Member Committee ("MC/Member Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Mumbai – 400051
held on June 26, 2025
In the matter of the Trading Member - IIFL CAPITAL SERVICES LIMITED (FORMERLY KNOWN AS IIFL SECURITIES LIMITED)

CORAM:

Shri. S Ravindran	-	Chairperson
Justice (Retd.) Smt. Abhilasha Kumari	-	Committee Member (Attended through VC)
Prof (Dr.) Mamata Biswal	-	Committee Member (Attended through VC)
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

BACKGROUND OF THE CASE:

1. **IIFL CAPITAL SERVICES LIMITED (FORMERLY KNOWN AS IIFL SECURITIES LIMITED)** ("**Noticee**") bearing SEBI Registration No. INZ000164132 is a registered Trading Member of National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange")** and enabled for trading in the Capital Market ("**CM**") segment since December 2000.

2. The Exchange during monitoring of the trading activity in the Equity Segment in February 2024 observed that certain transactions (**"Impugned Transactions"**) were executed by the Noticee as a Trading Member on both sides of the transaction. The clients involved in these transactions were "Maya Devi Polycot Limited (**"MDPL"**) on one side and "Sushma Rathi" (**"SR"**) on the other side, wherein both the buy and sell orders were placed in a synchronized manner and reversed with the same counterparties.

3. During the period from February 14, 2024, to February 16, 2024, the Noticee's clients, MDPL and SR executed the impugned transactions by placing orders in a synchronized

manner in the scrip BEW Engineering Limited **("BEWLTD")** wherein Noticee's client, SR made a positive close out difference of Rs. 17,14,500 /- whereas the other client, MDPL made a negative close out difference of Rs. 17,14,500 /-.

4. Relationship of the client of the Noticee:

4.1. Based on the Know Your Client ("**KYC**") documents submitted by the Noticee and the membership details available with the Exchange, the following information was identified:

Name of Clients	Sub broker/ Authorised Person	Authorised Person Address	Dealer & Location
Maya Devi Polycot Limited	Mr. Vikas Sawal	204, A Sadan 2nd Floor near Madhuban Cinema, Dombivali-421201	Mr. Vijay V Warang, Thane
Sushma Rathi	Mr. Vikas Sawal	204, A Sadan 2nd Floor near Madhuban Cinema, Dombivali-421201	Mr. Vijay V Warang, Thane

4.2. Upon review of the above information, it has been observed that both the aforementioned clients are associated with the same Authorised Person and share the same dealer responsible for executing their orders.

5. The summary of instance of reversal transactions in the scrip of BEWLTD are as under:

Trade Date	Buy Client	Sell Client	Trade price (Rs.)	Trade quantity	Square off difference (SOD) – Positive (P)/ Negative (N) (Rs. lakh)	% to Market Gross on the day in the scrip	Reversal %	Time Diff of placement of buy- sell orders
14-02-2024	SR	MDPL	1,554.00	6375	SR - SOD/P - 17.14 MDPL -SOD/N – (17.14)	85.00	70.58	Within 60 Seconds
16-02-2024	MDPL	SR	1,935.00	4500		50.00		Within 60 Seconds

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. The Noticee's client SR made a positive close out difference of Rs 17,14,500/-and MDPL made a negative close out difference of Rs. 17,14,500/- on the above-mentioned impugned trades.

5.3. The traded quantity in the impugned reversal transactions constituted in the range of 50% to 85% of the market traded quantity of the scrip on the respective days.

5.4. The quantity traded in first leg is 6,375 and in the second leg it is 4,500 i.e. reversal percentage of the traded quantity constitutes 70.58%.

5.5. The buy and sell orders were placed in a synchronized manner i.e., the time difference between placement of the buy orders and sell orders in the scrip were less than or equal to 60 seconds. The order placed by MDPL were placed through the CTCL terminal and order placed by SR were through CTCL terminal and IBT terminal.

5.6. Also, it was observed that the reversal trades were executed between the clients of the Noticee who share the same Authorised Person and have the same dealer responsible for executing their orders.

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/2024/132868 dated March 28, 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. 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. 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. 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 April 23, 2024 submitted the following response to SCN:

8.1. Noticee provided the client's response, extract of which is produced below client wise:

8.1.1. Client: Sushma Rathi

The Noticee forwarded the Client - Sushma Rathi's response wherein the client states that *"she is a short term momentum traded and the had bought 6,375 quantities of the scrip BEWLTD on February 14, 2024, and sold a quantity of 4,500 and 1,875 of the same scrip on February 16, 2024, and April 12, 2024, respectively and stated that there is no specific intention."*

8.1.2. Client: Maya Devi Polycot Limited

The Noticee forwarded the Client - Maya Devi Polycot Limited's response wherein the client states that *"there was a very strong upside which is possible in the stock in 2-3 years. The fundamentals of the company are improving as is visible from the publicly disclosed financials and investor presentations and the client already decided it was putting more investment in these stocks for a longer term horizon and continually it is buying this stock as per availability of funds. The client sold 5625 quantity in BEWLTD stock on February 14, 2023, to book some profit for financial year adjustment and then it realised they have more funds available to buy and the client bought 6750 quantity on February 16, 2023."*

PROCEEDINGS BEFORE MEMBER COMMITTEE:

9. The Exchange vide email dated March 10, 2025 granted the Noticee with an opportunity of personal hearing before the Committee in its meeting held on March 17, 2025.

   9.1. The Noticee vide its letter dated March 13, 2025 sought adjournment on the grounds of non-availability of its directors. The adjournment request of the Noticee was placed before the Committee.

   9.2. The Committee acceded to the first adjournment request of the Noticee and directed the Exchange to place the matter before the Committee in a subsequent meeting

   9.3. The Noticee was again given an opportunity for personal representation vide its email dated May 16, 2025, before the Member Committee in its meeting dated May 23, 2025.

   9.4. The Noticee vide its email dated May 21, 2025, sought another adjournment on the grounds of non-availability of its Counsel. The adjournment request of the Noticee was placed before the Committee.

   9.5. The Committee acceded to the second adjournment request of the Noticee and directed the Exchange to place the matter before the Committee in the subsequent meetings.

   9.6. Following the adjournment, the Noticee was granted with an opportunity of personal hearing before the Committee in its meeting held on June 26, 2025. Representing the Noticee, Mr. Mahesh Moopnar (Head – Risk), Mr. Prasad Umarale (Compliance Officer), Ms. Mamta Singh (Head – Legal), Mr. Kunal Katariya (Advocate) and Ms. Ashmita Goradia (Advocate) appeared and made the following oral submissions before the Committee:

      9.6.1. In reference to the allegation that the trades are intentional, the Noticee submitted that the trades were executed first on February 14, 2024, and later on February 16, 2024. If it has to be intentional, it needs to be premediated.

If it is to be premediated, if anybody else traded in these scrips, then there is premeditation is not possible in terms of identify or judge which entity will make profit or loss.

9.6.2. Both the clients have substantial trading with the Noticee and it's the first time these allegations have been raised against these clients. The clients have been consistently trading, further there is no matching of quantity, the trades also occur in two different dates and considering the totality of the circumstances, these trades do not squarely fall within the purview of the referred circulars.

OBSERVATIONS, CONSIDERATIONS & FINDINGS OF THE COMMITTEE:

10. After considering the oral and written submissions made by the Noticee on the charges mentioned in the SCN dated March 28, 2024 the Committee finds as under:

10.1. 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.

10.2. The Committee notes that the Noticee's client **SR** made a positive close out difference of Rs 17.14 lakhs whereas MDPL made a negative close out difference of Rs.17.14 lakhs on all the above-mentioned impugned trades.

10.3. The Committee observes that the traded quantity in the above-mentioned impugned transactions constituted range of 50% to 85% of the market traded quantity of the scrip on the respective days.

10.4. The Committee notes that the quantity traded in the first leg is 6,375 and in the second leg it is 4,500 i.e. the reversal percentage of the traded quantity constitutes 70.58%.

10.5. The Committee observes that the buy and sell orders were placed in a synchronized manner as the time difference between placement of the buy orders and sell orders in the scrip were less than or equal to 60 seconds. The order placed by MDPL were placed through the CTCL terminal and the orders placed by SR were through CTCL and IBT terminals.

10.6. The Committee further finds that in the impugned transactions, both the clients, SR and MDPL are associated with the same Authorised Person and have had the same dealer responsible for executing their orders.

10.7. The Committee observes that the client MDPL incorrectly mentioned in its response in para 8.1.2 that trades were executed in February 2023, however as

per the Exchange records, these impugned transactions were executed in February 2024.

10.8. The Committee observes that the close-out difference of the impugned transactions compared to the close-out difference of all transactions in the scrip BEWLTD on respective days ranges between 96.54% and 100%. This implies that almost the entire close out difference of both the Noticee's Clients on the reversal dates in the scrip were as a result of the impugned transactions.

10.9. Further, the traded quantity of the impugned transactions compared to the total traded quantity of both the Noticee's Clients in the scrip BEWLTD on respective days ranges between 62.60% and 82.75%. This implies that almost the entire quantity traded in the scrip on the reversal days was a result of the impugned transactions.

10.10. The Committee notes that the average traded volume for the scrip BEWLTD on the reversal days was 143.48% of the maximum traded volume in preceding 5 days of that scrip. Also, it was noted that the Traded Quantity of both the Noticee's Clients involved in impugned transactions for the scrip BEWLTD for 10 trading days prior and 10 trading days post the dates of reversal transactions were 57.62% for MDPL and 100% for SR. This infers that the Noticee's Clients' trading activities were concentrated in the impugned transactions.

10.11. The Committee observes that the Noticee is the Trading Member on both sides of the impugned transactions and the transactions were reversed with the same counterparties. The quantity traded in first leg and second leg is same i.e. Reversal percentage of the traded quantity was 70.58%. The Committee observed that reversal trades were executed between clients of the Noticee within themselves by placing orders in a synchronized manner. Buy and sell orders were placed in a synchronized manner i.e. the time difference between placement of the buy orders and sell orders in all the scrips were less than or equal to 60 seconds. Further, the Committee observes that as far as the Exchange is concerned, if the transactions are not meant for meaningful change in ownership of the shares as the shares returned to the original owner as a result of a round-trip synchronized transaction, the same are non-genuine in nature. Thus, the trading system of the Exchange cannot be a medium for executing Trade Reversals for any purpose.

10.12. 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:

10.12.1. For the scrip BEWLTD, in the instance the first leg of the impugned transactions was executed on February 14, 2024, where the total market volume was 7,500, the second leg of the impugned transactions were executed on February 16, 2024, where the total market volume was

9,000. The maximum volume in the said scrip in preceding 5 days was 5,750. Further, the impugned transactions in the instance for first leg contributed 85% (i.e. 6,375) to market volume and the second leg contributed 50% (i.e. 4500) to market volume.

10.12.2. The Committee further notes that in the instance on February 14 & 16, 2024 the average market volume for a 15-minute slot was 469 (wherein the Noticee's clients were not active), however, during the specific 15-minute slot when the impugned transactions were executed, the volume was 5438, which was 1060% more than the average volume in the 15-minute slots where the Noticee's clients were not active.

10.13. Exchange Circular NSE/INVG/2019/40175 dated February 07, 2019, has stated certain indicative scenarios which may need additional attention of the Trading Member. These scenarios include "Trading activity of client(s) concentrated in a specific security / contract which is/are 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". The Committee notes that the Noticee could have been alerted on February 14, 2024, when the clients traded in a concentrated manner in a scrip which is not very liquid and the buy and sell trades were placed through dealers of the Noticee.

10.14. The above findings tantamount to creating a false or misleading appearance with respect to the market, thereby violating Regulation 4.5.4(c)(i)) NSEIL Regulations (Capital Market Segment) and creating an artificial appearance of activity in such security thereby violating the Exchange Regulation 4.6.1. The Committee observes that as far as the Exchange is concerned, if the transactions are not meant for meaningful change in ownership of the shares, as in the instant case the shares returned to the original owner as a result of a round-trip synchronized transaction, the same are non-genuine in nature. The trading system of the Exchange cannot be a medium for executing Trade Reversals for any purpose.

10.15. The Committee finds that the act of the Noticee's Clients also indicates that order/s for the purchase/sale of security were placed with knowledge that an order/s of substantially the same size, and at substantially the same price, for the purchase/sale of such security, has been or will be entered on the other side of the order book, thus violating the Regulation 4.6.2 of NSEIL Regulations (CM Segment).

10.16. The Noticee by executing the impugned transactions, has violated the provisions of Regulation 4.5.4(c)(i) and Regulation 4.6. of NSEIL Regulations (Capital Market 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. In accordance with the Rules/Regulations and Byelaws of the Exchange, the Committee holds that the Noticee has facilitated non-genuine trades and violated legal provisions as mentioned above.

10.17. Therefore, in 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 and should be levied. As the close out difference is of Rs. 17,14,500/-, since the Noticee is on both sides of the transaction, the amount of penalty comes to Rs. 34,29,000/- (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions).

MEMBER COMMITTEE DECISION:

11. Accordingly, a penalty of Rs. 34,29,000/- (Rupees Thirty-Four Lakhs Twenty- Nine Thousand 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.

12. 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/-
Abhilasha Kumari
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: February 12, 2026