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
In the matter of the Trading Member IIFL Securities Limited

CORAM:

Mr. S Ravindran	-	Chairman
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. **IIFL Securities Limited ("Noticee/IIFL")** is a Trading Member registered with the Exchange in the Capital Market ("**CM**") segment since May 2000, Futures & Options ("**F&O**") segment since June 2000, and Currency Derivatives **("CD")** segment since August 2008.

2. The Exchange conducted a limited-purpose inspection of the books of accounts and records of IIFL for the period from September 1, 2021, to April 30, 2023, in the month of August 2023 to December 2023. Post-inspection, the Exchange issued a Show Cause Notice (**"SCN"**) dated July 15, 2024, for the observed violation. IIFL vide its email dated August 01, 2024, submitted reply to the said SCN.

INSPECTION OBSERVATION/VIOLATION

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

   3.1 Failure to monitor operations of Authorized Person

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

         5.Conditions of Appointment

         The following are the conditions of appointment of an authorised person: -

         a. *The stockbroker shall be responsible for all acts of omission and commission of the authorized person.*
         b. *All acts of omission and commission of the authorized person shall be deemed to be those of the stock- broker.*

         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/COMP/48536 dated June 9, 2021*

Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorised persons. Member shall conduct periodic inspection of their Authorised Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/1NSP/42448NSE/1NSP/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.

It is, hereby, reiterated that all the acts of omission and commission of the Authorized person and/or their Directors/Partners, employees etc., shall be deemed to be those of the Member and the Member shall be responsible for all such acts of its Authorised person(s) and/or their Directors/Partners, employees etc., including liabilities arising there from.

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

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.

d. *Exchange Circular No. NSE/COMP/33643 dated November 16, 2016*

1.4 Advertisement/Material shall not contain:

b. Statements which are false, misleading, biased or deceptive, based on assumptions/projections.

f. Any statement designed to exploit the lack of experience or knowledge of the investors.

j. Representations made about the performance or activities of the broker unless accompanied by data regarding performance, disclosures of all the risk factors, etc. and disclaimer that "Such representations are not indicative of future results". Such

disclaimer shall be in the same font as the rest of the advertisement.

k. *Superlative terms, such as best, no. 1, one of the best, among market leaders, etc. unless such terms is provided by an entity independent of the Stock Broker and its affiliates, and whose services are not procured by the Stock Broker or any of its affiliates to assign the Stock Broker such term.*

CONSIDERATION AND FINDINGS

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

5. Failure to monitor operations of Authorized Person

5.1.1 The Exchange verified the website of the Noticee's Authorized Person, Mr. Surojit Kundu ("AP") running a sole proprietorship under the trade name, Star Fin Asset (i.e., www.starfinasset.in). Upon verification, the Exchange observed that the Noticee's AP, Mr. Surojit Kundu published false, biased and/or deceptive material/content on his website by providing misleading identity of the entity as 'stockbroker' / 'stockbroker distributor' instead of 'Authorised Person' and assuring / luring huge profits to investors. The Noticee's AP also used superlative terms such as "Best Broker" in its advertisement. Thus, the Noticee failed to monitor the operations of its AP thereby violating the provisions of the Byelaws, Rules, Regulations, and circulars of the Exchange. The said material/content published on the AP's website reads as follows: -

"*Broking":*
Stockbroking is an exclusive service through which retail and institutional investors offer the opportunity to buy and sell their equity. Star Fin Asset is rated as the Best Broker in India."
……

"Provide benefits to expert stock brokers of 'Star Fin Asset'
Stockbroker distributors of 'Star Fin Asset' will expertly advise the investor on where to trade and also trade intelligently for the investor. Our strong experienced research team coupled with the powerful digital trading platform, large branch network, and franchisee base help us find clients. If you are looking for an experienced stockbroker distributor, the stock brokers of 'Star Fin Asset' will show you the face of huge profits with the right advice."

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

a. The AP was registered with the Exchange on January 02, 2023. The detailed background checks were conducted by the Noticee, namely awareness of Securities Market, whether SEBI debarred or not, personal visit to verify the address, family, Office infrastructure, etc documentary evidence like PAN, Aadhar card was collected, before the agreement was signed and registered with the Exchange as AP.

b. The AP registration was active from January 02, 2023, to August 11, 2023, i.e. for FY 2022-23 and FY 2023-24. During both these financial periods the AP was not qualified for inspection as per Exchange circular no. NSE/INSP/42448 dated October 18, 2019, considering the below criteria for yearly inspection of Authorized Persons: -

'APs/Branches meeting any of the below criteria 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.''

Hence the said AP was not inspected for the FY 2022 - 2023 and FY 2023 - 2024'

c. With respect to the content mentioned on the website of the AP, the date reflected in the snapshot in SCN as Exhibit 1A and Exhibit 1B reflects as October 20, 2023, and December 01, 2023. The said AP was not associated with the Noticee as on October 20, 2023, thus the purported act of Surojit Kundu running the website in the name of www.starfinassest.in and displaying false, biased and /or deceptive material/content on the website by providing misleading identity of the entity as stockbroker/stockbroker distributor and assuring/luring huge profits to investors cannot be linked with the Noticee as it is after the disassociation of the AP. Hence, the Noticee was not under any obligation to monitor the operations of the AP after its disassociation of the AP and

therefore there is no violation of the provisions of the Byelaws, Rules, Regulations, and circulars of the Exchange.

5.1.3 The Committee finds as under: -

a. The Noticee denied the violation and contended that the Noticee was not associated as on October 20, 2023, and December 01, 2023, which was the dates appearing in the Exhibit '1A' and '1B' of SCN and therefore not under obligation to monitor the operation of the AP after disassociation.

i. Upon verification of screenshots of the AP's website enclosed as Exhibits '1A' and '1B' of the SCN, it was observed that the dates appearing on the said exhibits as, October 20, 2023, and December 1, 2023, correspond to the inspection period, i.e., between August 2023 and December 2023, when the screenshots were taken which in any way does not imply that AP has undertaken the said unauthorized activities or hosted the unauthorized material on the website on the specified dates. Hence, the contention of the Noticee is not acceptable. Further, the Noticee had cancelled the registration of the AP based on an unauthorized trading complaint filed by the Noticee's client, Mr. Alok Singh (Client Code: ALOKSI24), on June 12, 2023 and the Noticee, in the authorized person cancellation form dated August 10, 2023, acknowledged the unauthorized market practices carried out by the AP, and cited the reason for cancellation as *"Involved in irresponsible, fraudulent trade practices involving unauthorized trading."* This shows that AP was involved in the unauthorized activity during the tenor of its registration with the Noticee.

ii. Further, it is observed that the Noticee did not cancel the AP's registration until the receipt of the complaint from its client regarding unauthorized trading, which was part of the broader unauthorized activities conducted by the Noticee's AP. This indicates that Exhibits '1A' and '1B' were also available on the AP's website while the AP was active. Hence, the Noticee has failed to exercise adequate control and continuous due diligence over the conduct of its AP by not putting in place adequate mechanisms to have an oversight on the activities of its AP.

iii. Thus, the Noticee's contention that the Noticee is not under obligation to monitor the operation of the AP after disassociation is not acceptable.

b. The Noticee contended that the AP registration was active from January 02, 2023, to August 11, 2023, and the AP was not qualified for inspection as per Exchange circular no. NSE/INSP/42448 dated October 18, 2019.

i. The Exchange Circular No. NSE/COMP/50030 dated October 21, 2021, places a responsibility on Trading Members to ensure that authorized persons 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 authorized persons and/or their directors, partners, employees, etc., including any liabilities arising therefrom. Further, Exchange Circular No. NSE/INSP/51770 dated March 25, 2022, advised Trading Members to implement adequate mechanisms to exercise oversight over the activities of their authorized persons and to take appropriate action in case any irregularities are observed.

ii. Therefore, the Noticee is responsible for the actions of its authorized persons and is obligated to exercise continuous due diligence over their conduct. Hence, the Noticee's contention that the AP was not qualified for inspection as per the criteria prescribed under Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, is not acceptable.

c. Exchange Circular No. NSE/MEM/13429 dated November 09, 2009, stipulates the conditions of appointment of an authorized person that *"a. The stockbroker shall be responsible for all acts of omission and commission of the authorized person. and b. All acts of omission and commission of the authorized person shall be deemed to be those of the stockbroker"* and further cast an obligation on the Trading Members that *"a. The stockbroker shall be responsible for all acts of omission and commission of his authorised person(s) and/or their employees, including liabilities arising there from."*

d. 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 their

authorized persons and take necessary action if any irregularity is observed, during the entire period of its association with the Noticee as an authorized person. In view of the above, it is construed that the Noticee has failed to monitor the operations of its AP 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 NSE/COMP/33643 dated November 16, 2016. Thus, the violation persists.

5.1.4 Given the findings as above, the Committee directed the Noticee to (a) conduct audit of all active authorized persons of the Noticee by an external auditor empaneled with the Exchange, whose cost shall be borne by the Noticee and (b) submit compliance report within 6 months.

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	No prescribed penalty	The Committee directed to (a) conduct audit of all active authorized persons of the Noticee by an external auditor empanelled with the Exchange, whose cost shall be borne by the Noticee and (b) submit compliance report within 6 months.
Total			**Directions**

7. The Noticee is directed to conduct audit of all active authorized persons of the Noticee by an external auditor empanelled with the Exchange, whose cost shall be borne by the Noticee and submit compliance report within 6 months.

Sd/-	Sd/-	Sd/-
S. Ravindran	Justice (Retd) Smt. Abhilasha Kumari	Prof (Dr.) Mamata Biswal
(Chairman)	(Committee Member)	(Committee Member)

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

Date: December 05, 2025