Annexure 1

Member and Core Settlement Guarantee Fund Committee
("MCSGFC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra East, Mumbai – 400051
held on September 21, 2023

In the matter of the Trading Member M/s. Way2Wealth Brokers Private Limited

CORAM:

Ms Mona Bhide	- Chairperson
Mr K Narasimha Murthy	- Committee Member
Mr S Ravindran	- Committee Member
Mr Ranganayakulu Jagarlamudi	- Committee Member
Mr Ashishkumar Chauhan	- Committee Member

ALSO PRESENT:

Mr Piyush Chourasia	- Chief Regulatory Officer
Dr Dinesh Kumar Soni	- Senior Vice President – Regulatory
Ms Renu Bhandari	- Vice President – Inspection
Mr Shailesh Adukia	- Vice President – Enforcement
Mr Janardhan Gujaran	- Vice President – Enforcement

BACKGROUND

1. **M/s Way2Wealth Brokers Private Limited** ("**Way2Wealth**") is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**") segment since January 2000, Futures & Options ("**F&O**") segment since June 2001, and Currency Derivatives ("**CD**") segment since August 2008.

2. The Securities and Exchange Board of India ("**SEBI**") along with other stock exchanges and depositories conducted a comprehensive joint inspection of the books and records of Way2Wealth from February 2023 to March 2023 covering the inspection period from April 2021 to January 2023. Post-inspection, SEBI issued a letter of findings ("**LoF**") dated March 31, 2023. Way2Wealth, vide its email dated April 17, 2023, replied to the LoF.

3. In the 38th SEBI Joint Committee Meeting held on June 6, 2023, SEBI decided to allocate the case to the Exchange for post-inspection enforcement action in accordance with the Rules, Byelaws, and Regulations of the Exchange. Accordingly, SEBI, vide its letter dated June 9, 2023, informed the decision to the Exchange.

4. The Exchange, vide its email dated June 15, 2023, informed Way2Wealth regarding the case allocation.

INSPECTION OBSERVATIONS/VIOLATIONS

5. The observations/violations mentioned in the LoF are summarized hereunder:

5.1 Violations of the Principles 1 and 3 of Enhanced Supervision of Stockbrokers

a. Funds of credit balance clients used to meet the settlement obligation of debit balance clients and/or own purpose on 16 dates between May 6, 2021, and April 6, 2022, wherein the value of 'G' ranged from (-ve) Rs.0.29 crore to (-ve) Rs.13.39 crores, thereby violating Principle 1 of the Enhanced Supervision of Stockbrokers

b. Funds of credit balance clients used to meet the proprietary margin obligation to the extent of Rs.4.51 crores as of December 9, 2021, thereby violating Principle 3 of the Enhanced Supervision of Stockbrokers

5.2 Non-segregation of client funds in 9 instances pertaining to 2 clients

5.3 Non-settlement of client funds in 76 out of 6,429 instance selected for sample scrutiny (1.18% of the total sample instances verified) involving Rs.8.08 crores

a. Active Clients – 61 out of 500 instances involving Rs.8.08 crores

b. Inactive Clients – 15 out of 5,929 clients involving Rs.0.38 lakh

5.4 Delay in settlement of client funds in the case of 45 out of 100 clients selected for sample scrutiny (45% of total sample clients verified) ranging from 1 to 74 days

5.5 Non-issuance of contract notes in the prescribed format in 11 out of 22 trade dates selected for sample scrutiny

5.6 Incorrect reporting of margin collected from clients in the case of 1 out of 250 instances selected for sample scrutiny (0.40% of the total sample instances verified) involving Rs.1.69 crores

5.7 Discrepancy in computation of net worth as of September 30, 2022

5.8 Incorrect data reported towards weekly monitoring of client funds in 2 areas on 46 dates between April 5, 2021, and November 4, 2022, wherein the differences range from (-ve) Rs.5.85 crores to Rs.15.74 crores between the actual and reported figures

5.9 Incorrect data reported in the weekly holding statement as of August 31, 2022

- Incorrect data in 1 instance regarding pledged stocks between demat holding statement and weekly holding submissions involving Rs.0.49 crore as of August 31, 2022

- Incorrect data in 166 instances regarding free stocks between demat holding statement and weekly holding submissions involving Rs.1.01 crores as of August 31, 2022

- Incorrect data in 8 instances between demat holding statement and weekly holding submissions on 5 dates between August 7, 2021, and November 18, 2022

5.10 Non-maintenance of appropriate evidence regarding orders placed for clients in 53 out of 73 instances selected for sample scrutiny

5.11 Non-assignment of appropriate nomenclature to 15 bank accounts and

incorrect nomenclature assigned to 1 bank account

5.12 Non-reporting of details of 6 bank accounts to the Exchange

5.13 Incorrect reporting of bank account balances in the case of 31 bank accounts

5.14 Non-submission of supporting documents to the Exchange to verify the demat accounts to the Exchange

5.15 Mismatch in mobile number and email address of 2 clients between back-office records and UCI database of the Exchange

5.16 Observations pertaining to inspection of Authorized Persons

5.17 Incorrect data reported towards Risk Based Supervision (RBS) in 2 areas as of September 30, 2022

REGULATORY PROVISIONS

6. At the outset, it is appropriate to refer to the relevant regulatory provisions violated by Way2Wealth; extracts whereof are reproduced below:

6.1 **Violations of the Principles 1 and 3 of Enhanced Supervision of Stockbrokers**

a. Regulation 4.5.3 (e) NSEIL Regulations (CM and F&O Segments)

No Trading Member or person associated with a Trading Member shall make improper use of the constituent's securities or funds.

b. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

3.3. Based on the aforesaid information submitted by the stockbroker, Stock Exchanges shall put in place a mechanism for monitoring of

clients' funds lying with the stockbrokers on the principles enumerated below:

3.3.1. Funds of credit balance clients used for settlement obligations of debit balance clients or for own purpose:

Principle

The total available funds i.e. cash and cash equivalents with the stock broker and with the clearing corporation/clearing member (A + B) should always be equal to or greater than Clients' funds as per ledger balance (C)

$$G = (A+B) - C$$

3.3.3. Funds of credit balance clients used for margin obligations of debit balance clients and proprietary trading:

Principle

The clients' funds lying with the clearing corporation/clearing member should be less than or equal to sum of credit clients' margin obligations (MC) and free collateral deposits available with the clearing corporation/clearing member (MF)

$$J = B – (MC + MF)$$

6.2 **Non-segregation of client funds**

Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

2.4.2 Transfer of funds between "Name of Stock Broker - Client Account" and "Name of Stock Broker - Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker - Client Account" to "Name of Stock Broker - Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.

6.3 **Non-settlement of client funds**

Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

5.1. The settlement of running account of funds of the client shall be done by the Trading Member after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of 30/90 days between two settlements of running account as per the preference of the client.

5.4. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.

6.4 **Delay in settlement of client funds**

Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

5.1. The settlement of running account of funds of the client shall be done by the Trading Member after considering the end of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of 30/90 days between two settlements of running account as per the preference of the client.

5.4. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.

6.5 **Non-issuance of contract notes in prescribed format**

Exchange Circular No. NSE/INSP/51772 dated March 25, 2022

Members opting to send "Contract Note Cum Tax Invoice" shall send the contract note in the format enclosed as Annexure – A and Members opting to send the contract note and the tax invoice separately shall send the contract note in the format enclosed as Annexure-B.

6.6 **Incorrect reporting of margin collected from clients**

a. Regulation 3.9 of NSEIL Regulations (Commodity Derivatives Segment)

The Trading Members must demand from its constituents the margin deposit which the Member has to provide under these Trading Regulations in respect of the business done by the Members for such constituents.

b. Exchange Circular No. NSE/INSP/43069 dated December 31, 2019

Exchange issued the clarification in the form of frequently asked questions on margin collection and reporting.

1. *What margins are required to be collected by Trading Members from clients in the Capital & Derivatives Segment?*

   Commodity Derivative Segment

   Initial Margin and extreme loss margins shall be collected from client on an upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed form time to time, shall be collected within 'T+2' working days from their client.

16. *What does false reporting of margin/MTM (non-compliance) mean?*

    Where the margins, including upfront margins / MTM losses, have not been collected/short collected by the Member in any of the applicable modes prescribed above; however, the same has been reported by the Member as collected, it would be construed as false reporting to the clearing corporation.

c. Exchange Circular No. NSE/INSP/45072 dated July 21, 2020

2. *In order to align and streamline the risk management framework of both cash and derivatives segments, with respect to the collection of margins from the clients and reporting of short-collection/non-collection of margins, SEBI vide circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019, inter alia, required the Trading Members (TMs) / Clearing Members (CMs) in cash segment as well to mandatorily collect upfront VAR margins and ELM from their clients.*

Framework to enable verification of upfront collection of margins from clients in cash and derivatives segments

(ii) The client wise margin file (MG-12/13) provided by the CCs to TMs/CMs shall contain the EOD margin requirements of the client as well as the peak margin requirement of the client, across each of the intra-day snapshots.

(iii) The member shall have to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:

a) EOD margin obligation of the client shall be compared with the respective client margin available with the TM/CM at EOD; and

b) Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the TM/CM during the day.

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty as per the extant framework.

6.7 **Discrepancy in computation of net worth**

Exchange Circular No. NSE/COMP/53821 dated September 26, 2022

Trading members / Clearing Members of the Exchange/NCL are required to maintain net worth as prescribed by the Exchange at all points of time as per the continuing membership norms of the Exchange.

The method of computation of net worth as prescribed by Schedule VI of SEBI (Stock Brokers) (Second Amendment) Regulations, 2013, is as follows:

Capital + Free Reserves

Less: Non-allowable assets, viz.

(a) Fixed assets
(b) Pledged securities

(c) Member's card
(d) Non-allowable securities (unlisted securities)
(e) Bad deliveries
*(f) Doubtful debts and advances**
(g) Prepaid expenses, losses
(h) Intangible assets
(i) 30% of marketable securities

**Explanation: Includes debts/advances overdue for more than three months or given to associates*

6.8 **Incorrect data reported towards weekly monitoring of client funds**

a. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

3.2. Stockbrokers shall submit the following data as on the last trading day of every week to the Stock Exchanges on or before the next trading day:

A-Aggregate of fund balances available in all client bank accounts, including the settlement account, maintained by the stockbroker across stock exchanges

B-Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of Cash and Cash Equivalents (Fixed deposit (FD), Bank guarantee (BG), etc.) (across Stock Exchanges). Only funded portion of the BG, i. e. the amount deposited by stockbroker with the bank to obtain the BG, shall be considered as part of B.

b. Exchange Circular No. NSE/INSP/37395 dated April 2, 2018

All Trading Members are requested to note that w.e.f. April 2018 data towards monitoring of clients' funds is required to be submitted on weekly basis. Members will have to submit the data as on last trading day of every week on or before the next three trading days.

6.9 **Incorrect data reported in the weekly holding statement**

Exchange Circular No. NSE/INSP/39855 dated January 3, 2019

All Members were advised to comply with the requirement and upload the holding statement data electronically for all calendar days of the reporting week on or before the next four trading days of the subsequent week through the Inspection module in the Member portal. The procedure for submission of the data was given in Annexure-1 of this circular.

6.10 **Non-maintenance of appropriate evidence with respect to orders placed for clients**

a. Regulation 3.2.1 of NSEIL Regulations (CM Segment) and Regulation 3.4.1 of NSEIL Regulations (F&O and CD Segments)

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. Exchange Circular No. NSE/INSP/37301 dated March 26, 2018

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 evidence like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

6.11 **Non-assignment of appropriate nomenclature to bank accounts and incorrect nomenclature assigned to bank account**

Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

1.2. The nomenclature for bank accounts and demat accounts to be followed is given as under:

1.2.1. Bank account(s) which hold clients' funds shall be named as "Name of Stockbroker - Client Account".

1.2.2. Bank account(s) which hold own funds of the stockbroker shall be named as "Name of Stockbroker - Proprietary Account".

1.2.7. Bank account(s) held for the purpose of settlement would be named as "Name of Stockbroker - Settlement Account".

6.12 **Non-reporting of details of bank accounts to the Exchange**

Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

2.1 The stock brokers shall inform the Stock Exchanges of existing and new bank account(s) in the following format:

Name and Address of Bank	Name of the Branch	Account Number	IFSC Code	Name of Account	Purpose of Account (Own/Client/ Settlement)	Date of Opening

6.13 **Incorrect reporting of bank account balances to the Exchange**

Exchange Circular No. NSE/INSP/43926 dated March 23, 2020

Member's attention is drawn to Exchange circular NSE/INSP/43486 dated February 10, 2020, regarding proposed submission of the following data /details:-

1. *……*

2. *Day-wise upload of bank balances (as per the bank statement) of all bank accounts on a weekly basis for all the calendar days of that week except Sunday (i.e. Monday to Saturday)*

The aforesaid data / details shall be required to be submitted on or before the next four trading days of the subsequent week.

6.14 **Non-submission of supporting documents to the Exchange to verify the details of the demat accounts**

Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

2.1 The stock brokers shall inform the Stock Exchanges of existing and new demat account(s) in the following format:

Name of DP	Account Number/ Client ID	DP ID	Name of Account Holder	PAN	Sub-type/ tag of Demat Account (Proprietary/ Client/ Pool/ Collateral)	Date of Opening

6.15 **Mismatch in mobile number and email address of clients between back-office records and UCI database of the Exchange**

Exchange Circular No. NSE/ISC/ 48165 dated May 3, 2021

Trading Members are required to assign Unique Client Codes (UCC) for all the clients trading on the Exchange platform.

In this regard, it has been decided in consultation with SEBI and other Exchanges that the following details of clients shall be made mandatory for new as well as existing clients.

Field Name	Applicability to Category of Clients
MOBILE NUMBER	For Retail clients, Mobile number has been made mandatory. For Institutional clients (client category 6, 7, 8, 9, 12, 16, 21, 22 ,23 & 24) either Telephone Number (Office) or Mobile Number is mandatory. It may be noted that '6666666666' shall not be considered as valid mobile number.
EMAIL ID	Email id has been made mandatory for ALL clients. In case of email id please note that "notprovided@notprovided.com" shall not be considered as valid email id

6.16 **Observations pertaining to inspection of Authorized Persons**

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

Members while undertaking the inspection of Branches and AP offices shall examine that all applicable regulatory requirements have been complied with including following indicative parameters:

2. *Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients.*

6.17 **Incorrect data submitted towards RBS**

Exchange Circular No. NSE/INSP/54034 dated October 13, 2022

Members are requested to submit the information / data towards the Risk Based Assessment for the period April 01, 2022 – September 30, 2022, to the Exchange. The particulars of such information / data sought in this regard are enclosed as Annexure-A. The same has to be submitted to the Exchange electronically through the Inspection module in the Member portal latest by November 30, 2022.

It is to be noted that the submission of RBS data is mandatory for all active Members of the Exchange (i.e. those who have executed/cleared even a single trade during the aforementioned period i.e. April 01, 2022 – September 30, 2022). Further, the data collated from the Members/Exchange towards RBS is shared with SEBI and in case of any non-submission/delayed submission by a Member, disciplinary action as prescribed in Annexure C will be initiated.

PRESENT PROCEEDINGS BEFORE MCSGFC

7. The Exchange, vide its email dated September 15, 2023, granted Way2Wealth an opportunity of a personal hearing before the Committee. Mr. Shridhar G S – Director, and Mr. Raghavendra T K – Compliance Officer, on behalf of Way2Wealth, attended the personal hearing and reiterated the written submissions.

CONSIDERATION & FINDINGS

8. The observations/violations, reply of Way2Wealth, and the findings of the Committee are as under:

8.1 **Violations of the Principles 1 and 3 of Enhanced Supervision of Stockbrokers**

8.1.1 Upon verification of the data submitted by Way2Wealth under the Enhanced Supervision of Stockbrokers on 46 dates between April 5, 2021, to November 4, 2022, vis-à-vis the client ledgers, client bank and settlement account statements, deposits lying with Clearing Corporation/Clearing Member, and margin obligation files received from Clearing Corporation, it is observed as under:

a. Funds of credit balance clients were used to meet the settlement obligation of debit balance clients and/or own purpose on 16 dates between May 6, 2021, and April 6, 2022, wherein the value of 'G' ranged from (-ve) Rs.0.29 crore to (-ve) Rs.13.39 crores, thereby violating Principle 1 of the Enhanced Supervision of Stockbrokers

b. Funds of credit balance clients were used to meet the proprietary margin obligation to the extent of Rs.4.51 crores as of December 9, 2021, thereby violating Principle 3 of the Enhanced

8.1.2 In reply to the LoF, Way2Wealth submitted as under:

a. Violation of the Principle 1 of Enhanced Supervision of Stockbrokers

Upon consideration of unencumbered fixed deposit towards client bank balances, there is no shortfall in the value of 'G'. As per the BSE Circular dated October 19, 2021, free unencumbered fixed deposit not placed with the Clearing Corporation is available to be considered towards client bank balances. Furthermore, it states that any fixed deposit created from client funds received by the Trading Members should be only for the purpose of placing with Clearing Corporation/Clearing Members. This revised treatment for fixed deposit as per the circular is effective for the submissions for the week ended January 7, 2022. Post issuance of the said circular, Way2Wealth placed all the fixed deposits with Clearing Corporation for margin purpose. Furthermore, for May 6, 2021, incorrect credit balances of clients amounting to Rs.132.73 crores as of May 21, 2021, was considered.

b. Violation of the Principle 3 of Enhanced Supervision of Stockbrokers

Upon consideration of correct bank balances, no violation persists.

8.1.3 The Committee finds as under:

a. Way2Wealth, vide its emails dated August 17, 2023, August 30, 2023, September 8, 2023, September 11, 2023, and September 12, 2023, made additional submissions, and provided bank statements, fixed deposit confirmation and creditor statement for May 6, 2021, and May 21, 2021, to the Exchange for verification.

b. Violation of the Principle 1 of Enhanced Supervision of Stockbrokers

i. Way2Wealth contended that upon consideration of unencumbered fixed deposit towards client bank balances, there is no shortfall in the value of 'G'.

Upon verification of documents provided by Way2Wealth, viz. bank confirmation stating that fixed deposits are free and unencumbered, statements of the fixed deposit accounts and bank statements, it is observed that the fixed deposits maintained by Way2Wealth are unencumbered and free. Hence, the benefit of fixed deposits is extended to Way2Wealth. Furthermore, Way2Wealth considered correct closing balance of bank account while computing the value of 'G'.

ii. Way2Wealth contended that for May 6, 2021, total credit balances of clients amounting to Rs.132.73 crores as of May 21, 2021, was considered. However, the correct amount of credit balances of clients for May 6, 2021, was Rs.128.39 crores.

Upon verification of cash and cash equivalent balances, it is observed that the contention of Way2Wealth is acceptable as the total credit balances of clients as of May 6, 2021, amounted to Rs.128.39 crores.

iii. Upon extending the benefit of the fixed deposits and considering the correct bank balances and credit balances, no violation persists.

c. <u>Violation of the Principle 3 of Enhanced Supervision of Stockbrokers</u>

Way2Wealth contended that incorrect client bank balance was considered.

Upon verification of bank statements provided by Way2Wealth, it is observed that the contention of Way2Wealth is acceptable as Way2Wealth had sufficient bank balance as of December 9, 2021. Hence, no violation persists.

8.1.4 Given the findings mentioned above, the Committee decided that no action is warranted against Way2Wealth for the observed violation.

8.2 **Non-segregation of client funds**

8.2.1 Upon verification of the bank books and bank statements of own bank account and client bank account, it is observed that Way2Wealth did not pass contra entry on the same day in 9 instances pertaining to 2 clients.

8.2.2 In reply to the LoF, Way2Wealth submitted as under:

a. Client Code HD148

Way2Wealth opted for API since June 27, 2022. Hence, the procedure is system generated. Since the account closing balance was reversed on the subsequent day, the contra entry is not passed on the same day.

b. Client Code AX27

The entry was wrongly posted which was subsequently reversed. Hence, the contra entry does not show as processed on the same day.

8.2.3 The Committee finds as under:

a. Client Code HD148

Way2Wealth contended that it opted for API and the procedure is system generated. The contention of Way2Wealth is not acceptable as it is required to pass contra bank entry on the same day. Hence, the violation persists.

b. Client Code AX27

Way2Wealth accepted the inspection observation.

8.2.4 Given the findings mentioned above, the Committee decided to advise Way2wealth for the observed violation in terms of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.3 **Non-settlement of client funds**

8.3.1 Upon verification of client ledgers, bank books, weekly client-level cash and cash equivalent submission, trade data of the Exchange along with margin and obligation data from Clearing Corporations of Way2Wealth, it is observed that Way2Wealth did not settle the client funds in 76 out of 6,429 instance selected for sample scrutiny (1.18% of the total sample instances verified) involving Rs.8.08 crores.

a. Active Clients

- 30 out of 300 instances involving Rs.4.26 crores for the period April 2021 to September 2022

- 31 out of 200 instances involving Rs.3.82 crores as of October 7, 2022, and January 6, 2023

b. Inactive Clients

15 out of 5,929 clients involving Rs.0.38 lakh as of January 31, 2023

8.3.2 In reply to the LoF, Way2Wealth provided the calculations regarding settlement of client funds.

8.3.3 The Committee finds as under:

a. Active Clients (30 out of 300 instances involving Rs.4.26 crores for the period April 2021 to September 2022)

i. 8 instances involving Rs.0.88 crore

Way2Wealth contended that incorrect figures of pay-in and margin obligation at 225% is considered.

Upon verification of retention statement, it is observed that Way2Wealth did not deduct MTM from total margin in the F&O and CD segments while computing 225% of the end of the day margin to be retained under retention statement. However, the same is correctly considered in the CM segment. Hence, the violation persists in 8 instances involving Rs.0.85 crore.

ii. 2 instances involving Rs.0.87 lakh

Way2Wealth contended that incorrect figures of pay-in is considered.

Upon verification of the client ledger, it is observed that the client had pay-in obligation of T-1 day; however, the same was not considered. Considering the pay-in obligation, no violation persists.

iii. 1 instance involving Rs.8.95 lakhs

Way2Wealth contended that Rs.10 lakhs of uncleared cheque balance was considered, and pay-in obligation was not considered.

Regarding the uncleared cheque balance amounting to Rs.10 lakhs, Way2Wealth did not consider the same towards clear balance. However, as per Exchange Circular No. NSE/INSP/36889 dated February 2, 2018, the unencumbered balance in client ledger should be considered only after reversing the value of unsettled bills, if any, in case of trade day billing and margin amount if debited in client ledger. Hence, the contention of Way2Wealth is not acceptable.

Furthermore, upon verification of client ledger, it is observed that the Exchange considered correct ledger balance. The pay-in obligation amounting to Rs.9.24 lakhs is already considered. Way2Wealth did not deduct MTM from F&O margin while calculating 225% of margin in the retention amount. Hence, the violation persists.

iv. 1 instance involving Rs.9.68 lakhs

Way2Wealth contended that the pay-in and margin obligation at 225% was not considered.

Upon verification of client ledger, it is observed that the contention of Way2Wealth is not acceptable as pay-in obligation against Bill No. SJ525, SJ517 and SJ516 were open as of May 17, 2022. Hence, the violation persists.

v. 1 instance (Client Code TC360) involving Rs.4.43 lakhs

Way2Wealth provided the retention statement and client ledger.

Upon verification of retention statement and client ledger, it is observed that the pay-in obligation of F&O T-Day bill of Rs.78,885/- is only reflected in the client ledger. Furthermore, Way2Wealth did not deduct MTM from F&O total margin while computing 225% of margin under the retention amount. Hence, the violation persists.

vi. 1 instance (Client Code NFB000186) involving Rs.0.76 lakh

Way2Wealth contended that the pay-in and margin obligation at 225% amounting to Rs.23.16 lakhs was not considered.

Upon verification of retention statement and client ledger, it is observed that the pay-in obligation is already considered. Way2Wealth considered MTM in retention in F&O segment margin which is not acceptable. Hence, the violation persists.

vii. 1 instance (Client Code FB200111) involving Rs.0.39 lakh

Way2Wealth contended that the pay-in obligation in CD segment amounted to Rs.0.57 lakh as of June 28, 2022.

However, Way2Wealth did not provide client ledger in support of its contention. In the absence of documentary evidence, the violation persists.

viii. 1 instance (Client Code TWC325) involving Rs.0.14 lakh

Way2Wealth contended that the pay-in and margin obligation at 225% was not considered.

Upon verification of retention statement and client ledger, Way2Wealth did not deduct MTM from total margin while computing 225% of EOD margin to be retained under retention statement. Furthermore, the Exchange already considered the pay-in obligation. Hence, the violation persists.

ix. 1 instance (Client Code FA580001) involving Rs.1.17 lakhs

Way2Wealth contended that it settled the client payout on February 28, 2022.

However, Way2Wealth did not provide documentary evidence viz. bank statement, client ledger etc. in support of its contention. In the absence of documentary evidence, the violation persists.

x. 1 instance (Client Code FG080437) involving Rs.1.49 lakhs

Way2Wealth contended that the auction credit was received on February 3, 2021, against share purchase trade dated February 1, 2021.

However, the settlement date is May 28, 2021. Furthermore, Way2Wealth did not provide documentary evidence viz. client ledger etc. in support of its contention. In the absence of documentary evidence, the violation persists.

xi. 1 instance (Client Code D0098) involving Rs.9.86 lakhs

Way2Wealth contended that the pay-in and margin 225% of Rs.2.11 crores was not considered.

Upon verification of the calculations submitted by Way2Wealth and retention statement, it is observed that the further pay-in obligation is already considered. Furthermore, Way2Wealth did not deduct MTM from F&O total margin while computing 225% of margin under the retention amount. However, the same is considered correctly in the CM segment. Hence, the contention of Way2Wealth is not acceptable. Hence, the violation persists.

xii. 3 instances (Client Codes FG080183, S00288 and AA101766) involving Rs.80.15 lakhs

Way2Wealth contended that the pay-in obligation and margin 225% was not considered.

As per Exchange Circular No. NSE/INSP/53820 dated September 23, 2022, running account of funds of clients which are scheduled to be settled in the month of September and

October (till October 6, 2022) may directly be settled on October 7, 2022. Considering that the instances pertain to September 2022 and the Exchange inspected the settlement of October 2022, the clients are considered settled in October 2022. Hence, no violation persists.

xiii. 1 instance (Client Code CF947) involving Rs.6.35 lakhs

Way2Wealth contended that client has pay-in and margin 225% of Rs.45.63 lakhs.

Upon verification of client ledger, it is observed that Way2Wealth has pay-in obligation amounting to Rs.26.87 lakhs and after extending the benefit of pay-in obligation to Way2Wealth, no violation persists.

xiv. In 5 instances (Client Codes FM020080, S5590, WB010759, ND000897 and S0672) involving Rs.1.86 crores

Way2Wealth contended that the clients have pay-in obligations and 225% margin was incorrectly computed.

Upon verification of the calculations submitted by Way2Wealth and retention statement, it is observed that the benefit of pay-in obligation is already extended to Way2Wealth. Furthermore, Way2Wealth did not deduct MTM from total margin while computing 225% of EOD margin to be retained under retention statement. Hence, the violation persists.

xv. 2 instances (Client Codes NC000440 and WCPL) involving Rs.27.20 lakhs

Way2Wealth contended that the margin obligation at 225% was incorrectly computed.

However, Way2Wealth did not provide documentary evidence viz. retention statement, margin file etc. in support of its contention. In the absence of documentary evidence, the violation persists.

In view of the above, the violation stands reduced from 30 to 24 instances involving Rs.3.35 crores.

b. Active Clients (31 out of 200 instances involving Rs.3.82 crores as of October 7, 2022, and January 6, 2023)

i. 10 instances involving Rs.1.34 crores

Upon verification of working provided by Way2Wealth, it is observed that Way2Wealth did not deduct MTM from F&O total margin while computing 225% of the end of the day margin to be retained under retention statement. The benefit for pay-in obligation amounting to Rs.2,794/- for Client Code S2888 is extended to Way2Wealth.

Hence, the violation stands revised from 10 instances involving Rs.133.75 lakhs to 10 instances involving Rs.133.74 lakhs.

ii. 2 instances involving Rs.10.73 lakhs

Way2Wealth contended that the pay-in and margin obligation was not considered.

Upon verification of working provided by Way2Wealth, it is observed that the Exchange already considered the pay-in obligation. Way2Wealth did not deduct MTM from F&O total margin while computing 225% of EOD margin to be retained under retention statement. However, it considered the same correctly in the CM segment.

Hence, the amount involved stands reduced from Rs.10.73 lakhs to Rs.9.89 lakhs.

iii. 10 instances involving Rs.96.85 lakhs

Way2Wealth contended that the pay-in and margin obligation was not considered.

Upon verification of the working provided by Way2Wealth, it is observed that the benefit for pay-in obligation is extended to Way2Wealth. Furthermore, Way2Wealth did not deduct MTM from F&O total margin while computing 225% of end of the day margin to be retained under retention statement. After considering the pay-in obligation, no violation persists in 3 instances.

However, in the balance 7 instances, after extending the pay-in obligation to Way2Wealth, the amount involved stands reduced to Rs.61.19 lakhs.

iv. 9 instances involving Rs.1.40 crores

Way2Wealth contended that the pay-in and margin obligation was not considered.

Upon verification of the client ledgers, it is observed as under:

- In the case of Client Codes CF947, CN01410, CF947, NFB000186 and TA1160, after extending the pay-in obligation to clients, no violation persists.

- In the case of Client Code S0672 involving Rs.5.22 lakhs, it is observed that correct pay-in, margin obligations, and pledged securities were considered. Hence, the contention of Way2Wealth is not acceptable, and the violation persists.

- In the case of remaining Client Codes R0001, K0001, and D1592, after considering the correct pay-in and margin obligation in CM segment, no violation persists for 3 clients.

The violation stands reduced from 9 to 2 instances.

v. In view of the above, the violation stands reduced from 31 instances involving Rs.3.82 crores to 21 instances involving Rs.2.10 crores.

c. Inactive Clients - 15 out of 5,929 clients involving Rs.0.38 lakh as of January 31, 2023

i. 9 clients involving Rs.0.16 lakh

Way2Wealth contended that it transferred the credit balance of the inactive clients to a separate bank account due to reasons such as invalid client bank account details, failure of NEFT/RTGS/cheque payment etc.

However, Way2Wealth did not provide bank statement of the said account and proof of the efforts undertaken to trace the clients to settle their funds, viz. email log, confirmation log, audit trail etc. Hence, the violation persists.

ii. 5 clients involving Rs.0.10 lakh

Way2Wealth claimed that depository charges were debited on March 15, 2023.

However, upon verification of the client ledgers, it is observed that Way2Wealth did not settle 4 inactive clients since November 2022 and 1 inactive client since December 2022. Hence, the violation persists.

iii. 1 client involving Rs.0.12 lakh

Way2Wealth contended that the pay-out was processed on February 7, 2023.

However, upon verification of the client ledger, it is observed that Way2Wealth did not settle the client within 30 days from the last trade date i.e. November 30, 2022. Hence, the violation persists.

iv. The violation persists in the case of 15 clients involving Rs.0.38 lakh.

d. In view of the above, the violation stands reduced from 76 to 60 instances out of 6,429 instances selected for sample scrutiny (0.93% of the total sample instances verified) involving Rs.5.45 crores.

e. Way2Wealth violated the provisions of Exchange Circular No. NSE/INSP/48624 dated June 16, 2021, by not settling the client funds.

8.3.4 Given the findings mentioned above, the Committee decided to advise Way2Wealth for the observed violation in terms of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.4 **Delay in settlement of client funds**

8.4.1 Upon verification of the settlement declaration provided by Way2Wealth, it is observed that Way2Wealth delayed the settlement of client funds in the case of 45 out of 100 clients selected for sample scrutiny (45% of total sample clients verified), wherein the delay ranged from 1 to 74 days.

8.4.2 Way2Wealth did not reply to the inspection observation.

8.4.3 The Committee finds as under:

a. Way2Wealth did not reply to the inspection observation. In the absence of any reply, the violation persists.

b. Way2Wealth violated the provisions of Exchange Circular No. NSE/INSP/48624 dated June 16, 2021, by delaying the settlement of client funds.

8.4.4 Given the findings mentioned above, the Committee decided to warn Way2Wealth to ensure non-recurrence of the observed violation in terms of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.5 **Non-issuance of contract notes in the prescribed format**

8.5.1 Upon verification of the contract notes issued to the clients, it is observed that Way2Wealth did not issue contract notes in the prescribed format wherein the name of the compliance officer was not displayed in 11 out of 22 trade dates selected for sample scrutiny.

8.5.2 In reply to the LoF, Way2Wealth submitted as under:

The name of the compliance officer is displayed on the contract notes. Way2Wealth provided sample contract notes and logs for verification.

8.5.3 The Committee finds as under:

Way2Wealth claimed that the contract notes issued to the clients displayed the name of the compliance officer. Upon verification of the contract notes provided by Way2Wealth, it is observed that the claim is valid. Hence, no violation persists.

8.5.4 Given the findings mentioned above, the Committee decided that no action is warranted against Way2Wealth for the observed violation.

8.6 **Incorrect reporting of margin collected from clients**

8.6.1 Upon verification of the register of securities, client ledgers, demat transaction statement, and records of the Exchange pertaining to margin required and margin reported, it is observed that Way2Wealth incorrectly reported the end of the day margin collected from the clients in the CD segment in the case of 1 out of 250 instances selected for sample scrutiny (0.40% of total sample instances verified) involving Rs.1.69 crores.

8.6.2 In reply to the LoF, Way2Wealth submitted as under:

a. There was abnormal volatility in the price of Nickel Contract on March 7, 2022, and March 8, 2022. MCX revised the margin at frequent intervals. Given that the event was extraordinary in nature, and the margin spikes happened beyond functional timings, MCX intervened and went through the margin reporting made by Way2Wealth in detail. As MCX observed that there was no incorrect reporting, it carried out short margin penalty reversal on June 10, 2022. Way2Wealth provided a credit note raised by the Clearing Corporation of MCX (MCX CCL) in this regard for verification.

b. Way2Wealth did not incorrectly report margin as of March 7, 2022. The total collateral as of date is Rs.0.83 crore which was carry forwarded to T+1. After considering the carried forward collateral and funds pay-in as on T+1, the total collateral margin is Rs.1.34 crores. The Exchange considered T-day and T+1 day collateral margin amounting to Rs.2.17 crores (Rs.0.83 crore + Rs.1.34 crores) whereas the total amount collected is Rs.1.34 crores.

8.6.3 The Committee finds as under:

a. Way2Wealth attributed the inspection observation to abnormal volatility in price of Nickel Contract and revised margin by MCX at frequent intervals.

Upon verification of the credit note raised by MCX CCL, it is observed that MCX CCL reversed the penalty. After considering the margin available amounting to Rs.48 lakhs, the amount of incorrect reporting stands reduced to Rs.1.21 crores. Way2Wealth was required to report the said shortfall in collection of margin amounting to Rs.1.21 crores to MCX CCL although MCX CCL may not have levied the penalty in line with the credit note submitted by Way2Wealth.

b. Way2Wealth violated the provisions of Regulation 3.10 of NSEIL Regulations (Commodity Derivatives Segment), Exchange Circular No. NSE/INSP/43069 dated December 31, 2019, and Exchange Circular No. NSE/INSP/45072 dated July 21, 2020, by incorrectly reporting the margins collected from the clients to the Exchange.

8.6.4 Considering that the non-compliance is observed in one instance, the Committee decided to warn Way2Wealth to ensure non-recurrence of the observed violation.

8.7 **Discrepancy in the computation of net worth**

8.7.1 Upon verification of the net worth certificate submitted by Way2Wealth certifying a net worth of Rs.34.98 crores as of September 30, 2022, vis-à-vis the trial balance and balance sheet as of September 30, 2022, the Exchange observed that Way2Wealth incorrectly deducted the value of non-allowable assets i.e. doubtful debts and advances to the extent of Rs.1.17 crores. Upon considering the correct value of the non-allowable assets mentioned above, the net worth of Way2Wealth stands reduced to Rs.33.81 crores as of September 30, 2022.

8.7.2 In reply to the LoF, Way2Wealth submitted as under:

Way2Wealth provided details, viz. list of debtors, bifurcation of debtors which were overdue for less than and more than 90 days, provisions made for broking debtors, summary sheet of doubtful debts and advances etc. in support of its claim that it correctly computed the net worth as of September 30, 2022.

8.7.3 The Committee finds as under:

Upon verification of the details provided by Way2Wealth, it is observed that the difference in doubtful debts and advances is on account of provision made for doubtful debts. Way2Wealth deducted provisions made for doubtful debts and considered net debtors while computing the net worth. As per Exchange Circular No. NSE/COMP/48895 dated July 10, 2021, wherever a provision is made for doubtful/bad debts, net amount i.e. after reducing provision made for doubtful/bad debts shall be considered. Hence, the claim of Way2Wealth is valid, and no violation persists.

8.7.4 Given the findings mentioned above, the Committee decided that no action is warranted against Way2Wealth for the observed violation.

8.8 **Incorrect data reported towards weekly monitoring of client funds**

8.8.1 Upon verification of the data submitted towards weekly monitoring of client funds under the Enhanced Supervision of Stockbrokers on 46 dates between April 5, 2021, and November 4, 2022, vis-à-vis the trial balance and bank statements, it is observed that Way2Wealth submitted incorrect data to the Exchange in the following 2 areas and the differential amounts ranged from (-ve) Rs.5.85 crores to Rs.15.74 crores between the actual and reported figures.

Sr.	Particulars	No. of Days
A	Total day end balance in all client bank accounts	46
B	Collateral deposited with Clearing Corporation and/or Clearing Member in the form of cash and cash equivalents	4

8.8.2 In reply to the LoF, Way2Wealth submitted as under:

The amounts shown in the pre-inspection questionnaire were correct. Way2Wealth provided documents viz. MCX collateral details, collateral details for CM and F&O segments etc. in support of its claim.

8.8.3 The Committee finds as under:

a. <u>Total day end balance in all client bank accounts</u>

Way2Wealth submitted supporting documents for 16 out of 46 dates. Upon considering the correct bank balance as per bank statement provided by Way2Wealth for 16 dates, it is observed that the violation persists. However, the revised differential amounts range from (-ve) Rs.5.83 crores to Rs.11.97 crores on 46 dates.

b. <u>Collateral deposited with Clearing Corporation and/or Clearing Member in the form of cash and cash equivalents</u>

i. For November 24, 2021, and August 24, 2022, Way2Wealth contended that incorrect cash deposit of MCX is considered.

Upon verification of collateral details provided by Way2Wealth, it is observed that Way2Wealth correctly reported the cash deposit. Hence, no violation persists.

ii. For January 28, 2022, Way2Wealth contended that the F&O cash deposit with the Clearing Member was incorrect considered to the extent of Rs.1,740/-.

Upon verification of summary report provided by Way2Wealth, it is observed that Way2Wealth correctly reported the cash deposit. Hence, no violation persists.

iii. For June 17, 2022, Way2Wealth contended that the Exchange considered the value of funded portion of bank guarantee in CM segment as Rs.8.37 crores instead of Rs.8.87 crores.

Upon perusal of collateral file, it is observed that the funded portion of bank guarantee in CM segment amounts to

Rs.8.50 crores. Hence, the difference stands reduced to the extent of 37.50 lakhs (i.e. Rs.8.87 crores – Rs.8.50 crores).

c. In view of the above, the revised differential amounts range from (-ve) Rs.5.83 crores to Rs.11.97 crores between the actual and reported figures

8.8.4 Considering that the incorrect reporting of data did not result in violation of Principles of Enhanced Supervision of Stockbrokers, the Committee decided to advise Way2Wealth to ensure non-recurrence of the observed violation.

8.9 **Incorrect data reported in the weekly holding statement**

8.9.1 Upon verification of the data submitted by Way2Wealth in the weekly holding statement vis-à-vis demat statements and back-office holdings, it is observed that Way2Wealth submitted incorrect data in the weekly holding statement as under:

a. Incorrect data in 1 instance regarding pledged stocks between demat holding statement and weekly holding submissions involving Rs.0.49 crore as of August 31, 2022

b. Incorrect data in 166 instances regarding free stocks between demat holding statement and weekly holding submissions involving Rs.1.01 crores as of August 31, 2022

c. Incorrect data in 8 instances between demat holding statement and weekly holding submissions on 5 dates between August 7, 2021, and November 18, 2022

8.9.2 In reply to the LoF, Way2Wealth submitted as under:

a. Incorrect data reported in 1 instance regarding pledged stocks between demat holding statement and weekly holding submissions involving Rs.0.49 crore as of August 31, 2022

There is no mismatch. Way2Wealth provided demat statements in support of its claim.

b. Incorrect data reported in 166 instances regarding free stocks between demat holding statement and weekly holding submissions involving Rs.1.01 crores as of August 31, 2022

There is no mismatch. Way2Wealth provided demat statements in support of its claim.

c. Incorrect data reported in 8 instances between demat holding statement and weekly holding submissions on 5 dates between August 7, 2021, and November 18, 2022

Date	Client Code	Remark
09.08.2021	HT0136	Sold 100 shares in Settlement No. T2021149. These shares are reflected in the weekly holding statement in the new ISIN.
	TAE35	Bought shares in Settlement No. T2021143. 16 shares were available in CUSA with old ISIN before the split. The back-office changed all the historic records to new ISIN after record date. Hence, the weekly holding statement showed new ISIN instead of the old ISIN. It provided the demat holding statement showing old ISIN.
	FH040021	Sold 400 shares in Settlement No. T2021147 and 100 shares in Settlement No. T2021149. 400 shares are reflected in the holding statement as of August 7, 2021, in old ISIN and 100 shares are reflected in the holding statement as of August 9, 2021, in new ISIN. The back-office changed all the historic records to new ISIN after record date. Hence, the weekly holding statement showed new ISIN instead of the old ISIN. It provided the demat holding statement showing old ISIN.
20.09.2021	M0665	Bought shares in Settlement No. 2021174 and transferred the said shares to CUSA. These shares

		are reflected in the weekly holding statement in new ISIN. The back-office changed all the historic records to new ISIN after record date. Hence, the weekly holding statement showed new ISIN instead of the old ISIN. It provided the demat holding statement showing old ISIN.
27.09.2021	NB003111	ISIN IN8702C01026 is available in demat holding and ISIN IN8702C01027 is not available in demat holding as of August 25, 2021.
18.04.2022	DA89	Due to corporate action, the ISIN was split before the record date. The back-office changed all the historic records to new ISIN after record date. Hence, the weekly holding statement showed new ISIN instead of the old ISIN. It provided the demat holding statement showing old ISIN.
	AM131	Due to corporate action, the ISIN was split before the record date. The back-office changed all the historic records to new ISIN after record date. Hence, the weekly holding statement showed new ISIN instead of the old ISIN. It provided the demat holding statement showing old ISIN.
19.11.2022	FG171145	Way2Wealth received pay-out of 19 shares and transferred the said shares to CUSA. It received payout of 1 share short in Settlement No. A2022217

8.9.3 The Committee finds as under:

a. Incorrect data reported in 1 instance regarding pledged stocks between demat holding statement and weekly holding submissions involving Rs.0.49 crore as of August 31, 2022 (Available in demat holding statement but not reported by Way2Wealth)

Upon verification of the demat statement, it is observed that Way2Wealth incorrectly reported the pledged securities under free balance in the weekly holding statement. Hence, the violation persists.

b. Incorrect data reported in 166 instances regarding free stocks between demat holding statement and weekly holding submissions involving Rs.1.01 crores as of August 31, 2022 (Excess reported by Way2Wealth; not available in demat holding statement)

- 164 instances

  Upon verification of the demat statement, it is observed that 164 ISINs are shown under safekeep balance and not under free balance. However, Way2Wealth incorrectly reported the securities under free balance in the weekly holding statement. Hence, the violation persists.

- 1 instance

  Upon verification of the demat statement, it is observed that the ISIN is shown under lock-in balance and not under free balance. However, Way2Wealth incorrectly reported the securities under free balance in the weekly holding statement. Hence, the violation persists.

- 1 instance

  Upon verification of the demat statement, it is observed that Way2Wealth incorrectly reported the pledged securities under free balance in the weekly holding statement. Hence, the violation persists.

c. Incorrect data reported in 8 instances between demat holding statement and weekly holding submissions on 5 dates between August 7, 2021, and November 18, 2022

- 7 instances (Client Codes: HT0136, TAE35, FH040021, M0665, NB003111, DA89, and AM131)

Upon verification of the demat statement, it is observed that the holdings are reflected under old ISIN; however, Way2Wealth reported the holdings under new ISIN in the weekly holding submissions. Hence, there is a mismatch in the quantity reported, and the violation persists.

- <u>1 instance (Client Code: FG171145)</u>

  Upon verification of the demat statement, it is observed that Way2Wealth reported correct holding quantity in the weekly holding statement. Hence, no violation persists.

d. In view of the above, the violation stands reduced from 175 to 174 instances.

8.9.4 Considering that the incorrect reporting of data did not result in violation of Principles of Enhanced Supervision of Stockbrokers, the Committee decided to advise Way2Wealth to ensure non-recurrence of the observed violation.

8.10 **<u>Non-maintenance of appropriate evidence regarding the orders placed for clients</u>**

8.10.1 Upon verification of the order placement mechanism maintained by Way2Wealth, it is observed that Way2Wealth did not maintain appropriate evidence, i.e. call recordings, in 53 out of 73 instances selected for sample scrutiny.

8.10.2 In reply to the LoF, Way2Wealth submitted as under:

Way2Wealth provided pending proofs of call recordings to the Exchange for verification.

8.10.3 The Committee finds as under:

a. Upon verification of call recordings provided by Way2Wealth, it is observed as under:

i. 5 instances of CM segment

In 3 instances, the orders were placed for the clients through online mode. Hence, no violations persists.

In the remaining 2 instances, Way2Wealth did not provide proof of orders placed for the clients.

Hence, the violation persists in 2 instances.

ii. 24 instances in F&O segment

In 6 instances, the orders were placed through online mode. Hence, no violation persists.

In 11 instances, Way2Wealth did not provide proof of the orders placed for the clients. Hence, the violation persists.

In 7 instances, Way2Wealth provided proof of the orders placed for the clients. However, it does not contain timestamps to ascertain whether proofs pertain to pre order placement or post order placement.

Hence, the violation persists in 18 instances.

iii. 24 instances in CD segment

In 6 instances, the orders were placed through online mode. Hence, no violation persists.

In the remaining 18 instances, Way2Wealth did not provide proof of the orders placed for the clients.

Hence, the violation persists in 18 instances.

b. In view of the above, the violation stands reduced from 53 to 38 instances.

c. Way2Wealth violated the provisions of Regulation 3.2.1 of NSEIL Regulations (CM Segment), Regulation 3.4.1 of NSEIL Regulations (F&O and CD Segments), and Exchange Circular No. NSE/INSP/37301 dated March 26,

2018, by failing to maintain appropriate evidence of the orders placed for its clients.

8.10.4 Given the findings mentioned above, the Committee decided to levy monetary penalty of Rs.25,000/- for the observed violation and direct Way2Wealth to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication in terms of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.11 **Non-assignment of appropriate nomenclature to bank accounts and incorrect nomenclature assigned to bank account**

8.11.1 Upon verification of the bank accounts, it is observed that Way2Wealth did not assign appropriate nomenclature to 15 bank accounts and incorrectly assigned nomenclature to 1 bank account.

8.11.2 In reply to the LoF, Way2Wealth submitted as under:

Way2Wealth uploads the bank balances and bank accounts weekly. There was no rejection file for the said accounts. Way2Wealth provided bank statements in support of its claim.

8.11.3 The Committee finds as under:

a. Upon verification of bank details submitted to the Exchange, it is observed as under:

i. 8 bank accounts (A/c. No. 00990650004855, 05230340001262, 05230340002575, 0167360000001042, 8711502110, 200999246643, 10461100037640, and 2442201001968)

The bank accounts were closed during the inspection period. Hence, the benefit is extended to Way2Wealth, and the violation does not persist.

ii. 1 bank account (A/c. No. 00090340002047)

Way2Wealth correctly tagged 1 bank account. Hence, no violation persists.

iii. 7 bank accounts (A/c. No. 00090340000388, 00090340002037, 5230340000693, 913020012970486, 913020008603512, 05230340002973, and 920020074432302)

As per SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Way2Wealth is required to tag the bank accounts as client account, proprietary account, and settlement account. However, the nomenclature assigned to the bank accounts is not as per the said circular. Hence, the violation persists.

iv. In view of the above, the violation stands reduced from 16 to 7 bank accounts.

b. Way2Wealth violated the provisions of Exchange Circular No. NSE/INSP/33276 dated September 17, 2016, by not assigning appropriate nomenclature to bank accounts.

8.11.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.5,000/- for the observed violation and direct Way2Wealth to assign appropriate nomenclature and intimate such details to the Exchange in terms of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.12 **Non-reporting of details of bank accounts to the Exchange**

8.12.1 Upon verification of bank books and bank statements, it is observed that Way2Wealth did not report details of 6 bank accounts to the Exchange.

8.12.2 In reply to the LoF, Way2Wealth submitted as under:

Way2Wealth uploads the bank balances of bank accounts weekly. There was no rejection file for the said accounts.

8.12.3 The Committee finds as under:

a. Upon verification of bank account details submitted to the Exchange, it is observed that Way2Wealth reported 4 bank accounts to the Exchange and did not report the balance 2 bank accounts, viz. A/c. No. 910020000607410 (Axis Bank) and A/c. No. 05230340000268 (HDFC Bank) to the Exchange.

Hence, the violation stands reduced from 6 to 2 bank accounts.

b. Way2Wealth violated the provisions of Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, by failing to report details of bank accounts to the Exchange.

8.12.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.5,000/- for the observed violation and direct Way2Wealth to report details of bank accounts to the Exchange in terms of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.13 **Incorrect reporting of bank account balances to the Exchange**

8.13.1 Upon verification of the bank account statements, it is observed that Way2Wealth incorrectly reported the details of 5 bank accounts and reported the details of 26 fixed deposit accounts under bank accounts to the Exchange.

8.13.2 In reply to the LoF, Way2Wealth submitted as under:

Way2Wealth uploads the balances of the bank accounts and fixed deposit accounts weekly. However, there was no rejection file for the said accounts.

8.13.3 The Committee finds as under:

a. <u>26 fixed deposit bank accounts</u>

i. Upon verification of bank account statements vis-à-vis cash and cash equivalent submissions, it is observed that Way2Wealth reported details of fixed deposit bank account under bank account to the Exchange. As per Exchange Circular No. NSE/INSP/43486 dated February 10, 2020, Trading Members are required to upload day-wise client level cash and cash equivalent balances and day-wise bank balances of all bank accounts to the Exchange. Hence, the violation persists.

ii. Out of 26 fixed deposit bank accounts, the inspection observation pertaining to 5 accounts are covered in the action letter dated September 7, 2022, issued to Way2Wealth, wherein the Exchange levied a penalty of Rs.1 lakh.

iii. In view of the above, the violation persists in the balance 21 fixed deposit bank accounts.

b. <u>5 bank accounts</u>

Upon verification of the bank statements provided by HDFC Bank and Lakshmi Vilas Bank, it is observed as under:

Sr. No.	Bank	Account No.	Reported to Exchange	Bank Statement
1	HDFC Bank	5230340000079	CLIENT	Nomenclature not mentioned in bank statement
2	Lakshmi Vilas Bank	167360000001073	CLIENT	Nomenclature not mentioned in bank statement
3	AXIS Bank	920020074432250	SETTLEMENT	Bank statement not provided.
4	HDFC Bank	602090001591	ANY OTHER	Nomenclature not mentioned in bank statement
5	HDFC Bank	5230340000148	ANY OTHER	Nomenclature mentioned in bank statement is 'WAY2WEALTH BROKERS PVT LTD DP CLIENT ACC'

c. In view of the above, the violation stands reduced from 31 to 26 bank accounts.

d. Way2Wealth violated the provisions of Exchange Circular No. NSE/INSP/43486 dated February 10, 2020, by incorrectly reporting bank account details to the Exchange.

8.13.4 Considering that the incorrect reporting of data did not result in violation of Principles of Enhanced Supervision of Stockbrokers, the Committee decided to advise Way2Wealth to ensure non-recurrence of the observed violation.

8.14 **Non-submission of supporting documents to the Exchange to verify the demat accounts to the Exchange**

8.14.1 Upon verification of demat accounts, it is observed that Way2Wealth did not submit supporting documents to the Exchange to verify 8 demat accounts.

8.14.2 In reply to the LoF, Way2Wealth submitted as under:

a. In the case of 3 demat accounts, the client master report cannot be generated for early pay-in account.

b. In the case of 4 demat accounts, Way2Wealth provided copies of the client master report.

8.14.3 The Committee finds as under:

a. In the case of 3 demat accounts, Way2Wealth claimed that client master report cannot be generated for early pay-in. However, Way2Wealth did not provide a copy of the demat statement in support of its claim. Hence, the violation persists.

b. In the case of 4 demat accounts, Way2Wealth provided copies of client master report. Upon verification, it is observed that the claim of Way2Wealth is valid. Hence, no violation persists.

c. In the case of 1 demat account, Way2Wealth provided a copy of client master report of another demat account.

Hence, the violation persists.

d. In view of the above, the violation stands reduced from 8 to 4 demat accounts.

8.14.4 The Committee notes that there is no prescribed penalty and decided to warn Way2Wealth to ensure non-recurrence of the observed violation.

8.15 **Mismatch in mobile number and email address of clients between back-office records and UCI database of the Exchange**

8.15.1 Upon verification of the UCI database of the Exchange vis-a vis the back-office records of Way2Wealth, it is observed that there is a mismatch in mobile number and email address of 2 clients.

8.15.2 In reply to the LoF, Way2Wealth submitted as under:

a. Client Code: HK1147

The client opened the account in 2009 and modified the mobile number in 2013. Way2Wealth updated the mobile number in UCI database and back-office records. It provided a copy of the modification document in support of its claim.

b. Client Code: HS470

The client opened the account in 2008 and modified the email address in 2022. Way2Wealth updated the email address in UCI database and the back-office records. It provided a copy of the modification document in support of its claim.

8.15.3 The Committee finds as under:

Upon verification of the UCI database and back-office records, it is observed that in the case of Client Code HK1147 the claim of Way2Wealth is valid, and no violation persists. In the case of

Client Code HS470, Way2Wealth updated the UCI database post-inspection.

8.15.4 Considering that the non-compliance is observed in the case of one client, the Committee decided to warn Way2Wealth to ensure non-recurrence of the observed violation.

8.16 **Observations pertaining to inspection of Authorized Persons**

8.16.1 Upon verification of the report on inspection of Authorized Person submitted by Way2Wealth, it is observed as under:

a. In the case of 1 Authorized Person, the sign board was not available.

b. In the case of 30 Authorized Persons, the voice recording was not available, and the glow display board was not maintained.

8.16.2 In reply to the LoF, Way2Wealth submitted as under:

a. Regarding the non-availability of sign board in the case of 1 Authorized Person, the renovation of the office building of Authorized Person is in progress. Hence, the Authorized Person removed the signboard. The signboard will be re-installed as soon as the renovation is completed.

b. Regarding the non-availability of voice recording, and non-maintenance of the glow display board and register in the case of 30 Authorized Persons, a new sim card of Airtel is issued for voice recording. Furthermore, as the glow sign board is not in the current format, it will be replaced with the new format.

8.16.3 The Committee finds as under:

a. In the case of 1 Authorized Person wherein sign board is not available, the Committee notes that since the renovation of the office premises of the Authorized Person was in progress, the sign board was not available.

b. In the case of 30 Authorized Persons wherein the voice recording was not available, and the glow display board was not maintained, the Committee notes that Way2Wealth undertook corrective measures. Furthermore, the observation pertaining to non-maintenance of appropriate evidence regarding orders placed for clients, i.e. call recordings, is already dealt with under paragraph 8.10.4.

8.16.4 Given the findings mentioned above, the Exchange decided to warn Way2Wealth to ensure non-recurrence of the observed violation and adhere to the guidelines for monitoring and reviewing the trading activities of the Authorized Persons.

8.17 **Incorrect data submitted towards RBS**

8.17.1 Upon verification of the data submitted towards RBS by Way2Wealth as of September 30, 2022, vis-à-vis the trial balance of Way2Wealth, it is observed that Way2Wealth submitted incorrect data as under:

a. Value of credit balances of all clients to the extent of Rs.113.66 crores

b. Value of collateral from the debit balance clients to the extent of Rs.196.21 crores

8.17.2 In reply to the LoF, Way2Wealth submitted as under:

The error is typographical wherein the last two digits before the decimal were not captured at the time of updation. The actual amount is correct, and the difference is only due to typographical error in the amount reported to the Exchange in the RBS report. Way2Wealth provided the RBS report submitted to the other stock exchanges for verification.

8.17.3 The Committee finds as under:

a. Way2Wealth attributed the inspection observation to typographical error at the time of submissions of the RBS

report. It provided the RBS reports submitted to other stock exchanges for verification.

Upon verification of the RBS reports submitted to the stock exchanges, it is observed that Way2Wealth reported correct amounts to the Exchange and MCX and reported incorrect amount to BSE due to typographical error.

b. The Exchange monitors the data submitted by Trading Members towards RBS as part of its regulatory supervision to strengthen its surveillance system. Hence, Trading Members must ensure that the data submitted towards RBS is verified before submission to the Exchange. Way2Wealth violated the provisions of Exchange Circular No. NSE/INSP/54034 dated October 13, 2022, by submitting incorrect data towards RBS to the Exchange.

8.17.4 Considering that the non-compliance is due to a typographical error, the Committee decided to warn Way2Wealth to ensure non-recurrence of the observed violation.

DECISION

9. In view of the above, the Committee levies the following penalties as indicated against each of the violations:

Sr. No.	Committee's Findings	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022	Penalty
a.	Non-segregation of client funds in 9 instances	Up to 2% of number of instances - Advise	Advise
b.	Non-settlement of client funds in 60 instances out of 6,429 instances selected for sample scrutiny (0.93% of the total sample instances	Up to 2% of number of instances - Advise	Advise

	verified) involving Rs.5.45 crores		
c.	Delay in settlement of client funds in the case of 45 out of 100 clients selected for sample scrutiny (45% of total sample clients verified) ranging from 1 to 74 days	Up to 50% of the instances verified : Warning / Advise	Warning
d.	Incorrect reporting of margin collected from clients in the case of 1 out of 250 instances selected for sample scrutiny (0.40% of the total sample instances verified) involving Rs.1.69 crores.	Less than 10% of instances : 5% of the amount involved	Warning (Reason enumerated above)
e.	Incorrect data reported towards weekly monitoring of client funds in 2 areas wherein the differences range from (-ve) Rs.5.83 crores to Rs.11.97 crores between the actual and reported figures	Rs.1 lakh	Advise (Reason enumerated above)
f.	Incorrect data reported in the weekly holding statement in 174 instances as of August 31, 2022	Rs.1 lakh	Advise (Reason enumerated above)
g.	Non-maintenance of appropriate evidence regarding orders placed for clients in 38 out of 73 instances selected for sample scrutiny	Rs.25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication	Rs.25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of

			communication
h.	Non-assignment of appropriate nomenclature to 7 bank accounts	Penalty of Rs.5,000/- per annum and warning to be issued to Member and direction to assign appropriate nomenclature and intimate such details to the Exchange	Rs.5,000/- + Direction to assign appropriate nomenclature and intimate such details to the Exchange.
i.	Non-reporting of details of 2 bank accounts to the Exchange	Penalty of Rs.5,000/- per annum and warning to be issued to Member and direction to report such details to the Exchange	Rs.5,000/- + Direction to report details of bank accounts to the Exchange.
j.	Incorrect reporting of bank account balances in the case of 5 bank accounts and 21 fixed deposit accounts to the Exchange	Rs.1 lakh	Advise
k.	Non-submission of supporting documents to the Exchange to verify 8 demat accounts	No prescribed penalty	Warning
l.	Mismatch in mobile number and email address of 1 client between back-office records and UCI database of the Exchange	Rs.1,000/- per client	Warning (Reason enumerated above)
m.	Observations pertaining to inspection of 31 Authorized Persons	Rs.10,000/- per location	Warning (Reason enumerated above)
n.	Incorrect data reported towards risk-based supervision in 2 areas as of September 30, 2022	Rs.10,000/-	Warning
Total			**Rs.35,000/-**

10. Way2Wealth is directed to pay a monetary penalty of Rs.35,000/- (Rupees Thirty-Five Thousand only) as indicated above.

11. Way2Wealth is directed to note the non-monetary penalties as indicated above and ensure non-recurrence of the observed violation.

12. Way2Wealth is directed to submit a certificate duly certified by a Chartered Accountant within 15 days from the date of this order certifying the compliance of the aforesaid directions of the Committee. Failure to submit the said certificate within the prescribed timeline shall be construed as non-compliance and appropriate disciplinary proceedings for non-adherence to the directions of the Committee shall be independently initiated.

Sd/- Mona Bhide (Chairperson)	Sd/- K Narasimha Murthy (Committee Member)	Sd/- S Ravindran (Committee Member)

Sd/- Ranganayakulu Jagarlamudi (Committee Member)	Sd/- Ashishkumar Chauhan (Committee Member)

Date: October 4, 2023

Annexure 2

You are advised to pay/deposit the penalty amount along with applicable GST in your Exchange Dues Account as and when Bill for the same is raised by the Exchange.

1. In case of late payment, interest @ 18% p.a. calculated on a daily basis will be levied from the due date for the delayed period i.e., till the date of payment. Late payment may also attract withdrawal of trading facility pursuant to Circular no. NSE/F&A/2571 dated May 29, 2001.

2. In addition to the mentioned penalty amount, tax @ 18% under Section 15 of Central Goods and Services Tax Act, 2017 will be levied on the penalty amount as well as on the interest in case of late payment.