Before the
Member Committee ("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051
held on November 21, 2025

In the matter of the Trading Member: Samco Securities Limited

CORAM

Shri. Srinivas Injeti	-	Chairperson
Shri. S. Ravindran	-	Committee Member
Justice (Retd) Smt. Abhilasha Kumari	-	Committee Member
Prof. (Dr.) Mamata Biswal	-	Committee Member
Mr. Essaji Vahanvati	-	Committee Member

ALSO PRESENT

Shri. Piyush Chourasia	-	Chief Regulatory Officer
Shri. Janardhan Gujaran	-	Vice President- Enforcement

INTRODUCTION

1. **Samco Securities Limited** (**"Noticee"**) is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in in the Capital Markets ("**CM**") segment since November 1994, Futures and Options ("**F&O**") segments since August 2004 and Currency Derivatives ("**CD**") segment since September 2008.

FACT OF THE CASE

2. The Exchange conducted a Limited Purpose Inspection (**"LPI"**) of the books and records of the Noticee and its Authorized Person (**"AP"**), Mr. Harsh Bhagat covering the period from November 04, 2024, to December 31, 2024 (**"Inspection Period"**), to verify the activities of the Noticee and the Noticee's AP. The inspection was carried out during the period February 2025 to March 2025.

3. Post-inspection, the Exchange issued a Show Cause Notice ("**SCN**") dated July 01, 2025, and the Noticee, responded to the SCN on July 25, 2025. The matter was placed before MC and after hearing the parties, the MC has passed the following:

INSPECTION OBSERVATIONS/ VIOLATIONS

4. The observations/violations alleged in the SCN are summarized under:

4.1. Noticee failed to ensure that its APs are engaged only in permitted activities and is not undertaking any businesses which are disallowed under the Byelaws, Rules, Regulations of SEBI/Exchange

4.1.1. AP provided stock recommendations without valid SEBI registration certificate

4.1.2. Movement of funds between Noticee's AP and clients mapped to AP

4.2. Non-adherence to code of advertisement

4.3. Non-maintenance of evidence of pay-out request received from credit balance clients

4.4. Noticee has not ensured proper diligence in scanning the social media handles of the APs

4.5. Noticee has failed to capture the actual reason for cancelling AP registration on the ENIT portal

4.6. Failure to ensure that APs do not deal with other Trading Members on the same Stock Exchange.

4.7. Non-reporting/Incorrect reporting of clients mapped to AP

4.8. Failure to display notice board at the Inspection location

4.9. Failure to capture the IP (Internet Protocol) address for all IBT (Internet Based Trading) / STWT (Securities trading using Wireless Technology) orders

4.10. Failure to inspect AP as per prescribed parameters

ISSUES FOR DETERMINATION

5. Considering the allegations made out in the SCN and the submissions made by the Noticee, the following issues require consideration in the present case:

5.1. **ISSUE I -** Whether the Noticee has violated provisions of SEBI / Exchange Circulars and Rules & Regulations of the Exchange, as stated in the SCN?

5.2. **ISSUE II -** Do the violations, if any, attract penalty as per Exchange Circular NSE/INSP/53530, dated September 02, 2022, Exchange Circular NSE/INSP/70746, dated October 10, 2025 and NSE/INSP/73792 dated April 17, 2026?

REGULATORY PROVISIONS

6. At the outset, it is appropriate to rely upon the relevant regulatory provisions alleged to have been violated by the Noticee; the extracts whereof have been reproduced herein below-

6.1. **Noticee failed to ensure that its APs are engaged only in permitted activities and is not undertaking any businesses which are disallowed under the Byelaws, Rules, Regulations of SEBI/Exchange.**

6.1.1. AP provided stock recommendations without valid SEBI registration certificate

a. SEBI (Stock Brokers) Regulations, 2026

Other obligations and responsibilities for stock broker.

18. (9) A stock broker shall abide by all the provisions of the Act, rules, regulations, notifications, circulars and guidelines issued by the Central Government or the Board as the case may be as well as the rules, regulations, bye-laws, notifications, circulars and guidelines of recognised stock exchange as may be applicable to it as a stock broker.

b. SEBI (Investment Advisers) Regulations, 2013.

Application for grant of certificate.

3. (1) On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:

c. Rule 3(b) of Chapter IV of NSEIL Rules

Misconduct

(3) A trading member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

(a) ....
(b) Violation: If it has violated provisions of any statute governing the activities, business and operations of the Exchange, trading members and securities business in general.

d. Regulations 4.5.1 and 4.5.2 (b) of Part A of CM Regulations of the Exchange and Regulations 4.5.1 and 4.5.2 (d) of F&O Regulations of the Exchange

4.5 Code Of Conduct for Trading Member

4.5.1 Adherence to SEBI Code of Conduct

The Trading Member shall at all times subscribe to the Code of Conduct as prescribed by the Securities and Exchange Board of India (Stockbrokers and Sub-Brokers) Regulations, 1992.

4.5.2 General Principles

(b/d) Adherence to Trading Practices: Trading Members shall adhere to the Rules, Regulations and Byelaws of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable from time to time.

(d/f) Capabilities: A Trading Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

e. SEBI Circular No. MIRSD/ DR-1/ Cir-16/09 dated November 06, 2009 read with Exchange Circular No. NSE/MEM/13429 dated November 09, 2009

5. Conditions of Appointment

a) ..

b) All acts of omission and commission of the authorized person shall be deemed to be those of the stockbroker.

7. Obligations of Stockbroker

a) The stockbroker shall be responsible for all acts of omission and commission of his authorised person(s) and/or their employees, including liabilities arising there from.

e) Stockbroker shall conduct periodic inspection of branches assigned to authorised persons and records of the operations carried out by them.

f. Exchange Circular No. NSE/COMP/48536 dated June 09, 2021

Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorised persons. Member shall conduct periodic inspection of their Authorised Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details.

Members should ensure that their Authorised Persons are engaging only in permitted activities and are not undertaking any business which

are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns etc. It is, hereby, reiterated that all the acts of omission and commission of the Authorized person and/or their Directors/Partners, employees etc., shall be deemed to be those of the Member and the Member shall be responsible for all such acts of its Authorised person(s) and/or their Directors/Partners, employees etc., including liabilities arising there from.

g. Exchange Circular No. NSE/INSP/49434 dated August 27, 2021

It is reiterated that members are not permitted to undertake any business/activity that is not allowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any schemes of unauthorized collective investments/portfolio management, promising indicative/ guaranteed/fixed returns/payments etc.

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

5. ……. It is responsibility of the Members to ensure that all APs registered with them are complying with the regulatory requirements and do not undertake any non-permitted activities. Members shall be liable for all such acts of its APs and/or their Directors/Partners, employees etc., including liabilities arising therefrom.

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

Members are advised to refrain from engaging in any practice that is against the spirit of the guidelines issued by SEBI/Exchange. Further, Members are advised to put in place adequate mechanisms to have oversight on the activities of their associates, authorised persons and take necessary action if any irregularity is observed. Non-adherence to the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges will be viewed very seriously. The member will be liable for strict disciplinary action, if the member is observed to be engaging in unauthorised market practices either directly or through its Authorised person(s) and/or their Directors/Partners, employees etc.

j. Exchange Circular No. NSE/COMP/56947 dated June 02, 2023

3. At all points in time, Trading Members shall exercise adequate control and due diligence over the activities, conduct and transactions of their APs by conducting surprise and periodic Inspections and taking regular feedback from the clients of the APs. In case any anomaly is identified, Trading Members shall take necessary disciplinary actions against their APs. Further, Trading Members shall be vicariously and severally liable for any violation committed by their APs including operating any schemes of unauthorised collective investments/portfolio management and promising indicative/guaranteed/fixed returns etc. The Indian Contract Act, 1872 defines an 'Agent' in Section 182 as a person employed to do any act for another or to represent another in dealing with third persons. Accordingly, all provisions of Indian Contract Act, 1972 with respect to 'Agent' shall be applicable to Trading Members and APs associated with them.

k. Exchange Circular No. NSE/COMP/55482 dated February 02, 2023

5.7 Algorithmic trading services/strategies: Members who are providing algorithmic trading services/strategies as well as Members who feature in any of the platforms offering such services are advised to refrain from undertaking the following:

a. directly or indirectly make any reference to the past performance or expected return out of algorithmic trading services/strategies in any form of advertisements/business communication on publicly accessible platforms such as social media/websites/digital & print media etc.

b. not make any reference to the past performance or expected return out of algorithmic trading services/strategies, during any presentations/account opening forms/pamphlets/banners/ forums/gatherings organised to onboard new clients/pitching new segment/product to existing clients. Including, exhibiting of past performance, or expected return on any of the platforms used by Authorized Persons/Vendor/associated entities of the member.

c. *directly or indirectly associate with any platform providing any reference to the past or expected future return/performance of the algorithm.*

l. Exchange Circular No. NSE/COMP/63628 dated August 28, 2024

Members shall ensure adequate scanning of social media to identify any mis-selling/ assured returns or unauthorised schemes operated by AP including loan transactions. It is hereby reiterated that Members shall be mandatorily required to report any observed incidents related to assured returns or unauthorised schemes operated by the AP to the Exchange within one working day.

6.1.2. Movement of funds between Noticee's AP and clients mapped to AP

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

Annexure-A Indicative Scope of Branch/AP Inspection by Members

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

3. There is no movement of Funds and securities between the client and AP/branch official for settlement of trades on the Exchange. Demat statement and bank accounts of the AP *to be examined to verify such instances.*

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

An Authorised Person is a person/entity who, as an agent of a Member, provides access to the clients of the Member to trading platform of a stock exchange. While doing so, the Authorised Person is prohibited from:

1. Accepting any receipt or payment/delivery of funds & securities of the clients. Authorised Person shall not collect or receive any funds or securities from the clients and shall not charge any amount from the clients, directly or indirectly, for the services rendered on behalf of the Member as an agent.

2. *Employing any device, scheme or artifice or engage in any act or practice, including operating assured return schemes, unauthorised portfolio management & investment schemes etc, in contravention of the provisions of various SEBI/Exchange Rules & Regulation and circulars issued from time to time.*

An Authorized person can only act as a facilitator and provide administrative assistance to the clients of the Member in accessing the trading platform of the Stock Exchange, failing which the Authorized person and its Directors/Partners shall be liable for appropriate disciplinary actions including cancellation of their registration, debarment from the securities market etc.

Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorized persons. Members shall conduct periodic inspection of their Authorized Persons and records of the operations carried out by them in accordance with Exchange Circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details.

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

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

5. ……. It is responsibility of the Members to ensure that all APs registered with them are complying with the regulatory requirements and do not undertake any non-permitted activities. Members shall be liable for all such acts of its APs and/or their Directors/Partners, employees etc., including liabilities arising therefrom.

6.2. **Non-adherence to Code of Advertisement**

a. Exchange Circular No. NSE/COMP/55482 dated February 2, 2023

Revised Code of Advertisement

1. *Advertisement shall include all forms of communication issued by or on behalf of or in relation to Stockbroker in publicly available media that may influence investment/trading decisions of any investor/prospective investors. It also includes internal communication to registered clients that may influence investment/trading decisions.*

2. *Forms of communications shall include but shall not be limited to all written or audio or visual form including social media forms including use of workshops and the like.*

3. *Broad guidelines:*

3.1 Prior approval for all Advertisement should be obtained from the Exchange before issuance of Advertisement.

3.2 Any Advertisement issued by Authorized Persons/Business Partner/Channel Partner of the members or Influencer/Blogger being paid by members, shall require prior Exchange approval. Any advertisement issued by Authorized Person on their own shall not be entertained by the Exchange.

3.3 Members are hereby advised to undertake adequate due diligence to ensure that content used by the above strictly adheres to the Code of Advertisement prescribed by the Exchange/SEBI from time to time.

4. *..*

5. *..*

5.8 Anything which is otherwise prohibited for publication under the relevant Act.

5.9 *Any false / misleading / biased / exaggerated / deceptive /ambiguous statement or any misleading testimonials.*

5.10 *Any promise or assurance of any fixed/guaranteed/indicative returns to prospective/existing clients. Members are not permitted to undertake any business/activity that is not allowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any scheme of unauthorized collective investment/portfolio management, promising indicative/guaranteed/fixed returns/payments etc.*

6.3. **Non-maintenance of evidence of pay-out request received from credit balance clients**

a. Exchange Circular No. NSE/INSP/51830 dated March 31, 2022

Settlement of Running Account of Client's Funds lying with Trading Member (TM)

…. Members shall not make part/periodic payments that are not commensurate with the running account settlement guidelines. However, if the client specifically requests for a pay-out, the same shall be made and the evidence of such requests received from clients shall be maintained by the member. It is to be noted that for each such payout to the credit balance clients, a separate request received from clients, which could be, inter alia, in the form of writing, telephone recording, email from registered mail id, record of messages through registered mobile phones, log for internet requests shall be maintained by the members.

6.4. **Noticee has not ensured proper diligence in scanning the social media handles of the APs**

a. Exchange Circular NSE/COMP/63628 dated August 28, 2024

Members shall ensure adequate scanning of social media to identify any mis-selling/ assured returns or unauthorised schemes operated by AP including loan transactions. It is hereby reiterated that Members shall be mandatorily required to report any observed incidents related to assured returns or unauthorised schemes operated by the AP to the Exchange within one working day. On identification of any such case the Member shall inspect the AP concerned/ investigate the matter and take appropriate actions as required. Additionally, as communicated in Exchange circular ref no. NSE/COMP/ 56947 dated June 02, 2023,

Members are required to take necessary actions, including withdrawal of approval on disciplinary grounds, withholding funds due to the APs until investor issues are resolved, sending alert messages to investors in the APs location, filing complaints with the relevant police station, and implementing all necessary measures to safeguard the interests of investors and the market. Members are required to maintain and provide documentary evidence of police complaints, press releases, advertisements issued to the market, communication logs of alert messages sent to investors, and other measures taken to safeguard interest of investors including disciplinary actions taken against the APs.

6.5. **Noticee has failed to capture the actual reason for cancelling AP registration on the ENIT portal**

a. Exchange Circular No. NSE/COMP/48536 dated June 09, 2021

Members are required to exercise adequate control and due diligence *over the activities & transactions of their Authorized persons. Member shall conduct periodic inspection of their Authorized Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details.*

6.6. **Failure to ensure that APs do not deal with other Trading Members on same Stock Exchange**

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

Annexure-A

INDICATIVE SCOPE OF BRANCH /AP INSPECTION BY MEMBERS
Members while undertaking the inspection of Branches and AP offices shall examine that all applicable regulatory requirements have been complied with including the following indicative parameters:

12. The Branch/AP has not dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.

b. Exchange Circular No. NSE/COMP/ 56947 dated June 02, 2023

9. For the purpose of ensuring compliance and risk management practices in accordance with the regulatory requirements, Trading Members are advised to monitor their existing and newly onboarded APs based on the indicative scope as defined in the Exchange circular no. NSE/INSP/42448 dated October 18, 2019, which is re-iterated below:

xii. The AP has not dealt with any other Trading Member/AP on behalf of its clients/self on the same Stock Exchange.

6.7. **Non-reporting / Incorrect reporting of clients mapped to AP**

a. Exchange Circular No. NSE/COMP/49509 dated September 3, 2021

*In order to have additional information about the APs and to enhance the regulatory oversight over them, it has been decided, after mutual discussion with other Exchanges, to obtain and maintain the details of the clients that are mapped to the respective registered APs. In view of the same, all the trading members are hereby required to upload the details of such clients, if any, as given in **Annexure-A,** against the respective APs in the Exchange database.*

A provision for uploading client details, if any, at the time of new AP registration has also been provided. The mode of uploading the client data is provided in the user manual attached as Annexure -B.

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

22. The Report of Inspection shall, in addition to the above clearly comment on the following: -
a) ..
b) ..
c) Number of clients mapped to the AP/Branch.

6.8. **Failure to display notice board at the Inspection location**

a. Exchange Circular No. NSE/MEMB/1591 dated April 20, 2000

Instructions to trading members

The trading member shall ensure placing notice boards/plates of size of minimum 4'x 3', which shall contain the details prescribed in Annexure 1 or 2 of this circular as applicable in an indelible manner, is prominently displayed in the main/branch office of the trading member or office of the registered sub-broker (where the trading terminal is located), as the case may be.

b. Exchange Circular No. NSE/MEMB/6706 dated September 28, 2005

ANNEXURE 1

(Notice Board to be displayed at the main/branch office of the NSE trading member and office of the registered sub broker of the trading member where the trading terminal of NSE trading member is located)

Details of NSE trading terminal

To be displayed in the main / branch office of the trading member and office of the registered sub broker of the trading member	
1. Name of the Trading Member (Stock Broker) of NSE	
2. Address & Tel. No. of the Main office of the trading member	
3. SEBI Registration No. of the trading member	*INB 23-------INF 23*
4. Name, designation & Tel. No. of the contact person in the Main office of the trading member	
Additional details to be displayed in the branch office	
5. Address and Tel. No. of the branch office where trading terminal is located	
6. Name & Designation of the person in-charge/managing the branch office	
Additional details to be displayed in the sub broker office	

To be displayed in the main / branch office of the trading member and office of the registered sub broker of the trading member	
7. SEBI Registration No. of the sub broker	*INS 23---------*
8. Address & Tel. No of the sub-broker's office, where trading terminal of the above TM is located.	

6.9. **Failure to capture the IP (Internet Protocol) address for all BT/STWT orders**

a. SEBI Circular No. CIR/MRD/DP/ 8 /2011 dated June 30, 2011

Review of Internet Based Trading (IBT) and Securities trading using Wireless Technology (STWT)

1. Further to the SEBI circular no SMDRP/POLICY/CIR-06/2000 dated January 31, 2000 on Internet Based Trading and SEBI circular no CIR/MRD/DP/25/2010 dated August 27, 2010, on Securities Trading using Wireless Technology, it has been decided that the stock Exchange shall ensure that the broker comply with the following –

a. The broker shall capture the IP (Internet Protocol) address (from where the orders are originating), for all IBT/ STWT orders.
b. The brokers system should have built-in high system availability to address any single point failure.

b. Exchange Circular No. NSE/MSD/57331 dated June 28, 2000

Additional Requirements for Internet Based Trading (IBT) and Securities trading using Wireless Technology (STWT)

Trading members shall comply with the following:

5.4.1. The broker shall capture the IP (Internet Protocol) address (from where the orders are originating), for all IBT/ STWT orders.

5.4.2. The brokers system should have built-in high system availability to address any single point failure.

6.10. **Failure to inspect AP as per prescribed parameters**

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

The indicative scope of the Inspection to be carried out is outlined in Annexure A.
Members are advised to put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. Members shall on an annual basis place an MIS before their Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of inspections undertaken, irregularities observed, and action taken.

Annexure-A

INDICATIVE SCOPE OF BRANCH/AP INSPECTION BY MEMBERS

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

10. The Authorised Person/Branch is not involved in any fund-based activities / collecting deposits from investors / dabba trading / chit funds or any other such schemes

14. Advertisements soliciting business are not issued by the Authorised Person/Branch in newspapers / pamphlets / journals / magazines etc. without appropriate approvals.

OBSERVANCE OF PRINCIPLES OF NATURAL JUSTICE

7. The Committee has considered the written submissions of the Noticee dated July 25, 2025.

8. The Committee is satisfied that adequate opportunity for representation has been provided and therefore the requirements of the principles of natural justice have been duly complied with.

STANDARD OF PROOF IN REGULATORY PROCEEDINGS

9. Proceedings of this nature are regulatory and quasi-judicial in character.

10. The applicable standard of proof in such proceedings is the test of preponderance of probabilities.

11. The findings recorded in this order are therefore based on evaluation of the material on record and the submissions of the Noticee viewed through the standard of preponderance of probabilities.

CONSIDERATION AND FINDINGS

12. Post considering the submissions of the Noticee, the findings of the Committee are as under:

ISSUE I - Whether the Noticee has violated provisions of SEBI / Exchange Circulars and Rules & Regulations of the Exchange, as stated in the SCN?

12.1. **Noticee failed to ensure that its APs are engaged only in permitted activities and is not undertaking any businesses which are disallowed under the Byelaws, Rules, Regulations of SEBI/Exchange**

The Noticee has not ensured that its AP is engaged only in permitted activities and is not undertaking any businesses, which are disallowed under the Byelaws, Rules & Regulations and Circulars of SEBI/Exchange:

12.1.1 Provided stock recommendations without obtaining valid SEBI registration certificate

I. The Exchange verified the social media accounts associated with the Noticee's AP. Upon verification, the Exchange observed the following:

a. **Telegram:**

Noticee's AP was operating three Telegram handles namely *'Harshflixsummit.com'*, *'Harsh Bhagat PVT'* and '*H levels Trade group*'. The details are as below: -

i. **Telegram handle: '*Harshflixsummit.com''*:**

Noticee's AP was operating the Telegram handle namely 'Harshflixsummit.com', having 1,08,850 subscribers. Several posts were found on the Telegram handle which included daily returns from trades in the stock market such as :

i. 1st Trade :- 1000rs Loss
ii. 2nd Trade :- 8700 Profit
iii. 3rd Trade :- 3300 Profit
iv. Net pnl :- Rs. 11000/- profit
v. Money doubled Again Todayyyy!!!!

ii. **Telegram handle: '*Harsh Bhagat PVT*' and '*H levels Trade group*'**

The Noticee's AP was operating the Telegram handle namely *"Harsh Bhagat PVT"* and *"H Level Trade Group"* Upon verification, it is observed that the Noticee's AP was providing stock recommendation in Future and Option trading with stop loss and target price.

b. **YouTube**

i. The Noticee's AP was operating a YouTube channel having the following tagline *"Let's navigate the stock market together and make those money moves! #FinancialLiteracy #Stock Market".*
The YouTube channel also provides links to other social media handles like Instagram, Telegram, Discord Community, BestBroker/ App for trading etc. that provides trade strategies to its subscribers.

ii. During inspection, the Noticee's AP has provided Research Analyst SEBI Registration Certificate bearing no. INH100006843 in the name of one Mr. Prince. Upon verification of the Registration Certificate, it was observed that no such person with SEBI Registration no. INH100006843 is registered with SEBI as a Research Analyst.

iii. The Exchange verified the report dated December 06, 2024, issued by the Noticee while inspecting the Noticee's AP. In the said report, under serial no. 26 it is mentioned that "*we have checked and found that you are providing research advisory services"*.

In view of the above, it was observed that the Noticee's AP was providing stock recommendations without valid SEBI registration certificate.

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

During a surprise inspection of the AP, the Noticee observed that the AP was engaged in activities resembling research or investment advisory services, outside the scope permitted to AP. The Noticee had no prior knowledge of, nor authorized or consented to, the unauthorized investment advisory activities carried out by AP. Noticee proactively terminated the AP's registration upon discovering the irregularity through their internal inspection well prior to the Exchange's subsequent inspection. The Noticee complied with SEBI regulations and clause 7 of the NSE Byelaws by identifying the issue independently and taking timely corrective action.

III. The Committee finds as under: -

a. The Noticee contended that during the AP surprise inspection, the Noticee observed that the AP was engaged in activities resembling to research and investment advisory. The Noticee further contended that they had no prior knowledge of, nor authorized or consented to the AP to provide recommendations and that the said activities were carried out independently by the AP without the Noticee's awareness, approval, or involvement. However, the fact that such activities were recorded during inspection and subsequently resulted in disciplinary action against the AP does not absolve the Noticee of its obligations with respect to supervision, monitoring, and due diligence over the acts of its AP, as mandated under the applicable regulatory framework.

b. As per Exchange Circular NSE/COMP/56947 dated June 02, 2023, the "*TM shall be held responsible and accountable for all acts of omission and commission of their APs and/or employees at their branches including any arrangements entered by the AP/employees with the clients of the Trading Member*."

c. The Noticee's further contention that it had suo motu identified the issue and taken timely corrective action by initiating the cancellation of the AP's registration is not acceptable, as the requirement for the Noticee to exercise adequate supervision, control, and due diligence over the

activities of its Authorized Persons is an ongoing requirement. Post-facto corrective action, taken only after the irregularity had occurred or come to notice, does not mitigate the Noticee's failure to discharge its ongoing supervisory responsibilities under the applicable regulatory provisions. Exchange Circular ref no .NSE/COMP/48536 dated June 09, 2021, stipulates that "*Members should ensure that their Authorised Persons are engaging only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and Circulars of SEBI/Exchanges including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/guaranteed/fixed returns etc. It is, hereby, reiterated that all the acts of omission and commission of the Authorized person and/or their Directors/Partners, employees etc., shall be deemed to be those of the Member and the Member shall be responsible for all such acts of its Authorised person(s) and/or their Directors/Partners, employees etc., including liabilities arising there from*."

d. It was observed that upon detecting unpermitted activities by the AP during inspection conducted by the Noticee, the Noticee cancelled the AP's registration under the head "Business Reason" instead of "Disciplinary Action", as the latter is the appropriate course given the nature of the violation. Exchange Circular NSE/COMP/48536 dated June 09, 2021, states that "*Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorised persons. Member shall conduct periodic inspection of their Authorised Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details."*

e. The Committee further observed that the Noticee also failed to adequately scan the social media of APs to identify any irregularities and mandatorily report the same to the Exchange within one working day. Exchange circular NSE/COMP/63628 dated August 28, 2024, stipulates that *"Members shall ensure adequate scanning of social media to identify any mis-selling / assured returns or unauthorised schemes operated by AP including loan transactions. Members shall be mandatorily*

required to report any observed incidents related to assured returns or unauthorised schemes operated by the AP to the Exchange within one working day.

f. Thus, the Noticee failed to adequately supervise the activities of its Authorized Person and thereby failed to comply with the provisions of Exchange Circular Nos. NSE/COMP/56947 dated June 02, 2023, NSE/COMP/48536 dated June 09, 2021, and NSE/COMP/63628 dated August 28, 2024, which mandate effective supervision, control, and due diligence over the activities of Authorized Persons. Hence, the violation persists.

12.1.2 Movement of funds between the Noticee's AP and clients:

I. The Exchange verified the bank account statements of the Noticee's AP (Union Bank account no. 172522010000882). Upon verification, the Exchange observed that the Noticee's AP paid Rs. 7.06 lakhs via 53 transactions to 41 clients in the range of Rs. 10/- to Rs. 5,00,000/-. Further, the Noticee's AP received Rs. 19,170/- via 5 transactions from 4 clients in the range of Rs. 245/- to Rs. 10,000/-, mapped under the Noticee's AP.

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

Upon internal review of sample transactions at the time of inspection, the Noticee had established that the transactions executed by the AP were primarily limited to family members, close acquaintances and friends who are also registered as Clients with the Noticee. Further, there was no consistent transaction pattern or regular frequency observed across any mapped clients that would suggest systematic or commercially motivated activity. Importantly, these transactions were not fund-based and did not involve the collection of public deposits and also did not constitute unauthorised trading or investment schemes of any kind that could be construed as unregulated or prohibited under SEBI norms.

III. The Committee finds as under: -

a. The Noticee contended that the bank transactions executed by AP were primarily limited to family members, close acquaintances and friends who are also registered as Clients with AP. Exchange Circular NSE/INSP/42448 dated October 18, 2019, requires the "*Trading Members*

to examine demat and bank account of Authorised Persons to verify any movement of Funds and securities between the client and AP/branch official, ensure that AP/branch is not involved in any fund base activity / collecting deposits from investors / dabba trading / chit funds or any other such schemes and, not involved in accepting deposits from the public and giving assured returns". Thus, the contention of the Noticee is not acceptable as the transactions involved movements of funds and securities between the client and AP/branch official for settlement of trades on the Exchange.

b. Further, as per Exchange Circular No. NSE/COMP/48536 dated June 09, 2021, a Trading Member is permitted to provide market access to clients through Authorized Persons subject to the condition that the Trading Member shall be responsible for all acts of omission and commission of its APs. Further, Exchange Circular No. NSE/COMP/50030 dated October 21, 2021, reiterates that it is the responsibility of Trading Members to ensure that all APs registered with them adhere to the applicable regulatory requirements and do not engage in any non-permitted activities. In view of these regulatory provisions, Trading Members are required to exercise adequate supervision, control, and due diligence over the activities and transactions of their APs on a continuous basis. Accordingly, the failure of the Noticee to effectively discharge these obligations results in a continuing violation of the aforesaid Exchange Circulars.

c. Exchange Circular No. NSE/COMP/48536 dated June 09, 2021, stipulates that "*Authorised Person is prohibited from: Accepting any receipt or payment/delivery of funds & securities of the clients. Authorised Person shall not collect or receive any funds or securities from the clients and shall not charge any amount from the clients, directly or indirectly, for the services rendered on behalf of the Member as an agent."*

d. Upon verification of the AP inspection report dated December 06, 2024, for the period October to December 2024, it was observed that the Noticee had marked the AP as complied against the parameter relating to movement of funds between clients and the AP, with remarks stating that no such activity was found. The Noticee's contention that the transactions executed by the AP were primarily limited to family members, close acquaintances, and friends, who were also registered clients of the Noticee, is not acceptable, as no such exemption or relaxation is provided under the applicable Exchange Circulars.

e. Thus, the Noticee failed to adequately supervise the activities of its Authorized Person and thereby failed to comply with the provisions of Exchange Circular Nos. NSE/INSP/42448 dated October 18, 2019, NSE/COMP/48536 dated June 09, 2021, NSE/COMP/50030 dated October 21, 2021, which mandate effective supervision, control, and due diligence over the activities of Authorized Persons. Hence, the violation persists.

12.2. **Non-adherence to code of advertisement**

I. The Exchange verified the advertisements issued by the Noticee's AP on Telegram and YouTube channels. Upon verification, the Exchange observed that Noticee's AP has published advertisements on social media platforms with respect to past performance, signifying profits earned with captions such as "*1st Trade: -1000rs Loss", "2nd Trade: -8700 Profit", "3rd Trade: -3300 Profit", "Net pnl:-Rs. 11000/- profit"* and *"Money doubled Again Todayyyy!!!!" and "Let's navigate the stock market together and make those money moves! #FinancialLiteracy #Stock Market."*

Thus, by providing stock recommendations/ trade strategies/ misleading promises such as *"Money doubled Again Todayyyy!!!"* etc. that intends to influence investment/trading decisions of the subscribers to Telegram / YouTube channels are violative of the Exchange Circular No. NSE/COMP/55482 dated February 2, 2023. Furthermore, the Noticee and its AP also failed to obtain prior approval from the Exchange.

There are 6 advertisements found on the Telegram and YouTube channels published by the Noticee's AP.

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

Noticee had no prior knowledge of, nor did they authorize or consent to, the creation, dissemination, or publication of such posts. The AP was associated with the Noticee for a brief period of three and a half months and during the tenure, the AP did not disclose any information regarding the issuance of advertisements or promotional content on platforms such as Telegram, YouTube, or other social media channels. All such promotional communications were initiated and executed independently by the AP, without the Noticee's awareness, approval, or involvement. Further the Noticee provides that as part

of their diligence, they did conduct manual searches based on the AP's name (Mr. Harsh Bhagat) across publicly available platforms at the time of onboarding and during routine checks but was unable to identify the same. Upon discovery of the unauthorised activity, the breach was immediately documented, and the AP's registration was cancelled without any delay, in accordance with the relevant rules and guidelines prescribed by the Exchange and SEBI.

III. The Committee finds as under: -

a. It is a settled position that the Noticee is responsible for all acts of omission and commission of its AP, including liabilities arising therefrom. The Noticee was required to effectively oversee and monitor the promotional and marketing activities carried out by its APs to ensure strict compliance with the Exchange's Code of Advertisement. The Noticee has failed to exercise adequate due diligence and supervision over the activities of its AP. Thus, the contention of the Noticee that it had no knowledge of the advertisements or promotional content circulated on platforms such as Telegram, YouTube or other social media channels, and that such activities were undertaken independently by its AP without its authorization, is not acceptable.

b. Upon verification it was observed that, the Noticee issued 4 advertisements on Telegram and YouTube channels.

c. It is observed that advertisements were published without obtaining prior written approval of the Exchange and that stock recommendations, trade strategies and misleading claims such as *"Money doubled Again Todayyyy!!!"*, intended to influence the investment and trading decisions of subscribers of Telegram and YouTube channels, were made.

d. Further, Exchange Circular No. NSE/COMP/56947 dated June 02, 2023, stipulates that TMs shall be held responsible and accountable for all acts of omission and commission of their APs and/or employees. It further states that *"At all points in time, Trading Members shall exercise adequate control and due diligence over the activities, conduct and transactions of their APs by conducting surprise and periodic Inspections and taking regular feedback from the clients of the APs. In case any anomaly is identified, Trading Members shall take necessary disciplinary actions against their APs."*

e. Thus, the acts of the Noticee are in clear violation of Exchange Circular No. NSE/COMP/55482 dated February 02, 2023 and Exchange Circular No. NSE/COMP/56947 dated June 02, 2023. Hence, the violation persists.

12.3. **Non-maintenance of evidence of pay-out request received from credit balance clients**

I. The Exchange verified the ledger statements in case of 10 instances of 10 samples clients. Upon verification, the Exchange observed that the Noticee failed to maintain evidence of fund payout requests received from credit balance clients in 10 out of 10 instances selected for sample scrutiny (100% of the total sample instances verified).

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

All the client payout requests were duly processed by the Noticee in line with prescribed operating procedures and after proper verification and in accordance with internal and regulatory norms. The Noticee provided that evidence of all payout made to their clients are well maintained at their end.

III. The Committee finds as under: -

a. The Noticee has claimed that it processed all fund payout requests strictly in accordance with the prescribed procedure and submitted evidence of all fund payout requests made by the client. As per Exchange Circular No. NSE/INSP/51830 dated March 31, 2022, for each such payout to the credit balance clients, a separate request received from clients, which could be, inter alia, in the form of writing, telephone recording, email from registered mail id, record of messages through registered mobile phones, log for internet requests need to be maintained by the Trading member members.

b. Upon verification of the documents submitted by the Noticee, it is observed that no evidence has been provided to establish that the fund payout requests were initiated at the client's end. In particular, the Noticee has failed to furnish supporting proof such as emails from the client, call recordings in cases where requests were received through telephonic communication, or relevant system logs in case the requests have been placed through the system. In the absence of such verifiable evidence, the contention of the Noticee cannot be accepted.

c. Thus, the action of Notice is in clear violation of Exchange Circular No. NSE/INSP/51830 dated March 31, 2022./

12.4. **Noticee has not ensured proper diligence in scanning the social media handles of the APs**

I. The Exchange verified the social media handles of the Noticee's AP. Upon verification, the Exchange observed that the Noticee's AP broadcasted multiple advertisement on different social media platforms as observed under paragraph No. 5.1.1 above. Thus, the Noticee failed to ensure proper diligence in scanning the social media handles of its AP.

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

As part of the due diligence undertaken, manual searches were performed using the AP, Mr. Harsh Bhagat's name, across publicly accessible platforms. According to the Noticee, such searches did not reveal any adverse online presence or promotional material attributable to the said AP. The Noticee has further submitted that, due to operational and technological constraints prevailing at the relevant time, an exhaustive examination of the AP's social media presence and digital activities could not be effectively conducted. Appropriate remedial and proactive measures have since been implemented and, in light thereof, has requested that a lenient view be considered in the present matter.

III. The Committee finds as under: -

a. The Noticee has accepted the inspection observation and attributed the lapse to operational and technological constraints prevailing at the relevant time. Such submission does not absolve the Noticee of its regulatory obligations. Hence, the violation persists.

b. Further, the Noticee failed to demonstrate that adequate due diligence was exercised with respect to monitoring and scanning the social media activities of its AP. The promotional and other activities of the AP were readily observable across various social media platforms, yet no evidence has been produced to show that the Noticee undertook any effective monitoring or corrective action in this regard.

c. Exchange Circular No. NSE/COMP/63628 dated August 28, 2024 mandates that *"Members shall ensure adequate scanning of social media to identify any mis-selling / assured returns or unauthorised schemes operated by AP including loan transactions."* In the present case, the Noticee has failed to ensure such adequate scanning of social media platforms to identify and prevent unauthorized and non-compliant activities carried out by its AP. Accordingly, the Noticee has violated the provisions of the aforesaid Exchange Circular.

12.5. **Noticee has failed to capture the actual reason for cancelling AP registration on the ENIT portal**

I. The Exchange verified the reason for cancellation of the Noticee's AP submitted by the Noticee. Upon verification, it was observed that the Noticee had submitted a reason for cancellation as "*TM does not wish to continue its business and surrender the membership - AP surrender*", instead of selecting "Disciplinary action" despite the AP being involved in unauthorized / non-permitted activities as mentioned under paragraph No. 5.1 above and despite being aware that the AP was involved in research advisory services without SEBI registration as observed by the Noticee during the AP inspection and recorded under Sr. No. 26 of inspection report dated December 06, 2024.

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

The Noticee submitted that, due to an inadvertent clerical, human, and administrative error during the submission process on the ENIT portal, the termination of the AP was recorded under standard reasons instead of accurately reflecting the true nature and reason for the violation. Further, AP conduct was identified in their internal inspection report and disciplinary proceedings were promptly initiated based on the same.

III. The Committee finds as under: -

a. The Noticee has accepted the inspection observation and attributed the same to an inadvertent error during the submission process on the ENIT portal. Such explanation does not absolve the Noticee of its responsibility to ensure accuracy and completeness of regulatory submissions.

b. It was further observed that even after receipt of the SCN, the Noticee has failed to inform the Exchange or take any steps to rectify or correct the

reason selected for cancellation. The absence of any corrective action, even post-SCN, clearly establishes continued non-compliance on the part of the Noticee.

c. As per SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009, Trading Members are required to take appropriate and prompt measures, including withdrawal of approval, withholding of monies due to the AP until resolution of investor grievances, issuance of alert messages to investors in the area where the AP operates, filing of complaints with the concerned police authorities where required, and taking all such actions as may be necessary to protect the interests of investors and the securities market.

d. Further, Exchange Circular No. NSE/COMP/48536 dated June 09, 2021, stipulates that members shall take necessary measures as prescribed under the relevant SEBI circulars, including cancellation of the AP registration through the ENIT system by selecting the reason for cancellation as “Disciplinary action”.

e. Thus, the Noticee’s failure to adhere to capture the actual reason for cancelling AP registration on the ENIT portal constitutes a violation of the said SEBI and Exchange Circulars. Hence, the violation persists.

12.6. **Failure to ensure that APs do not deal with other Trading Members on the same stock exchange**

I. The Exchange verified the PAN wise Unique Client Codes (UCC) in the records of the Exchange. Upon verification, the Exchange observed that the Noticee’s AP was dealing as clients with other Trading Members of the Exchange as under:

TM Code	Trading Member Name	Client Code
12798	Angel One Limited	NATO5156
13906	Zerodha Broking Limited	LEK767
13942	Upstox Securities Private Limited	2DAZFR
90061	Fyers Securities Private Limited	XH03664
90112	Alice Blue Fin Svcs P Ltd	1590370
90253	Market Pulse Securities Private Limited	TEJ1917

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

At the time of onboarding Authorized Persons, they are duly informed of, and are required to comply with, the condition that they shall neither hold nor operate trading or demat accounts with any other stock broker, nor be simultaneously registered as an AP with any other Trading Member. The Noticee has further stated that there is no centralized database or system-based mechanism available to independently verify whether a proposed AP is registered as a client with another broker. Accordingly, in the absence of any such system-based validation, the Trading Member relies on declarations and compliance undertakings obtained from the APs at the time of onboarding.

III. The Committee finds as under: -

a. The Committee observes that the Noticee failed to identify that its AP had engaged in transactions with another Trading Member. Such failure reflects deficiencies in the Noticee's internal controls and demonstrates a lack of adequate due diligence and oversight over the activities of its AP.

b. Exchange Circular no. NSE/INSP/42448 dated October 18, 2019 and Exchange Circular No. NSE/COMP/ 56947 dated June 02, 2023, states that AP shall not deal with any other Trading Member/AP on behalf of its clients/self on the same Stock Exchange. Since the Noticee failed to ensure adequate control over the activities of its AP, the Noticee violated the aforesaid Exchange circular. Hence, the violation persists.

12.7. **Non-reporting/Incorrect reporting of clients mapped to AP**

I. The Exchange verified the list of clients mapped with the Noticee's AP as provided by the Noticee during the inspection vis-à-vis list of clients mapped with AP as reported/uploaded by the Noticee to Exchange. Upon verification, the Exchange observed that 12,864 client codes were mapped with the Noticee's AP but were not reported/uploaded by the Noticee to Exchange.

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

The Noticee has submitted that a technical issue existed on the Exchange portal, due to which report uploads were repeatedly rejected. In support, the Noticee provided an email dated January 24, 2025 and stated that no response or resolution was received from the Exchange, resulting in the upload interface issue persisting and causing gaps in submissions. The Noticee further

submitted that, after making multiple attempts over the following days, the data was eventually uploaded successfully once the issue was resolved.

III. The Committee finds as under: -

a. The Noticee accepted the inspection observation and attributed the same to technical issue, while uploading details to the Exchange portal.

b. Upon verification of excel file attached with the email dated January 24, 2025, addressed to the Exchange, it was observed that the error encountered by Noticee pertained to Excel columns not being in accordance with the prescribed template. This clearly indicates that the issue originated from the Excel file format rather than any technical deficiency in the Exchange portal.

c. Exchange Circular No. NSE/COMP/49509, dated September 03, 2021, requires Trading Members to upload the details of the clients mapped to the respective registered Authorized Persons to the Exchange on weekly basis. Thus, by not uploading the correct details to the Exchange, the Noticee violated the aforesaid Exchange circular. Hence, the violation persists.

12.8. **Failure to display notice board at the Inspection location**

I. The Exchange conducted inspection of the registered office of the Noticee's AP, located at T510/1B, Baljeet Nagar, Near Budh Vihar, Mandir, New Delhi – 110088 on February 20, 2025. During the inspection, the Exchange observed that the Noticee's AP failed to display the Notice board of the Noticee at the aforementioned registered office address of its AP.

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

The lapse was already recorded in AP Inspection report dated December 06, 2024, and was one of the major reasons for initiating the cancellation of the AP's registration. Further, as a preventive measures all Authorised Persons have now been instructed to submit updated photographer of their office premises clearly displaying the notice board and registration certificate.

III. The Committee finds as under: -

a. The Committee noted that the Exchange conducted a visit to the AP's premises on February 20, 2025, during which it was observed that the Notice Board was not displayed at the inspection location. The Noticee has contended that the said lapse had already been identified and recorded in the AP inspection report dated December 06, 2024. The Committee notes that even after having identified that the Notice Board was not displayed at the AP's office as on December 06, 2024, the Noticee failed to ensure display of the Notice Board until the subsequent inspection carried out by the Exchange on February 20, 2025, thereby demonstrating continued non-compliance.

b. The Noticee further claimed that the lapse was recorded in the AP inspection report dated December 06, 2024. However, upon verification of the said inspection report and the records available with the Exchange, it was observed that this non-compliance was not reported to the Exchange while submitting the details of AP inspection. The failure to report the identified lapse further establishes deficiencies in the Noticee's compliance and reporting mechanism.

c. Accordingly, by failing to ensure display of the Notice Board at the branch office/AP office, the Noticee has violated the provisions of Exchange Circular No. NSE/MEMB/1591 dated April 20, 2000, and Exchange Circular No. NSE/MEMB/6706 dated September 28, 2005. Hence, the violation persists.

12.9. **Failure to capture the IP (Internet Protocol) address for all IBT (Internet Based Trading) / STWT (Securities trading using Wireless Technology) orders**

I. The Exchange verified the activity logs for online transactions carried out by the clients of the Noticee for 5 sample dates, i.e, November 04, 2024, November 27, 2024, November 29, 2024, December 03, 2024, and December 05, 2024. Upon verification, the Exchange observed that the Noticee failed to capture the IP address from where the orders were originated for all IBT/STWT orders on all 5 sample dates, in case of 2388 instances. Thus, the Noticee failed to capture the IP address from where the trades were originated.

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

At the time of initial audit query, the Noticee were facing a technical issue that temporarily restricted their ability to extract the requested IP address logs. The relevant system logs have now been provided for audit review and the Noticee has attributed the observed discrepancy to a technical error rather than any non-compliance or data omission.

III. The Committee finds as under: -

a. The Noticee accepted the inspection observation and attributed the same to technical error.

b. The Noticee submitted certain system logs and contended that the discrepancy arose due to a technical error rather than non-compliance or data omission. However, upon verification of the system logs submitted by the Noticee, it was observed that logs were furnished only for three dates out of the five dates identified during the inspection. Further, examination of the system logs for the aforesaid three dates revealed that the logs were incomplete, as they reflected only the IP address, date, and Unique Client Code (UCC) of the client, without capturing the corresponding order details. In the absence of such order-level information, it was not possible to ascertain the specific IP address from which the orders were originated.

c. SEBI Circular No. CIR/MRD/DP/8 dated June 30, 2011 stipulates that "*the broker shall capture the IP (Internet Protocol) address (from where the orders are originating), for all IBT/STWT orders.*" In the present case, due to the absence of complete, order-wise, and verifiable system logs, the Noticee has failed to demonstrate compliance with the aforesaid requirement. Accordingly, the system logs submitted by the Noticee are inadequate and do not substantiate its contention. Hence, the violation persists.

12.10. **Failure to inspect AP as per prescribed parameters**

I. The Exchange verified the AP inspection report dated December 06, 2024, submitted by the Noticee. Upon verification, the Exchange observed that the Noticee failed to report the non-compliances as observed under Paragraphs Nos. 4.1.2 and 4.2 of the SCN in its AP inspection report, while the Exchange observed several non-compliances committed by the said AP.

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

During the AP inspection conducted on December 06, 2024, the Noticee verified the bank statements of the AP and did not observe any incidences of fund pooling or involvement in unauthorized financial activities. With respect to the advertisement related violation, the lapse was duly recorded in the AP inspection report dated December 06, 2024. Subsequently, appropriate action was taken by the Noticee, and the AP was terminated.

III. The Committee finds as under: -

a. The Noticee conducted an AP inspection for the period October to December 2024, as per the inspection report dated December 06, 2024, and marked the AP as compliant with respect to the parameter relating to movement of funds between clients and the AP, stating that no such instances were observed. However, in its reply to the SCN, the Noticee admitted that certain transactions were executed by the AP, primarily involving family members, close acquaintances, and friends who were also registered as clients with the Noticee. This indicates that fund movement between the AP and clients did occur, contrary to the findings recorded in the inspection report of the Noticee. As per Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, "*Members are advised to put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed".* Accordingly, the Noticee's contention regarding movement of funds between the Noticee's AP and clients, is not acceptable. Such instances were required to be appropriately identified and reported to the Exchange in the Noticee's inspection report.

b. The Noticee contended that the lapse regarding the advertisement was recorded under Point No. 26 of the AP Inspection Report of the Noticee dated December 06, 2024, and that the AP was subsequently terminated. However, Point No. 26 pertains to the AP's involvement in portfolio management services, research advisory, or similar activities, and does not cover advertisement-related violations. The non-compliance relating to publication of advertisements on social media platforms specifically concerning disclosure of past performance and provision of stock recommendations was required to be reported under Point No. 31 of the Inspection Report of the Noticee. The Noticee failed to appropriately capture and report this violation under the relevant parameter. Accordingly,

the contention of the Noticee is not acceptable, as the lapse was incorrectly recorded and not reported under the appropriate head in the Inspection Report of the Noticee.

c. Thus, in the instant case, the Noticee failed to report the non-compliance(s) in the inspection report of the Noticee as per aforementioned circular. Hence, the violation persists.

ISSUE II - Do the violations, if any, attract penalty as per Exchange Circular NSE/INSP/73792 dated April 17, 2026 read with Exchange Circular NSE/INSP/53530 dated September 02, 2022, and Exchange Circular NSE/INSP/70746 dated October 10, 2025?

13. The Committee notes that since the violation persists, the Noticee is liable for monetary penalty and actions to be taken as per Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, and Exchange Circular No. NSE/INSP/70746 dated October 10, 2025, as under

13.1. **Noticee failed to ensure that its APs are engaged only in permitted activities and is not undertaking any businesses which are disallowed under the Byelaws, Rules, Regulations of SEBI/Exchange**

Given the findings mentioned under paragraph 12.1 above, the Committee decided to warn the Noticee. The Noticee was directed to complete the inspection of balance uninspected APs as per Exchange Circular No. NSE/COMP/ 63628 dated August 28, 2024, through empaneled auditor.

13.2. **Non-adherence to code of advertisement**

Given the findings mentioned under paragraph 12.2 above, the Committee decided to impose a financial disincentive of Rs. 2,00,000/- (Rs. 50,000 per advertisement x 4 advertisements) in terms of Sr. No. 12 (b), Annexure 1.3 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025, read with the Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

13.3. **Non-maintenance of evidence of pay-out request received from credit balance clients**

Given the findings mentioned under paragraph 12.3 above, the Committee decided to warn the Noticee to ensure non recurrence of the observed violation.

13.4. **Noticee has not ensured proper diligence in scanning the social media handles of the APs**

Given the findings mentioned under paragraph 12.4 above, the Committee decided to impose a combined penalty as detailed under paragraph 13.1 above.

13.5. **Noticee has failed to capture the actual reason for cancelling AP registration on the ENIT portal**

Given the findings mentioned under paragraph 12.5 above, the Committee decided to impose a combined penalty as detailed under paragraph 13.1 above.

13.6. **Failure to ensure that APs do not deal with other Trading Members**

Given the findings mentioned under paragraph 12.6 above, the Committee decided to warn the Noticee. The Noticee is directed to issue directions to all its Authorized Persons to not trade through another Trading Member/s.

13.7. **Non-reporting/Incorrect reporting of clients mapped to AP**

Given the findings mentioned under paragraph 12.7 above, the Committee decided to advice the Noticee for the observed violations in terms of Sr. No. 18 (b) of Annexure 1.3 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

13.8. **Failure to display notice board at the Inspection location**

Given the findings mentioned under paragraph 12.8 above, the Committee decided to impose a financial disincentive of Rs. 10,000/- for the observed violations in terms of Sr. No. 72 of Annexure 1.1 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026.

13.9. **Failure to capture the IP (Internet Protocol) address for all IBT (Internet Based Trading) / STWT (Securities trading using Wireless Technology) orders**

Given the findings mentioned under paragraph 12.9 above, the Committee directed the Noticee to have appropriate system in place to monitor trades placed by clients including preventive controls to identify potential unauthorized trades within 3 months from the date of communication of this order.

13.10. **Failure to inspect AP as per prescribed parameters**

Given the findings mentioned under paragraph 12.10 above the Committee decided to impose a combined penalty as detailed under paragraph 13.1 above.

I. DECISION OF COMMITTEE

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

Sr. No.	Committee's Findings	Prescribed Penalty as per the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, NSE/INSP/70746 dated October 10, 2025, and Exchange Circular No. NSE/INSP/73792 dated April 17, 2026	Monetary Penalty/ Material/ Financial Disincentive	Action post considering the Noticee's submissions and the Committee's findings
1.	Noticee failed to ensure that its APs are engaged only in permitted activities and is not undertaking any businesses which are disallowed under the Byelaws, Rules, Regulations of SEBI/Exchange	No Prescribed Penalty	--	Warning + Direction to complete the inspection of balance uninspected APs as per Exchange Circular No. NSE/COMP/ 63628 dated August 28, 2024, through empaneled auditor.
2.	Non-adherence to Code of Advertisement	b) When advertisement issued does not confirm to code - Rs.50,000/- per advertisement	financial disincentive	Rs. 2,00,000/-

Sr. No.	Committee's Findings	Prescribed Penalty as per the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, NSE/INSP/70746 dated October 10, 2025, and Exchange Circular No. NSE/INSP/73792 dated April 17, 2026	Monetary Penalty/ Material/ Financial Disincentive	Action post considering the Noticee's submissions and the Committee's findings
3.	Non-maintenance of evidence of pay-out request received from credit balance clients	No Prescribed Penalty	--	Warning
4	Noticee has not ensured proper diligence in scanning the social media handles of the APs	No Prescribed Penalty	--	Combine penalty as mentioned under Sr. No. 1
5.	Noticee has failed to capture the actual reason for cancelling AP registration on the ENIT portal	No Prescribed Penalty		Combine penalty as mentioned under Sr. No. 1
6	Failure to ensure that APs do not deal with another Trading Members	No Prescribed Penalty	--	Warning + directed to issue directions to all its Authorized Persons to not trade through another Trading Member/s
7	Non-reporting/Incorrect reporting of clients mapped to AP	b) Non reporting/ partial reporting of UCC details mapped to the APs- Advise	--	Advise

Sr. No.	Committee's Findings	Prescribed Penalty as per the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, NSE/INSP/70746 dated October 10, 2025, and Exchange Circular No. NSE/INSP/73792 dated April 17, 2026	Monetary Penalty/ Material/ Financial Disincentive	Action post considering the Noticee's submissions and the Committee's findings
8	Failure to display notice board at the Inspection location	Rs. 10,000/-	financial disincentive	Rs. 10,000/-
9	Failure to capture the IP (Internet Protocol) address for all IBT (Internet Based Trading) / STWT (Securities trading using Wireless Technology) orders	No Prescribed Penalty	--	Direction to have appropriate system in place to monitor trades placed by clients including preventive controls to identify potential unauthorized trades within 3 months from the date of communication of this order.
10	Failure to inspect AP as per prescribed parameters	Rs. 50,000/-		Combine penalty as mentioned under Sr. No. 1
TOTAL				**Rs. 2,10,000/- + Warning + Advise**

II. The Noticee is directed to pay a financial disincentive of Rs. 2,10,000/- (Rupees Two Lakhs Ten Thousand Only).

III. The Noticee is directed to a) complete the inspection of balance uninspected APs as per Exchange Circular No. NSE/COMP/ 63628 dated August 28, 2024, through empaneled auditor within 6 months from the date of communication of this order, b) have appropriate system in place to monitor trades placed by clients including preventive controls to identify potential unauthorized trades within 3 months from the date of communication of this order.

IV. The Noticee is directed to note the other non-monetary penalties as indicated above and ensure non-recurrence of the observed violations.

Sd/-	Sd/-	Sd/-
Srinivas Injeti	Abhilasha Kumari	Essaji Vahanvati
(Chairperson)	(Committee Member)	(Committee Member)

Date: June 29, 2026