE/INSP/70746 dated October 10, 2025.

DECISION

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

Sr. No.	Committee's Finding	Penalty prescribed as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and	Monetary penalty / Financial disincentive	Penalty Levied

		NSE/INSP/70746 dated October 10, 2025		
a.	Non-Reporting of clients mapped to AP	Non reporting/ partial reporting of UCC details mapped to the APs- Advise	--	Advice
b.	Trading Member has not ensured that their Authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges	No prescribed penalty	--	a) conduct audit of all active APs by the auditor empaneled with the Exchange b) submit the inspection reports within 6 months from the date of this order and, c) The cost of the inspection shall be borne by the Noticee.
c.	Failure to undertake inspection of branches/registered Authorized persons (APs)	Monetary penalty of Rs. 20,000/- per AP, Maximum cap of Rs. 5,00,000/-	Monetary penalty	Rs. 20,000/-
d.	Non-maintenance of pre-order confirmation for the trades	Rs. 10,000/- per client (max Rs. 1,00,000/-)	Monetary penalty	Rs. 10,000/-
TOTAL				**Rs. 30,000/- + Directions**

7. The Committee directed the Noticee as under:

a. To pay a monetary penalty of Rs. 30,000/- (Rupees Thirty Thousand Only).

b. The Noticee is further directed to a) conduct audit of all active APs by the auditor empanelled with the Exchange b) submit the inspection reports within 6 months from the date of this order and, c) the cost of the inspection shall be borne by the Noticee

c. To note the non-monetary penalties mentioned 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: February 04, 2026.