Member Committee ("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051
held on November 25, 2024

In the matter of Trading Member M/s. Nuvama Wealth and Investment Limited

CORAM:

Mr. S Ravindran	-	Chairperson
Justice (Retd) Ms. Abhilasha Kumari	-	Committee Member
Prof (Dr.) Ms. Mamata Biswal	-	Committee Member (Attended through VC)
Mr. Essaji Vahanvati	-	Committee Member
Mr. Ashishkumar Chauhan	-	Committee Member

ALSO PRESENT:

Mr. Piyush Chourasia	-	Chief Regulatory Officer - Member Compliance, Surveillance, Member Inspection & Investigation
Ms. Renu Bhandari	-	Senior Vice President - Inspection, Member Registration & Compliance
Mr. Sanjayu Nair	-	Vice President - Legal
Ms. Sonali Karnik	-	Vice President - Enforcement
Mr. Janardhan Gujaran	-	Vice President - Enforcement

BACKGROUND

1. **M/s Nuvama Wealth and Investment Limited** ("**Noticee**") is a Trading Member registered with the National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") and is enabled for trading in the Capital Market ("**CM**") segment since March 2009, Futures and Options ("**F&O**") segment since March 2009 and Currency Derivatives ("**CD**") segment since March 2010.

2. The Exchange conducted Limited Purpose Inspections ("**LPI**") of the books of Accounts and records of Noticee from September 2023 to February 2024 and from February 2024 to March 2024 covering the period September 2021 to April 2023 (**LPI-1**) and January 2023 to January 2024 (**LPI-2**), respectively. Post-inspections, the Exchange issued a Show Cause Notice ("**SCN**") dated September 11, 2024, to the Noticee seeking an explanation for the observed non-compliances with the

regulatory provisions by the Noticee and its Authorised Persons ("**AP**"). The Noticee replied to the SCN on October 04, 2024.

INSPECTION OBSERVATIONS/VIOLATIONS

3. The following are the inspection observations mentioned in the SCN:

3.1. Failure to undertake adequate due diligence and supervision over the operation of Authorised Persons.

3.1.1. Failure to ensure that AP is engaged only in permitted activities.

3.1.2. Failure to display notice board, SEBI registration certificate and AP registration certificate.

3.1.3. Failure to review status and cancel registration of APs with prolonged inactivity.

3.1.4. Failure to inspect AP as per prescribed parameters.

REGULATORY PROVISIONS

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

4.1. **Failure to ensure that AP is engaged only in permitted activities**

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

Members are required to exercise adequate control and due diligence over the activities & transactions of their APs. Member shall conduct periodic inspection of their APs and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/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 APs 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 unauthorized collective investments/portfolio management, promising indicative/guaranteed/fixed returns etc. It is, hereby, reiterated that all the acts of omission and commission of the AP 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 AP(s) and/or their Directors/Partners, employees etc., including liabilities arising there from.

4.2. **Failure to display notice board, SEBI registration certificate and AP registration certificate**

a. Exchange Circular No. NSE/mem/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	
7. SEBI Registration No. of the sub broker	*INS 23---------*
8. Address & Tel. No of the sub-broker's office, where trading terminal of above TM is located.	

b. Exchange Circular No. NSE/MA/22732 dated February 13, 2013

c) Ensure:

ii. Copy of registration certificate issued by SEBI to the trading members is displayed at the main office. It should be visible to everybody and placed in the reception area of the dealing office.

iv. Copy of registration certificate issued by SEBI to the Sub-broker or Letter of approval issued by the Exchange for an Authorised Person is displayed at the dealing office of the Sub-broker I Authorised Person. It should be visible to everybody and placed in the reception area of the dealing office.

4.3. **Failure to review status and cancel registration of APs with prolonged inactivity**

a. Exchange Circular No. NSE/COMP/56947 dated June 2, 2023

In addition to the Exchange circulars mentioned, Trading Members are required to make a note and adhere to the below mentioned:

…

2. In addition to monitoring the trading terminals and activities of APs, Trading Members are advised to identify AP terminals where no trades have been placed in the last six months or have been inactive and ensure that they are deactivated on an immediate basis.

…

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:

…

xvii. Trading activities/Turnover of APs are monitored, and necessary actions/investigations are undertaken on a timely basis. Trading Member shall de-activate all trading terminals extended to AP which are inactive for more than 6 months and update the Exchange records. Appropriate due diligence to be undertaken in case of re-activation of such terminals.

b. Exchange Circular No. NSE/COMP/58438 dated September 18, 2023

We have observed that some APs have indeed remained inactive for an extended duration. Inactive APs can potentially disrupt the smooth operation of the trading system and impact investor confidence. In light of the above, we advise all Trading Members to regularly review the status of all their registered APs, irrespective of whether they have been assigned Trading Terminals and take appropriate action by cancelling the registration of those APs that have displayed prolonged inactivity, spanning a period of six months or more.

Trading Members are advised to identify these inactive APs as of the current date and ensure that the cancellation of registration is submitted to the Exchange no later than October 31, 2023.

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

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 following indicative parameters:

…

13. The Branch/AP has not dealt with any unregistered intermediary on behalf of its clients / self.

5. **CONSIDERATION & FINDINGS**

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

5.1. **Failure to ensure that AP is engaged only in permitted activities**

5.1.1. Upon verification of the bank statements of AP – LSFS Services Private Limited (**AP-1**) and AP – LSFS IMF Private Limited (**AP-2**), the Exchange observed that monthly payments were made by AP-1 to Mr. Debdip Hazra, an employee of another AP of the Noticee. Furthermore, AP-1 also made payments to another account with the narration that included the words 'Debdipwife." The details of the payments are as below:

Payment made by AP-1 to	Instances	Amount (Rs)
Mr. Debdip Hazra	11	7,81,359
Wife of Mr. Depdip Hazra	8	8,13,597
Total	**19**	**15,95,956**

Further, AP-2 made payments amounting to Rs.16,142/- to Mr. Prangopal Datta, Director of AP-2, though the AP-2 is not Mutual Fund Distributor, with narrations such as " MF pay / MF com / terminal charges".

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

AP-1 and AP-2 were inspected by the Noticee's auditor in August 2023, and the observed payments were noted in the above Audit. In lieu of which explanation were sought from the AP. It was recorded that the payments were made as referral fees, further the confirmation from persons to whom payments were made were also taken. Basis on which the observation was dropped by the Auditor. Further, all transaction with the AP has been discontinued and the terminals has been deactivated, and all payouts were freezed and the AP was terminated on April 24, 2024.

5.1.3. The Committee finds as under: -

The Committee notes that the Noticee has claimed that a similar observation was made during their inspection of the AP and was subsequently dropped based on the AP's explanation that the

payments in question were referral payments. In support of this claim, the Noticee has submitted the AP inspection report. Upon examination of the AP inspection report, the Committee observes the following:

a. The inspection was conducted by an external auditor. However, the inspection report submitted by the Noticee was not signed by the said external auditor. Further, upon raising concerns regarding discrepancies in the report, the Noticee, vide email dated October 16, 2024, submitted a revised audit report signed as of October 16, 2024, for an inspection conducted on August 22, 2023. Hence, the AP inspection report submitted by the Noticee cannot be accepted.

b. The Exchange, vide email dated October 11, 2024, sought an explanation along with documentary evidence, including referral agreements and relevant calculations, to substantiate the basis on which the observation of referral payments was dropped. However, the Noticee failed to provide the requisite documents, citing the termination of the AP as the reason for their unavailability.

c. As per NSE Circular No. NSE/INSP/42448 dated October 18, 2019, it is stipulated that:

> "*Members shall retain the report of the inspection/visit conducted for a period of not less than five years. The inspection reports shall be made available for verification by SEBI/Exchanges as and when required, including any related information/details that may be sought*."

d. In light of this requirement, the Noticee's claim that the documents are unavailable is not acceptable, as Trading Members are obligated to maintain records of the AP's inspection.

e. The Noticee has submitted sample client recordings confirming that referral payments were made through bank accounts for four clients. However, the Committee notes that these recordings do not pertain to the two clients mentioned in the SCN and therefore, cannot be considered as valid submissions in the present matter.

f. The Committee also observes that the Noticee cancelled the AP-2's registration on March 12, 2024, as a consequence of disciplinary action. However, such cancellation does not absolve the Noticee of its responsibility to have adequately supervised and inspected the AP's transactions to ensure compliance with

permitted activities. For the purpose of compliance with regulatory provisions of the Exchange, as mentioned in the Exchange Circular No. NSE/COMP/48536 dated June 9, 2021, all the acts of omission and commission of the AP 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 AP(s) and/or their Directors/Partners, employees etc., including liabilities arising there from. Therefore, every non-compliance committed by the Noticee's AP(s) shall directly be attributed to the Noticee. Conversely, it is the responsibility of the Noticee to comply and/or employ resources, inspection / monitoring procedures to ensure that its APs comply with the regulatory requirements prescribed by SEBI and the Exchange from time to time.

5.1.4. The Committee notes the lack of adequate control and due diligence on the part of the Noticee over the activities & transactions of their APs and that the Noticee has failed to ensure that APs are engaged only in permitted activities. Considering that the Noticee has failed to duly supervise the APs' activities, inspection report of APs not made available to inspecting team, the Committee has decided to levy a monetary penalty of Rs.1,00,000/-, which is Rs.50,000/- for each AP on the Noticee for the observed violation. Further, the Committee notes that the Exchange has directed the Noticee to have all APs inspected by an external auditor who is empanelled with the Exchange, at the cost of the Noticee. The Noticee is required to submit the inspection report within six months, as per the directive communicated via email on March 3, 2025. The Committee, accordingly, directs the Noticee to complete inspection of all APs latest by September 30, 2025, and submit periodic reports to Exchange in quarterly AP inspection reporting.

5.2. **Failure to display notice board, SEBI registration certificate and AP registration certificate.**

5.2.1. Upon inspection of the registered office of the Noticee's AP – Ms. Jyoti Saini (**AP-3**), located at House No. 55, Shiv Mandir Gali, Shalimar Village, Near Shiv Mandir, Delhi – 110088, on February 27, 2024, it was observed the AP had failed to display the following at the registered office: -

a. Notice board
b. SEBI registration certificate
c. AP registration certificate

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

The Noticee has conducted the audit of the AP – Jyoti Saini on December 21, 2021, and observed that the requirements pertaining to Notice Board, AP registration certificate were duly complied and was recorded in the Audit Report. As per the regulatory requirements prevailing at that time (ref NSE circular NSE/INSP/42448 dated October 18, 2019, and NSE/COMP/50030 dated October 21, 2021), all active APs, were required to be audited in span of 3 years. However, the concerned AP had not undertaken any transactions with the Noticee, nor has any terminal allotted to the AP. Since the AP was inactive and the next audit was required by F.Y. 2024-25, during the interim period, audit of the said AP was not undertaken.

5.2.3. The Committee finds as under: -

a. The Committee finds that as per regulatory requirements, APs are mandated to display a notice board along their SEBI registration number and AP registration number at their designated location at all times.

b. As per NSE circular NSE/INSP/42448 dated October 18 ,2019 –
"8. Notice board of the Trading Member containing all details/information prescribed from time to time, is displayed at the inspection location.
10. SEBI registration certificate of the Trading Member and registration letter issued by the Exchange is displayed at the inspection location."

c. Further, as per NSE circular NSE/MA/22732 dated February 17,2013, it is stated that,

"i. Notice boards/plates in the format as prescribed by Inspection department from time to time shall be prominently displayed in the main/branch office of the trading member or office of the registered Sub-broker / authorized person (where the trading terminal is located), as the case may be.
iv. Copy of registration certificate issued by SEBI to the Sub-broker or Letter of approval issued by the Exchange for an Authorised Person is displayed at the dealing office of the Sub-broker / Authorised Person. It should be visible to everybody and placed in the reception area of the dealing office".

d. The Noticee has contended that the said violation was not observed during its previous inspection. However, the failure to identify the non-compliance in an earlier inspection does not absolve the Noticee from its obligation to ensure the adherence to the prescribed requirements.

e. For the purpose of compliance with regulatory provisions of the Exchange, as mentioned in the Exchange Circular No. NSE/COMP/48536 dated June 9, 2021, all the acts of omission and commission of the AP 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 AP(s) and/or their Directors/Partners, employees etc., including liabilities arising there from. Therefore, every non-compliance committed by the Noticee's AP(s) shall directly be attributed to the Noticee.

5.2.4. Given the findings above, the Committee decided to levy a monetary penalty of Rs.10,000/- on the Noticee for the observed violations in terms of Exchange Circular No. NSE/INSP/53530 dated September 02, 2022 (Schedule I of the said circular).

5.3. **Failure to review status and cancel registration of AP with prolonged inactivity.**

5.3.1. Upon verification of the records of trades executed by the AP, Jyoti Saini, against the Exchange's records, it was observed that no trades were executed by the clients mapped to the aforementioned AP for more than 6 months, indicating that the Noticee failed to regularly review and cancel the registration of the AP despite prolonged inactivity spanning beyond 6 months.

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

The Noticee states that pursuant to the issuance of the NSE circular NSE/COMP/58438 dated September 18, 2023, regarding cancellation of inactive APs, the Noticee initiated talks with the AP for the commencement of business. Since no material progress was being made in this regard and in view of the continued delay in commencement of business by the AP, the Noticee initiated the termination, and the AP was terminated on April 24, 2024.

5.3.3. The Committee finds as under: -

a. The Noticee has attributed the non-compliance to the AP's intention to commence business at a later stage and accordingly did not initiate cancellation post 6 months of inactivity. The Committee notes that upon the AP's failure to commence business, the Noticee proceeded to cancel the AP's registration on April 24,2024.

b. However, as per NSE circular NSE/COMP/58438 dated September 18, 2023, w.r.t. Market Access through Authorised Persons it is stated that:
"Trading Members were previously instructed to identify AP terminals that have either remained inactive or have not executed any trades within the last six months. These inactive APs need to be promptly deactivated to maintain the integrity of the trading ecosystem and protect investor interests."

"…all Trading Members to regularly review the status of all their registered APs, irrespective of whether they have been assigned Trading Terminals and take appropriate action by cancelling the registration of those APs that have displayed prolonged inactivity, spanning a period of six months or more."

c. In reference to the above-mentioned circular, the Committee observes that prompt deactivation of inactive APs is stipulated. The Committee notes that the last trades undertaken by the AP in the cash and futures and options segments were on April 01, 2019, and March 20, 2019, respectively. The Exchange issued circular requiring the Trading members to take action on the inactive clients was on September 18, 2023 (NSE circular NSE/COMP/58438). However, the deactivation of the AP on April 24, 2024, was undertaken post the inspection period. Therefore, the same cannot be considered as due compliance.

5.3.4. Given the findings above, the Committee decided to advice the Noticee for the observed violation.

5.4. **<u>Failure to inspect AP as per prescribed parameters.</u>**

5.4.1. Upon verification of the Branch Inspection report dated December 24, 2021, provided by the Noticee, it was observed that the Noticee had not conducted the AP inspection as per the parameters stipulated by the Exchange circular. The Noticee had not inspected the books of AP- Jyoti Saini in accordance with the parameter:

"*The Branch/AP has not dealt with any unregistered intermediary on behalf of its clients/self.*"

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

The Noticee audited the AP on December 21, 2021, within three years of registration, as per the prescribed inspection scope. According to regulatory requirements at that time (NSE circulars NSE/INSP/42448 dated October 18, 2019, and NSE/COMP/50030 dated October 21, 2021), only active APs, those who executed at least one transaction during the financial year and serviced clients needed to be audited within three years. In this case, the AP neither conducted transactions with the Noticee nor was allotted a terminal, making the AP inactive and beyond the purview of these circulars. Due to the continued delay in business commencement, the AP was terminated on April 24, 2024.

5.4.3. The Committee finds as under: -

a. The Noticee has contended that the provisions of Circulars NSE/INSP/42448 dated October 18, 2019, and NSE/COMP/50030 dated October 21, 2021, are applicable only to active APs and do not extend to inactive APs.

b. However, the said circulars lay down indicative parameters for verification while undertaking AP inspections. These parameters are to be verified by the Trading Member for all AP inspections, including those of inactive APs.

c. In the present case, the Noticee has conducted an inspection of the inactive AP, Ms. Jyoti Saini. However, it has failed to ensure compliance with prescribed parameter pertaining to "*The Branch/AP has not dealt with any unregistered intermediary on behalf of its clients/self.*" as set out in the aforementioned circulars.

d. The Committee notes that as the circulars do not distinguish between active and inactive APs in the context of verification parameters during inspections, the Noticee's claim that the circulars do not apply to inactive APs is not acceptable.

5.4.4. Given the findings above, the Committee decided to advice the Noticee for the observed violation.

DECISION

6. In view of the above, the Committee has passed the following decisions as indicated against each of the violations mentioned below:

Sr. No.	Committee's Findings	Prescribed Penalty as per Exchange Circular No. NSE/INSP/53530 dated September 02, 2022	Penalty
1.	Failure to ensure that AP is engaged only in permitted activities	Rs. 50,000/- per AP for 2 APs	**Rs. 1,00,000/-** Direction to Noticee to have all APs inspected by an external auditor who is empanelled with the Exchange, at the cost of the Noticee. The Noticee is required to complete the inspection and submit the inspection report within six months, i.e. latest by September 30, 2025, and submit periodic reports to Exchange in quarterly AP inspection reporting.
2.	Failure to display notice board, SEBI registration certificate and AP registration certificate	Rs.10,000/- per location	**Rs.10,000/-**
3.	Failure to review status and cancel registration of AP with prolonged inactivity	No Prescribed Penalty	**Advice**
4.	Failure to inspect AP as per prescribed parameters.	No Prescribed Penalty	**Advice**
Total			**Rs. 1,10,000/- + Direction + Advice**

7. The Noticee is directed to pay a monetary penalty of Rs.1,10,000/- (Rupees One Lakhs Ten Thousand only) as indicated above.

8. The Committee directed the Noticee to have all APs inspected by an external auditor who is empanelled with the Exchange, at the cost of the Noticee. The Noticee is required to complete the inspection and submit the inspection report within six months, i.e. latest by September 30, 2025, and submit periodic reports to Exchange in quarterly AP inspection reporting.

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

Sd/- S Ravindran (Chairperson)	Sd/- Essaji Vahanvati (Committee Member)	Sd/- Mamata Biswal (Committee Member)
Sd/- Abhilasha Kumari (Committee Member)	Sd/- Ashishkumar Chauhan (Committee Member)	

Date: June 18, 2025