Member and Core Settlement Guarantee Fund Committee
("MCSGFC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
held on June 20, 2024
In the matter of the Trading Member Motisons Shares Private Limited

CORAM:

Mr. S Ravindran	-	Chairman
Ms. Abhilasha Kumari	-	Committee Member
Ms. Mamta Biswal	-	Committee Member
Mr. Essaji Vahanvati	-	Committee Member
Mr. Ashishkumar Chauhan	-	Committee Member

ALSO PRESENT:

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

BACKGROUND

1. **Motisons Shares Private Limited** ("**Noticee**") 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, Futures and Options **("F&O")** segment, Currency Derivatives **("CD")** segment and Commodity Derivatives **("COM")** segment since August 2008.

2. The Exchange conducted a limited purpose inspection of the Noticee's books and records in March 2024 to verify the data submitted under the Enhanced Supervision of Stockbrokers as of February 29, 2024. Post-inspection, the Exchange issued a show-cause notice ("SCN") dated April 2, 2024, to the Noticee for the observed non-compliances with the regulatory provisions. The Noticee, vide its letter dated April 16, 2024, replied to the SCN.

INSPECTION OBSERVATION/VIOLATION

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

3.1 Violation of Principle 1 of the Enhanced Supervision of Stockbrokers to the extent of Rs.2.18 crores as of February 29, 2024.

REGULATORY PROVISIONS

4. At the outset, it is appropriate to refer to the relevant regulatory provision alleged to have been violated by the Noticee; extracts whereof are reproduced below:

4.1 **Violation of Principle 1 of the Enhanced Supervision of Stockbrokers**

a. Regulation 4.5.3 (e) of 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 obligation of debit balance clients or for own purpose:

Principle

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

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

CONSIDERATION & FINDINGS

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

5.1 **Violation of Principle 1 of the Enhanced Supervision of Stockbrokers**

5.1.1 The Exchange verified the collaterals/deposits available with the Clearing Corporation/Clearing Member, fund balances in the client bank accounts and settlement bank accounts of the Noticee, data submitted by the Noticee towards segregation and monitoring of collateral at client-level, clear trial balance and the online system of the Exchange. Upon verification, the Exchange observed that the Noticee used the funds of credit balance clients to meet the settlement obligations of its debit balance clients and/or for its own purposes to the extent of Rs.2.18 crores, which is 5.47% of total credit balance of all clients i.e., Rs.39.98 crores as of February 29, 2024, thereby violating Principle 1 of the Enhanced Supervision of Stockbrokers.

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

a. The Noticee is unable to verify the difference cited by the Exchange. It provided its working files to the Exchange for verification.

b. Upon examination of the Exchange working, it is discovered that the Clearing Member (Globe Capital) had included the value of uncleared cheque in the cash deposit with them as of February 29,2024.

c. Furthermore, due to corporate financial restructuring as of February 29, 2024, the Noticee repaid their existing loan and obtained fresh loan from Globe Capital. Due to the restructuring and unavailability of details pertaining to cleared or uncleared balances in the margin statement provided by the clearing member, the Noticee was unable to identify any potential negative ‘G’ and also unable to verify the difference cited by the Exchange.

d. The Noticee claims to have infused more working capital into the system resulting positive ‘G’ value on the very next day.

e. The Noticee has assured future compliance.

5.1.3 The Committee finds as under: -

a. The Noticee submitted that the Clearing Member had included the value of uncleared cheques in cash deposits. However, the value of uncleared cheques cannot be considered as cash deposit with Clearing Member, since only clear balances can be construed as deposits with the Clearing Member. It is observed that the Noticee, while calculating the value of B (Aggregate value of collateral deposited with clearing corporations and/or clearing member in form of Cash and Cash Equivalents) had erroneously added the value of unclear cheques while computing the collateral deposits with Clearing Member. Hence, the violation persists.

b. Further the Noticee attributed the negative value of "G" to its corporate financial restructuring plan and unavailability of details regarding clear and unclear balances in the margin statement received from the Noticee's Clearing Member.

c. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, on Enhanced supervision of stockbrokers stipulates that the total available funds available with the stockbroker and with the Clearing Corporation/Clearing Member should always be equal to or greater than Clients' funds payable to credit balance clients.

d. Thus, the Noticee has violated Regulation 4.5.3 (e) of NSEIL Regulations (CM and F&O Segments) and Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, by using the funds of credit balance clients to meet the settlement obligation of debit balance clients and/or own purpose.

e. Considering the Noticee has infused capital which resulted in the value of 'G' being positive to the tune of Rs. 1.10 crores immediately on the next trading day i.e., March 01, 2024, the Committee decided to not leavy monetary penalty.

5.1.4 Given the findings mentioned above, the Committee decided to warn the Noticee to ensure non-recurrence of the observed violation.

DECISION

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

Sr. No.	Committee's Findings based on the Noticee's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 02, 2022	Penalty levied post-considering the Noticee's submissions and the Committee's findings
a.	Violation of Principle 1 of the Enhanced Supervision of Stockbrokers to the extent of Rs.2.18 crores as of February 29, 2024.	Misuse above Rs.2 crores and less than Rs. 10 Crore If misuse is up to 50% of net worth Monetary penalty of 3% of misuse	Warning (reason enumerated above)
Total			**Warning**

7. The Noticee shall note the non-monetary penalty mentioned above and ensure non-recurrence of the observed violation.

Sd/-	Sd/-	Sd/-
S Ravindran	Abhilasha Kumari	Mamta Biswal
(Chairman)	(Committee Member)	(Committee Member)

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

Date: April 2, 2025.