Before the
Member Committee ("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051
held on January 30, 2026

In the matter of the Trading Member: Rudra Shares & Stock Brokers Limited

CORAM

Shri. Srinivas Injeti	-	Chairperson
Justice (Retd) Ms. Abhilasha Kumari	-	Committee Member
Shri. Ashishkumar Chauhan	-	Committee Member
Shri. Essaji Vahanvati	-	Committee Member
Shri. Vijai Pratap Singh	-	Invitee

ALSO PRESENT

Shri. Piyush Chourasia	-	Chief Regulatory Officer
Ms. Renu Bhandari	-	Senior Vice President – Inspection
Shri. Janardhan Gujaran	-	Vice President- Enforcement

BACKGROUND OF THE CASE:

1. **Rudra Shares & Stock Brokers Limited** ("**Rudra**" / "**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 since May 2009, Futures and Options ("**F&O**") segment since May 2009, Currency Future ("**CF**") segment since May 2009 and Commodity ("**COM**") segment since January 2024.

2. The Exchange conducted a Limited Purpose Inspection ("**LPI**") of the Noticee's books and records in the month of October 2024, covering the period from February 01, 2022, to September 30, 2024 (hereinafter referred to as "**Inspection Period**"). During the inspection, it was observed that the acts of the Noticee and its Authorized Person (AP) Mr. Subodh Kumar Sinha ("Noticee's **AP**") were in violation of the Rules, Byelaws, Regulations and Circulars issued by Securities and Exchange Board of India ("SEBI") and the Exchange. Accordingly, post-inspection, the Exchange issued a Show-Cause Notice dated September 15, 2025 ("**SCN**"). Rudra replied to the said SCN on October 03, 2025.

INSPECTION OBSERVATIONS/VIOLATIONS:

3.1. Failure to ensure that the AP is engaged only in permitted activities and is not undertaking any business which is disallowed including operating any schemes promising indicative / assured / guaranteed/ fixed returns etc.

3.2. Non-Reporting of clients mapped to AP pertaining 14 clients out of 16 clients mapped to the AP.

3.3. Failure to carry out surveillance of trading activities of clients, particularly in derivatives.

3.4. Non-maintenance of client registration documents.

3.5. Material discrepancies in the retention statement sent to client in 5 out of 128 instances selected for sample scrutiny.

3.6. Non-issuance of retention statement to the clients in 6 out of 128 instances selected for sample scrutiny.

3.7. Non-maintenance of pre-order confirmation for orders placed by clients in 8 instances for 3 unique clients.

3.8. Failure to inspect APs as per prescribed parameters.

3.9. AP not found at the Location.

3.10. Failure to maintain evidence of pay-out requests received from clients in 21 instances pertaining to 4 clients.

The Committee, after evaluating the SCNs, and the Noticee's submissions, passed the order as under-

ISSUES FOR DETERMINATION:

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

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

4.2. **ISSUE II** - Do the violations, if any, attract penalty as per Exchange Circular No. NSE/INSP/53530, dated September 02, 2022, read with Exchange Circular No. NSE/INSP/73792, dated April 17, 2026.

REGULATORY PROVISIONS:

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

5.1. Failure to ensure that the Authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed including operating any schemes promising indicative / assured / guaranteed/ fixed returns etc.

a. Rule 5 (b) of Chapter III of the NSEIL Rules:

(5) No person shall be admitted as a trading member of the Exchange if such proposed member:

(b) is an individual who is engaged as a principal or employer in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to severe his connection with such business;

b. Exchange Circular No. NSE/MEM/13429 dated November 09, 2009 (SEBI/HO/ MIRSD/ DR-1/ Cir-16 /09 dated November 06, 2009):

Market Access through Authorised Persons

5. Conditions of Appointment
The following are the conditions of appointment of an authorized person:

a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.

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

c) The authorized person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of stock broker.

7. Obligations of Stock Broker

a) The stock broker 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) Stock broker shall conduct periodic inspection of branches assigned to authorised persons and records of the operations carried out by them.

f) The client shall be registered with stock broker only. The funds and securities of the clients shall be settled directly between stock broker and client and all documents like contract note, statement of funds and securities would be issued to client by stock broker. Authorised person may provide administrative assistance in procurement of documents and settlement but shall not issue any document to client in its own name. No fund/securities of clients shall go to account of authorized person.

g) On noticing irregularities, if any, in the operations of authorized person, stock broker shall seek withdrawal of approval, withhold all moneys due to authorized person till resolution of investor problems, alert investors in the location where authorised person operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.

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

Market Access through Authorized Persons

…….the Authorized Person is prohibited from:

1. Accepting any receipt or payment/delivery of funds & securities of the clients.

Authorized 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.*

d. Exchange Circular No. NSE/COMP/51830 dated March 31, 2022:

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

In view of the above, members are advised to ensure that the settlement of running account of clients' funds is done, at least once within a gap of maximum 30 / 90 days between two settlements of running account as per the preference of the client, in accordance with the guidelines issued vide SEBI circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, and Exchange circular NSE/INSP/49458 dated August 31, 2021. 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.

5.2. Non-Reporting of clients mapped to Authorized Persons (AP) :

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

Reporting of clients mapped to Authorised Persons (AP)

In order to have additional information about the APs and to enhance the regulatory oversight over them, it has been decided, after mutual discussions 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/COMP/ 63628 dated August 28, 2024:

Framework for Supervision of Authorized Persons (APs) & Branches by Members

Further, the details of AP such as address, contact details, details of directors/ Partners of AP, terminals allocated, no. of clients etc. need to be updated in Exchange records from time to time.

5.3. Failure to carry out surveillance of trading activities of clients, particularly in derivatives

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

Unauthorized Market Practices by Trading Members

f. Sharing of trading credentials (login id & password): It has been observed that clients trading in derivatives were lured to share trading credentials - (login id & passwords) with the individuals /persons who had promised assured returns and traded on behalf of these clients. In view of the same, members are hereby advised to carry out surveillance of trading activities of clients, particularly in derivatives. Members are also advised to monitor whether the trading activity of their clients in the derivatives segment is in proportion to their income / net worth. Refer to Download Ref No. NSE/SURV/48818 dated July 01, 2021, on "Surveillance Obligations for Trading Members", for indicative themes on which trading members may formulate their alerts.
In view of the above, members are also advised to regularly caution and create awareness amongst their clients/investors to abstain them from dealing in any schemes of unauthorized collective investments/portfolio management, indicative/ guaranteed/fixed returns/ payments etc. and sensitize their clients to avoid practices like:

a) Sharing
i. trading credentials - login id & passwords,

ii. *trading strategies*
iii. *position details*

b) *Trading in leveraged products /derivatives without proper understanding, which could lead to losses*

c) *Writing/ selling options or trading in option strategies based on tips, without basic knowledge & understanding of the product and its risks.*

d) *Dealing in unsolicited tips through WhatsApp, Telegram, YouTube, Facebook, SMS, calls, etc.*

e) *Trading based on recommendations from unauthorised I unregistered investment advisors.*

Members are advised to look out for various unsolicited messages being circulated in the market and take appropriate action against the individual/person/entity in case the details such as names, phone numbers, email ids appearing in the said messages are matching with the records of their employees, authorized persons and clients

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, authorized 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 unauthorized market practices either directly or through its Authorized person(s) and/or their Directors/Partners, employees etc.

b. Exchange Circular No. NSE/SURV/48818 dated July 01, 2021:

Surveillance Obligations for Trading Members - Update

2. Obligation of Trading Members to generate additional Surveillance alerts:
It is reiterated that in addition to the transactional alerts downloaded by Exchanges, Trading members are also required to generate appropriate

surveillance alerts at their end, to enable them to effectively monitor the trading activity of their clients at their end as per the laid down surveillance policy.
The indicative themes on which Trading Members may formulate their own alerts are as under. The trading member also needs to analyse patterns and trends with respect to different themes.

2.3 The indicative themes additionally applicable to Trading Members who have facility of internet-based trading.

2.3.1 Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location).

5.4. Non-maintenance of client registration documents

a. Exchange Circular No. NSE/INSP/13606 dated December 03, 2009 (SEBI/ MIRSD/ SE /Cir-19/2009 dated December 03, 2009)

Dealings between a client and a stock broker (trading members included)

Annexure - A

Client Registration Procedure

1. *The stockbroker shall register a client by entering into an agreement with him. For this purpose, the stockbroker shall make available a folder /book containing all the documents required for registration of a client. The folder/book shall have an index page listing all the documents contained in it and briefly indicating significance of each document. Once signed, a copy of the same shall be made available to the client.*

2. *The folder/book shall have two parts: (a) Mandatory and (b) Non-mandatory.*

Mandatory Documents

3. *The mandatory documents are:*

   a. *Member Client Agreement (MCA)/Tripartite Agreement in case sub-broker is associated,*
   b. *Know Your Client (KYC) Form*

c. *Risk Disclosure Document (ROD)*

These shall be executed in the format as prescribed by SEBI.

4. *The Client shall indicate the stock Exchange as well as the market segment where he intends his trades to be executed. He shall do so in the KYC form in his own hand and sign against these.*

5. *The KYC form shall capture the identity and the address of the introducer instead of his MAPINIUID. The KYC form shall be modified to this extent.*

6. *The stockbroker shall have documentary evidence of financial details provided by the clients who opt to deal in the derivative segment. In respect of other clients, the stockbroker shall obtain the documents in accordance with its risk management system.*

b. Exchange Circular No. NSE/INSP/14048 dated February 03, 2010, Clarifications to Annexure-A of SEBI Circular MIRSD/SE/Ci-r19/2009 dated December 03, 2009)

Clarification on dealings between a client and a stock broker

Documentary evidence of financial details
In respect of clients trading in derivative segment, the member shall collect documentary evidence for financial information.

Illustrative list of documents:
1. *Copy of /TR Acknowledgement*
2. *Copy of Annual Accounts*
3. *Copy of Form 16 in case of salary income*
4. *Net worth certificate*
5. *Salary Slip*
6. *Bank account statement for last 6 months*
7. *Copy of demat account Holding statement.*
8. *Any other relevant documents substantiating ownership of assets.*
9. *Self-declaration along with relevant supporting.*

Further, for clients registered before the circular date (existing clients}, trading member shall collect documents pertaining to financial information at the time of periodic (annual) updation of financial information.

c. Exchange Circular No. NSE/INSP/44237 dated April 25, 2020 (SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020)

Clarification on Know Your Client (KYC) Process and Use of Technology for KYC

1. *Know Your Customer (KYC) and Customer Due Diligence (COO) policies as part of KYC are the foundation of an effective Anti-Money Laundering process. The KYC process requires every SEBI registered intermediary (hereinafter referred to as 'RI') to collect and verify the Proof of Identity (Pol) and Proof of Address (PoA) from the investor.*

5. *Features for online KYC App of the RI - SEBI registered intermediary may implement their own Application (App) for undertaking online KYC of investors. The App shall facilitate taking photograph, scanning, acceptance of OVD through Digilocker, video capturing in live environment, usage of the App only by authorized person of the RI. The App shall also have features of random action initiation for investor response to establish that the interactions not pre-recorded, time stamping, geo-location tagging to ensure physical location in India etc., is also implemented. RI shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RI shall carry out the liveliness check in order to guard against spoofing and such other fraudulent manipulations. The RI shall, before rolling out and periodically carry out software and security audit and validation of their App. The RI may have additional safety and security features other than as prescribed above.*

5.5. Material discrepancies in the retention statement sent to clients

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

a. Exchange Circular No. NSE/INSP/48624 dated June 16, 2021 (SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16,2021)

5.8. *Once the TM settles the running account of funds of* a *client, an* intimation shall be sent to the client by SMS on mobile numberand also *by email. The intimation should* a/so *include details*about the transfer of funds (in case *of electronic transfer - transaction number and date; in* case *of physical*

*payment*instruments - *instrument number and date). TM shall send the* retention statement along with the statement of runningaccounts to the clients as *per the existing provisions within* 5*working* days.

b. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI/ MIRSD/ SE /Cir-19/2009 dated December 03, 2009)

Dealings between a client and a stock broker (trading members included)

12 .....

e. The actual settlement of funds and securities shall be done by the broker, at least once in a calendar quarter or month, depending on the preference of the client. While settling the account, the broker shall send the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall a/so explain the retention of funds/securities and the details of the pledge, if any.

5.6. Non-issuance of retention statement to the clients

a. Exchange Circular No. NSE/INSP/48624 dated June 16, 2021 (SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16,2021)

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

5. 8.Once the TM settles the running account of funds of a client, anintimation shall be sent to the client by SMS on mobile numberand also by email. The intimation should also include detailsabout the transfer of funds (in case of electronic transfer -transaction number and date; in case of physical paymentinstruments - instrument number and date). TM shall send the retention statement along with the statement of runningaccounts to the clients as per the existing provisions within 5working days.

b. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009)

Dealings between a client and a stock broker (trading members included)

While settling the account, the broker shall send the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explainthe retention of funds/securities and the details of the pledge, if any.

5.7. Non-maintenance of pre-order confirmation for orders placed by clients

a. Regulation 3.2.1 of Exchange Regulations (CM Segment) andRegulation 3.4.1 of Exchange Regulations (F&O Segment) (SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017 and CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017)

Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.

Notwithstanding the above, wherever the order instructions are received from clients through the clients through the telephone, Members shall mandatorily use the telephone recording system to record the instructions and maintain telephone recordings as part of its records.

b. Exchange Circular No. NSE/INSP/37301 dated March 26, 2018 (SEBI/HO/MIRSD/DOP1/CIR/P/2018/54dated March 22, 2018)

Prevention of Unauthorized Trading by Stock Brokers

III. To further strengthen regulatory provisions against un-authorized trades and also to harmonize the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order,which could be, inter alia , in the form of -

a. Physical record written & signed by the client,
b. Telephone recording,
c. Email from authorized email id,
d. Log for internet transactions,
e. Record of messages through mobile phones,
f. Any other legally verifiable record.

When a dispute arises, the broker shall produce the above mentioned records for the disputed trades.

However for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputedtrade, etc. shall a/so be considered.

IV. Further, wherever the order instructions are received from clients through the telephone, the stockbroker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

5.8. Failure to inspect APs as per prescribed parameters

a. Exchange Circular No. NSE/MEM/13429 dated November 9, 2009 (SEBI/HO/ MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009)

Market Access through Authorised Persons

e) Stockbroker shall conduct periodic inspection of branches assigned to authorized persons and records of the operationscarried out by them.

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

Framework for Supervision of Authorised Persons (APs) & Branches by Members

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 anannual basis place an MIS before their Board (in case of corporatetrading 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 following indicative parameters:

8. *Notice board of the Trading Member containing the all details/information prescribed from time to time, is displayed at the inspection location.*

9. *SEBI registration certificate of the Trading Member and registration letter issued by the Exchange is displayed at the inspection location.*

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

Framework for Supervision of Authorised Persons (APs) & Branches by Members

Annexure A

i. Scope and Indicative Methodology for Branch /AP Inspections by Members

Members while undertaking the inspection of Branches and AP offices shall ensure that all applicable regulatory requirements including circulars issued by SEBI and Exchanges from time to time have been complied with, including but not limited to the following parameters:

Sr. No	*Area of Inspection*	*Scope of Inspection*	*Indicative Methodology*
22	*Management of branches / AP and internal control*	*Notice board of the Trading Member containing all details/information prescribed from time to time, are displayed at the AP/s location*	*To ensure that displays in the main office and all branches of the AP adhere to the prescribed guidelines.*

23	*Management of branches / AP and internal control*	*SEBI registration certificate of the Trading Member and registration letter issued by the Exchange is displayed at the location.*	*To ensure that displays in the main office and all branches of the AP adhere to the prescribed guidelines.*

5.9. Authorized Person not found at the Location

a. Exchange Circular No. NSE/MEM/13429 dated November 9, 2009 (SEBI/HO/ MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009)

Market Access through Authorized Persons

5. Conditions of Appointment

The following are the conditions of appointment of an authorized person:

d) The stock broker shall be responsible for all acts of omission and commission of the authorized person.

e) All acts of omission and commission of the authorized person shall be deemed to be those of the stock broker.

f) The authorized person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of stock broker.

7. Obligations of Stock Broker

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

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

i) *The client shall be registered with stock broker only. The funds and securities of the clients shall be settled directly between stock broker and client and all documents like contract note, statement of funds and securities would be issued to client by stock broker. Authorised person may provide administrative assistance in procurement of documents and settlement but shall not issue any document to client in its own name. No fund/securities of clients shall go to account of authorized person.*

j) *On noticing irregularities, if any, in the operations of authorized person, stock broker shall seek withdrawal of approval, withhold all moneys due to authorized person till resolution of investor problems, alert investors in the location where authorised person operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.*

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

Market Access through Authorized Persons

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 unauthorized 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, 1872 with respect to 'Agent' shall be applicable to Trading Members and APs associated with them.

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:*

xxi. *In case of change/shifting of location of AP/Branch, thefollowing is ensured:*

a) *All clients mapped to the AP/Branch are notified at leastthirty days before the change.*

b) *Notice Board and applicable SEBI registration certificatesare immediately put up at the new location.*

c) *The new location shall be duly reported to the Exchange and the old location should be deactivated. New terminal details*shall also be uploaded to the Exchange.

5.10. Failure to maintain evidence of pay-out requests

Exchange Circular No. NSE/COMP/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 tothe 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.

OBSERVANCE OF PRINCIPLES OF NATURAL JUSTICE

6. The Committee took note of the SCN dated September 15, 2025 issued to the Noticee giving an opportunity to submit a reply and the Noticee's reply dated October 03, 2025, to the said SCN.

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

STANDARD OF PROOF IN REGULATORY PROCEEDINGS

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

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

10. 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.

CONSIDERATIONS AND FINDINGS

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

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

11.1. Failure to ensure that the Authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed including operating any schemes promising indicative / assured / guaranteed/ fixed returns etc.

11.1.1. Following observations were made in the SCN:

a. Upon verification of ledger of 16 clients associated with AP as provided by the Noticee, it was observed that there was a pattern of fix periodic funds pay-out in the range of Rs. 5,000/- to Rs. 15,000/- in 21 instances pertaining to 4 Clients (Unique Client Code ("**UCC**") – PBTT04, PBTT09, PBTT13, PBTT15). It was further observed that the said fixed periodic funds pay-outs were 2.50% of the invested amount.

b. Upon verification of complaints filed by two clients (UCC – PBTT04 and PBTT13), it was observed that both the clients claimed that the Noticee's AP promised an assured return of 2.50% on the invested amount and Noticee's AP was engaged in unauthorised trading. It was further observed that the said two clients were among the four clients mentioned above.

c. Upon verification of the activity logs provided by Noticee vis-a-vis trade details of the four clients mentioned above and the own trading accounts of Noticee's AP, it was observed that all the trades appearing in trading accounts of said four clients and of the Noticee's AP were carried out through a common Internet Protocol (IP) address.

d. The Noticee was requested to provide fund payout requests received from the abovementioned four clients for which a fixed periodic pay-out of 2.50% was observed, however, the Noticee failed to provide the same.

11.1.2. The Noticee submitted its reply as under:

a. For the observation mentioned in paragraph 11.1.1 (a) of this order, the Noticee submitted its reply as under:

I. All 16 clients were registered for Internet Based Trading ("**IBT**") and all the clients were operating through mobile and online network, every transaction either trade or finance were executed through the application by self-login. Under these circumstances, there were no human interference on the part of the Noticee.

II. The ledgers were recorded basis log-in by the clients, and request for withdrawal of funds was acceded by the system itself which establishes that there was credit balance in the account of respective clients.

III. No evidence as to assuring fixed return scheme has been placed on records. It is not gain saying to assume fixed return scheme merely because of the withdrawal of fixed sum.

IV. As a general practice, the clients registered for online trading maintain credit balance in the ledger account to smoothly execute trades at their will and to avoid fluctuation of price that may take place during transferring of funds and execution of trades and, to avoid minimum margin requirements. Such credit balances are kept by client's own free will and for this, no camouflage viewing is possible to view it as a part of fixed return scheme.

V. No records were placed to show that the withdrawal was permitted though there was debit balance and thereby the Noticee has either invested the funds or participated in the scheme with the clients to earn brokerage, which is pre-requisite for attracting the violation of Securities Contract Regulation Act.

VI. It is an established principle of law that for attracting vicarious liability, there should knowledge on the part of Trading Member, which is supported by cogent evidence.

b. For the observation mentioned in paragraph 11.1.1 (b) of this order, the Noticee submitted its reply as under:

I. Only 2 out of 16 clients, have alleged that AP has promised fixed returns, however, no evidence as to such promise has been placed on record and existence of scheme of assured cannot be attributed merely on the basis of ledger verification of two clients. In the absence of any other evidence, statement of 2 out 16 clients, cannot be relied upon to attract the provision of vicarious liability.

II. The matter pertaining to the complaints by two clients is still sub-judice before the Jamshedpur commercial Court and the till date no evidence has been produced by the complainants to established that the AP has promised an assured return of 2.5% on the invested amount.

c. For the observation mentioned in paragraph 11.1.1 (c) of this order, the Noticee submitted its reply as under:

I. Only 4 out of 16 clients, can be said to have been allegedly using the same IP address. Also, the same cannot be alleged against the Noticee in as much as that in the IBT, the clients can trade from any place and it is for the system to take care through the self-login i.e., ID-PW-OTP for which no allegation can be levelled against the Noticee.

II. There is no mechanism available in any system to record the IP address at the time of registration and consequently verifying the instructions whether the same registered IP address or other IP

address is used for trading. Conversely, if it is so, it defeats the very purpose and object of mobility provided under the IBT system.

III. All the mentioned clients were registered for online trading after their accounts being opened through online process via Aadhar based OTP authentication. Further, all the OTP's were sent to these clients on their registered mobile numbers with the instruction to maintain secrecy and not to disclose the OTP to anyone; moreover as per observation that trades appearing in the trading accounts of these four clients and of the Noticee's AP were carried out through a common IP address may be appearing with the knowledge / consent of the clients or they are closely related / family members / friends or they were gathered in a common place to execute the trades at that time like old ring trading system.

IV. In IBT, it is at the liberty and free will of the client in case of IP address and for which Trading Member is not expected to have knowledge thereto.

d. For the observation mentioned in paragraph 11.1 (d) of this order, the Noticee submitted its reply as under:

I. By virtue of online trading system, the client is entitled to place any request at their wish either for trade or funds through login ID-PW-OTP. Neither the clients have disputed that such requests nor they have disputed the amount received or their request was not acceded thereto on timely basis.

II. The availability / non-availability of request on part of the Noticee raises concerns only under circumstances where has been a dispute in this regard.

III. The clients are warned to remain cautious by not sharing login-ID-PW-OTP with any one and if they choose to do so, it is at their sole risk, and Noticee shall not be blamed for that.

IV. The observation appears to be in isolation of trade instruction acceded by the system. The system login ID-PW-OTP which permitted trading and funds through the same mechanism cannot be blamed

discriminately as it is non-trading / non-permitted activities. In absence of any funds invested by the Noticee while acceding to such request, the observation leads to figment of imagination as to withdrawal towards fixed return scheme.

V. Although records of the pay-out requests received from clients could not be maintained for some oldest instances of 2022 but after the system update and change of back and front office software, all the records of the pay-out requests received from clients were maintained and produced.

11.1.3. The Committee finds as under:

a. The Noticee has contended that all clients were registered for Internet Based Trading (IBT) and executed transactions independently through online platforms without any human intervention, with ledger balances reflecting client-driven activity and withdrawals. Further, it is contended by the noticee that no evidence of any assured or fixed return scheme has been placed on record and that maintenance of credit balances by clients is a common practice for trading convenience. Additionally, no material is available to indicate that withdrawals were permitted despite debit balances or that the Noticee misused client funds.

b. The Noticee's aforesaid contentions are not acceptable. It is observed that trades in the four client accounts as well as in the Noticee's AP account were executed through a common IP address, indicating a pattern inconsistent with independent client-driven activity. Further, two out of the four clients have lodged complaints alleging that the Noticee's AP had assured a fixed return of 2.50% on the invested amount and had undertaken unauthorized trading. This is corroborated by the pattern of fixed payments at 2.50% on a monthly basis observed in the client ledgers.

c. Additionally, for the fund payout made from client accounts, the Noticee failed to furnish fund payout requests purportedly received from the clients. In terms of the Exchange Circular No. NSE/INSP/51830 dated March 31, 2022, if the clients specifically requested a payout of funds, Trading Members are mandated to maintain documentary evidence of such requests. In the absence of any supporting records, the contention of the Noticee is not acceptable.

d. In view of the above, and considering all the cumulative facts, circumstances and preponderance of probability, it is concluded that the Noticee and Noticee's AP was engaged in offering assured/fixed returns to its clients. Hence, the violation persists.

e. As per the Exchange Circular No. NSE/COMP/48536 dated June 09, 2021, "*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.*" However, the Noticee in the instant case failed to ensure that its APs are not engaged in unpermitted activities and undertaking any business which are disallowed.

f. In terms of Exchange Circular No. NSE/MEM/13429 dated November 09, 2009, and Exchange Circular No. NSE/COMP/48536 dated June 09, 2021, all acts of omission and commission of the Authorized Persons and their Directors/Partners/employees are deemed to be those of the member, and the member is responsible for all such acts and the liabilities arising therefrom. Accordingly, the contention of the Noticee that vicarious liability requires proof of knowledge on its part is untenable, as the Noticee, being a Trading Member, is statutorily liable for the acts of its AP.

g. The Noticee's further contention that only 2 out of 16 clients complained against the Noticee's AP for providing fixed returns, does not absolve the Noticee of its obligations to act within the Byelaws, Rules & Regulations and Circulars of SEBI/Exchanges. It is observed that, during the inspection, instances of fixed/assured returns were observed in respect of 4 clients involving 21 instances. Exchange Circular No. NSE/COMP/51830 dated March 31, 2022, 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 unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns/payments etc.*

h. The Noticee's contention that the complaints are sub judice before the Jamshedpur Commercial Court is not acceptable. The violation in respect of providing assured/fixed returns stands established based on the cumulative facts and circumstances, viz. execution of trades through a common IP address, the pattern of fixed payments at 2.50% on a monthly basis as reflected in client ledgers, and the failure of the Noticee to furnish fund payout requests. Accordingly, the present proceedings are based on an independent examination of facts and evidence on record and not solely on the said complaints.

i. The Noticee's contention that there is no system available to record the IP address, is in contravention to Exchange Circular No. NSE/SURV/48818 dated July 01, 2021, which states that "*The indicative themes additionally applicable to Trading Members who have facility of internet-based trading. 2.3.1. Surveillance / monitoring of IP addresses of clients (including identification of multiple client code from the same location).*" The said circular obligated the Noticee to have a surveillance system which generates alerts in cases where multiple trades are conducted through a common IP address. Hence, the Noticee's contention is not acceptable.

j. The Noticee's contention that the common IP address observed across client accounts may be due to the act of the client's knowledge and possible only with the clients express or implied consent as they are closely related or as a family member or friends and would have gathered at common place to execute trades. The Noticee's contention is based on mere assumptions and is not supported by any cogent evidence. In the absence of supporting documentary evidence substantiating such claims, the contention of the Noticee is not acceptable.

k. Exchange Circular No. NSE/INSP/51770 dated March 25, 2022, advises Trading Members to exercise enhanced surveillance over client trading activities, in light of instances where clients are lured to share trading credentials under the pretext of assured returns. Trading Members are required to caution clients against such practices, monitor trading patterns in line with clients' financial profile, and put in place adequate systems to oversee the activities of their Authorized Persons. Any engagement in unauthorized market practices, including offering assured/fixed returns or facilitating misuse of client accounts, shall attract strict disciplinary action.

l. In view of the above, it is observed that the Noticee failed to ensure that its AP is engaged only in permitted activities and is not undertaking any disallowed business.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/MEM/13429 dated November 09, 2009 (SEBI/HO/ MIRSD/ DR-1/ Cir-16 /09 dated November 06, 2009), Exchange Circular No. NSE/COMP/48536 dated June 09, 2021 and Exchange Circular No. NSE/COMP/51830 dated March 31, 2022.

11.2. <u>The Noticee failed to report the clients mapped to its AP</u>

11.2.1. Upon verification of list of clients mapped to the Noticee's AP as reported / uploaded by the Noticee to the Exchange vis-à-vis list of the clients provided by the Noticee, it was observed that Noticee failed to report 14 clients out of total 16 clients mapped to it AP.

11.2.2. The Noticee submitted its reply as under:

a. The mapping of client with AP is essentially for the purpose of sharing brokerage and liability of AP. Though there were no mapping of the clients, but there were no margin discrepancies reported or any dispute about brokerage sharing has been placed on records.

b. Assuming for a while, if the 14 clients were not mapped with the AP on exchange platform, then on what basis and how the total 16 clients registered through AP has been arrived at.

c. Any technical lapse, if at all has taken place has already been corrected. Once the corrective measure has been taken, it cannot be viewed for recommending a monetary penalty or disciplinary action. And in light of the technical discrepancy between data available with Exchange and back office for which corrective measures have already been taken, the violation, if any of the Exchange Circular No. NSE/COMP/49509 dated September 03, 2021, and NSE/COMP/63626 dated August 28, 2024, no longer exists. In view of corrective measures taken, there is no need to place before the relevant authority of the Exchange for appropriate disciplinary action.

11.2.3. The Committee finds as under:

a. The Noticee's contention that client mapping is undertaken solely for the purpose of brokerage sharing and allocation of liabilities of the AP is not acceptable. In terms of Exchange Circular No. NSE/COMP/49509 dated September 03, 2021, and Exchange Circular No. NSE/COMP/63628 dated August 28, 2024, Trading Members are mandatorily required to upload details of client such as Permanent Account Number of the AP and the Client, Client code, Segment in which client is registered and number client mapped to the APs to the Exchange. By incorrectly uploading the data to the Exchange, the Noticee has failed to comply with the aforesaid circulars. Hence, the violation persists.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/COMP/49509 dated September 3, 2021, and Exchange Circular No. NSE/COMP/ 63628 dated August 28, 2024.

11.3. <u>Failure to carry out surveillance of trading activities of clients, particularly in derivatives</u>

11.3.1. Upon verification of activity logs (along with IP address) provided by the Noticee vis-à-vis trade details of the Noticee's IBT clients, it was observed that multiple IBT clients of the Noticee's AP were logging in and trading through the same IP address.

11.3.2. The Noticee submitted its reply as under:

a. All the mentioned clients were registered for IBT, and their accounts were opened through online process via Aadhar based OTP authentication. Further, all the OTPs were sent to these clients on their registered mobile number with the instruction to maintain secrecy and prohibiting on disclosing the OTP. Moreover, for trades appearing in the trading accounts of 4 clients and of the Noticee's AP being carried out through a common IP address which is only possible with the clear consent of the mentioned clients, and they are closely related either as a family members or friends and gathered at a common place at that time.

b. The mentioned circulars do not refer to common IP address, hence, common IP address cannot be inferred as violation of the circulars

mentioned in SCN. Further, sharing of credentials is at the liberty of the clients and the Trading Members have no role in it other than cautioning/ advising the clients.

11.3.3. The Committee finds as under:

a. The Noticee's contention that the common IP address observed across client accounts and of the Noticee's AP is possible only when clear consent of clients and they are closely related either as a family member or friends and gathered at a common place. However, the Noticee's contention is based on mere assumptions and is not supported by any cogent evidence that the clients are related to each other. In the absence of supporting documentary evidence substantiating such claims, the contention of the Noticee is not acceptable. Hence, the violation persists.

b. In terms of Exchange Circular No. NSE/INSP/51770 dated March 25, 2022, and Exchange Circular No. NSE/SURV/48818 dated July 01, 2021, Trading Members are required to undertake enhanced surveillance of client trading activities, particularly in the derivatives segment, including monitoring of IP address usage and identification of multiple client accounts operating from a common location. Members are also required to exercise adequate oversight over their Authorized Persons and take necessary measures to prevent unauthorized market practices, including inducing clients to share trading credentials on the pretext of assured returns. Non-compliance with such obligations attracts strict disciplinary action.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/INSP/51770 dated March 25, 2022, and Exchange Circular No. NSE/SURV/48818 dated July 01, 2021.

11.4. <u>Non-maintenance of client registration documents</u>

11.4.1. Upon verification of the client registration documents (Know your Client ("**KYC**"), forms & account opening forms ("**AOF**")) of 16 clients of the Noticee's AP, following irregularities in client registration documents were observed –

a. For UCC - PBTT12, the Noticee failed to include any segment in trading preference.

b. For UCC – PBTT07, the Noticee failed to validate the geotagging in KYC/AOF.

c. For UCC – PBTT12, the Noticee failed to include original signature client in KYC/AOF.

d. In seven instances, the Noticee activated client in F&O segment without seeking proper financial proof as specified under the Exchange Circular No. NSE/INSP/14048 dated February 03, 2010.

e. In six instances, the Noticee failed to activate clients in F&O and Currency Derivative (CD) segments even after clients selected the trading preferences in the AOF.

f. In eight instances, the Noticee failed to specify the tariff charges for both F&O and CD segments in AOF even after clients selected the trading preferences in AOF.

11.4.2. The Noticee submitted its reply as under:

a. The segment selection preference is the obligation of concerned clients and the Noticee is not at fault as the Noticee has duly complied with the provisions related to the client registration process as prescribed by the Exchange and SEBI. The mentioned instance demonstrates discrepancy in back-office data and physical documents, which is merely technical in nature. Further, Noticee should not be blamed for the actions of other without cogent evidence.

b. The requirement of geo-tagging relates to the place of the client and not to the identity of client. Noticee has duly complied with all the provision of client registration at the time of account opening. The irregularity appearing in the KYC documents relates to failure of validating the geo-tagging in KYC/AOF of PBTT07 is completely unintentional and arise due to the technical glitch in software at the time of the client onboarding. Furthermore, the said client never complaint regarding any difficulty in operating of account.

c. Without the original signature of client, the document can not be executed. Further, the digitally signed KYC/AOF document is submitted by the Noticee along with the reply.

d. The requisite of financial proof as a pre-condition is largely with a view to give exposure of trading based on the financial capabilities of client. The general practice of giving exposure is based on initial margin and MTM (Mark to Market) margin etc. and the day-to-day margin file is required to be uploaded client-wise and no such query relating to shortfall in margin of concerned client or misuse of client margin has ever been reported by the Exchange.

e. Noticee did not activate the mentioned clients even after the clients selected the trading preference in F&O and CD segment because the clients failed to furnish proper financial documents.

f. Noticee did specify the tariff charges for both F&O and CD segments because the clients failed to furnish proper financial documents.

11.4.3. The Committee finds as under:

a. The Noticee contended that no trading preference was selected by the client (PBTT12) itself, as the client has himself selected the preferred segment in the KYC. Upon verification of KYC document, the Noticee's contention was found to be correct. Hence, no violation persists.

b. The Noticee has accepted the observation pertaining to geo-tagging (client PBTT07) and attributed the same to technical glitch in software at the time of client onboarding. Hence, the violation persists.

c. The Noticee submitted the digitally signed KYC/AOF of the client (UCC – PBTT12). Upon verification, the Noticee's submission is found to be correct. Hence, no violation persists.

d. In respect of seven instances where activation of the F&O segment without obtaining financial proof was observed - Upon verification of KYC form it was observed that, in case of five instances only the CM segment was activated based on the KYC forms. Further, in the case of two clients

(UCC: PBTTL09 and PBTTL04), the F&O segment was activated only after receipt of requisite financial documents. Hence, no violation persists in case of seven instances.

e. In respect of six instances where the Noticee failed to activate clients in the F&O and CD segments despite clients indicating such preferences in the AOF, the Noticee contended that activation was not carried out due to non-submission of financial documents by the clients. However, upon verification of the KYC records, it was observed that the Noticee had permitted clients to select F&O and CD segments at the account opening stage without obtaining the requisite financial proofs, as mandated under Exchange Circular No. NSE/INSP/14048 dated February 03, 2010.

f. In respect of eight instances pertains to tariff charges Noticee claimed that the charges for both F&O and CD segment in account opening form were not stipulated due to unavailability of proper financial documents. However, it was observed that Noticee failed to stipulate charges even after the clients opted for F&O and CD segment. Hence, the violation persists.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/INSP/13606 dated December 03, 2009 (SEBI/ MIRSD/ SE /Cir-19/2009 dated December 03, 2009), Exchange Circular No. NSE/INSP/14048 dated February 03, 2010, Clarifications to Annexure-A of SEBI Circular MIRSD/SE/Ci-r19/2009 dated December 03, 2009), and Exchange Circular No. NSE/INSP/44237 dated April 25, 2020 (SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020).

11.5. <u>Material discrepancies in the retention statement sent to clients</u>

11.5.1. Upon verification of the combined ledgers, pledge report and margin file generated from the Exchange vis-a-vis retention statements issued by the Noticee to the clients, it was observed that there were discrepancies in the value of total funds available (unencumbered ledger balance). It was observed that retention statements issued to clients depicted nil value with respect to the combined ledger of the Noticee in 5 instances out of 128 instances selected for sample scrutiny involving an amount of Rs. 3.84 Lakhs.

11.5.2. The Noticee submitted its reply as under:

a. The said observation relates to back-office and print format of the system. Furthermore, no discrepancy in data has been found in the back-office system and the Exchange records.

b. It is an inherent problem in software industry that once data is transferred from one software to a PDF software, a 100% accuracy can only be achieved when the language of both the software is recognized by each other comprehensively.

c. The margin reporting and retention statement are sent through back-office system directly on the email address of the client, no physical copy is sent to the clients. Further, no complaint has been received in this regard from the clients.

d. This was first occasion to convert the back-office data available in HTML file format with the correct values but at the time of inspection data submission that statement was generated in PDF file format, as a result of which it depicted NIL values. Retention statements of mentioned client and logs of sending the same are presented by Noticee along with the reply.

e. In the instant situation, correct communication has reached the client and no fault has been found in that regard. Hence, no violation should be made.

11.5.3. The Committee finds as under:

a. Noticee submitted that the discrepancies in the retention statement were due to software glitch that occurred during the conversion of HTML file to PDF file, as the software failed to capture the correct value from HTML file. Hence, the violation persists.

b. The Noticee's contention that correct communication was sent to the client and that there was no deficiency is not acceptable. In this regard, the Noticee was requested to furnish copies of the emails sent to the clients. However, the Noticee, vide email dated December 02, 2025, submitted only a retention statement sent log without the corresponding email copies. Upon verification of the said log, it was observed that it did not

pertain to the dates identified during the inspection and as mentioned in the SCN. In the absence of supporting documentary evidence establishing that the retention statements were correctly sent to the clients, the contention of the Noticee is not acceptable. Hence, the violation persists.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/INSP/48624 dated June 16, 2021 (SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021) and Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI/ MIRSD/ SE /Cir-19/2009 dated December 03, 2009).

11.6. <u>Non-issuance of retention statement to the clients</u>

11.6.1. Upon failure of the Noticee to produce statement of accounts/retention statement sent to clients along with logs/proof of dispatch during inspection, it was deemed that the Noticee failed to issue retention statement to the clients within 5 days post settlement of the client accounts in 6 instances out of 128 instances selected for sample scrutiny.

11.6.2. The Noticee submitted its reply as under:

a. The retention statements are generated by system and are sent automatically on the registered email id of the client. Further, as there are large numbers of clients and it works automatically through system, such technical breaches in communication may be attributed to communication system and service provider of either the Noticee or client for such minor instances.

b. The requisition of Exchange Circular No. NSE/INSP/48624 dated June 16, 2021, and Exchange Circular No. NSE/INSP/13606 dated December 03, 2009, relates to furnishing of retention statement, etc. The allegation does mention that the retention statement is not sent but allegation states that NIL value was sent, which was observed based on PDF file provided by the Noticee during inspection. The data in the system was shown and HTML file sent to the client showed the correct value. Hence, no violation should be made.

11.6.3. The Committee finds as under:

a. Upon verification of email log submitted by the Noticee, it was observed that the Noticee provided log of 5 clients (UCC: - PBTT05, PBTTL09, PBTT01, PBTT03 and PBTT04), however failed to submit log in case of one client (UCC: - PBTT12). The Noticee was requested to provide email copy of retention statement sent to the clients, however, the Noticee vide email dated December 02, 2025, could only furnish retention statement logs and not the emails that has been sent to the clients. Hence, the Noticee failed to substantiate its claim and the violation persists.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/INSP/48624 dated June 16, 2021 (SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021) and Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009).

11.7. <u>Non-maintenance of pre-order confirmation for orders placed by clients</u>

11.7.1. Upon verification of the IP logs of clients of the Noticee vis-a-vis the trade data of the Noticee, it was observed that the Noticee failed to produce pre-order confirmation for orders placed by its clients in eight instances across three non-IBT clients.

11.7.2. The Noticee submitted its reply as under:

a. The requisition for pre-order confirmation is largely to avoid the allegation of unauthorized trades by the clients. No such complaint has ever been received from such clients.

b. Assuming for a while that no pre-trade confirmation could be produced, however, the post trade confirmation as well as settlement should have been viewed together. The broker client relationship shall be viewed conjointly.

c. Out of thousands of active clients, the failure to preserve old records does not tantamount to not receiving instructions. The SEBI circular also permits post trade compliances as compliance with absence of pre-order instruction.

11.7.3. The Committee finds as under:

a. The Noticee contended that pre-order confirmation is taken largely to avoid the allegations of unauthorised trade and the Noticee had post trade confirmation for the order placed by the client. However, the Noticee's contention is not acceptable, as obtaining and maintaining pre-order confirmation is an independent regulatory obligation and cannot be construed as a mere mechanism for determining violation relating to unauthorised trades.

b. The Noticee being a trading member of the Exchange, is mandatorily required to comply with the provisions of the NSEIL Regulations, which stipulates that the Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents prior to placement of orders on the trading system and shall maintain the relevant records and documents evidencing the same.

c. Further, SEBI Circular No. SEBI/HO/MIRSD/DPO1/CIR/P/2018/54 dated March 22, 2018 (**"SEBI Circular"**), inter alia mandate that the Trading Members shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of: a. Physical record written and signed by client, b. Telephone recording, c. Email from authorized email id, d. Log for internet transactions, e. Record of messages through mobile phones, f. Any other legally verifiable record.

d. The regulatory intent underlying the aforesaid requirements has also been recognised by the Hon'ble High Court of Bombay in Ulhas Dandekar vs. Sushil Financial Services Pvt. Ltd., citation Number 2025: BHC-OS:4950, wherein it was held that:

"*The need for prior authorisation of a trade is a salutary regulatory measure to protect the interests of clients as well as the stock brokers. Failure to comply with that requirement would visit regulatory consequences for the broker. It is akin to a safety measure, the non-compliance with which would point to a regulatory breach, which may well invite regulatory censure and penal interventions.*"

e. In view of the above, the Noticee's further contention that post trade confirmation are sufficient compliance is not acceptable. The regulatory framework unequivocally requires Trading Members to obtain and maintain evidence of client instructions prior to execution of trades. Accordingly, failure to maintain pre-order confirmations constitute a

regulatory breach and attracts the applicable disciplinary action under the regulatory framework. Hence, the violation persists.

Thus, the Noticee violated the provisions of Regulation 3.2.1 of Exchange Regulations (CM Segment) and Regulation 3.4.1 of Exchange Regulations (F&O Segment) (SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017, and CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017) and Exchange Circular No. NSE/INSP/37301 dated March 26, 2018 (SEBI/HO/MIRSD /DOP1/CIR/P/2018/54dated March 22, 2018).

11.8. Failure to inspect APs as per prescribed parameters

11.8.1. Upon verification of the inspection report pertaining to the Noticee's AP dated January 24, 2024, for the inspection carried out by the Noticee, it was observed that Noticee failed to inspect its AP upon all the parameters prescribed by Exchange. It was further observed that as per the indicative scope for inspection of Authorized Person by Trading Members, the AP is required to mandatorily display a notice board and SEBI registration certificate of the trading member at their office, but these parameters were marked as 'N.A.' in the inspection report provided by Noticee.

11.8.2. The Noticee submitted its reply as under:

a. The allegation is based on inspection report, which has been incorrectly interpreted. All the clients of AP were registered for IBT system; hence no terminal was allotted to the AP. Under these circumstances, the AP is not expected to have the office infrastructure as has been prescribed.

b. AP was registered with residential address because of not having any office place, although the ‘Notice Board’ and ‘SEBI registration certificate’ were displaying but due to non-clarity, these parameters were marked as “N.A.”. It was typographical mistake that occurred unintentionally in the submitted report.

c. The requisition of Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, applies in general to branch/AP having terminal. In the instant case, all the clients registered with AP opted for IBT system and no terminals were issued to the AP. The registration certificate was very well

in place but the same was misconceived due to the term "N.A." that whether N.A. means "NOT APPLICABLE" or "NOT AVAILABLE".

d. The requisition as to place on registered office is concerned, the place being residential address was marked as N.A. and not otherwise.

11.8.3. The Committee finds as under:

a. The Noticee's contention that all the client of AP were IBT clients, and no terminal was allocated to the AP, hence, the AP need not have office infrastructure is not acceptable. SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009, stipulates that, "*The person shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the stock broker*". The Circular does not offer any relaxation to APs with no terminal in terms of requirement of infrastructure.

b. The Noticee submitted that the violation is based out of the AP inspection report as provided by the Noticee and not out on actual inspection of the Noticee's AP and the parameter of having Notice board and SEBI certificate at the AP's office were solely marked as "N.A." due to non-clarity of boards at the AP's office. However, marking "N.A." on inspection report and later retracting by submitting that "N.A." was marked due to non-clarity of board is contradictory. The AP is obligated to have Notice board and SEBI certificate as per Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, that reads as, "*8. Notice board of the Trading Member containing all the details/information prescribed from time to time, is displayed at the inspection location. 9. SEBI registration certificate of the Trading Member and registration letter issued by the Exchange is displayed at the inspection location.*"

c. Furthermore, the Noticee has only covered the inspection of its AP on 4 parameters as per the inspection report, however, the Noticee was obligated to inspect the AP on 22 parameters as mentioned in Exchange Circular No. NSE/INSP/42448 dated October 18, 2019. Hence, the Noticee failed to inspect its AP as per prescribed provision and the violation persists.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/MEM/13429 dated November 9, 2009 (SEBI/HO/ MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009), Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, and Exchange Circular No. NSE/COMP/ 63628 dated August 28, 2024.

11.9. <u>Authorized Person not found at the Location</u>

11.9.1. Upon visiting the registered office of the Noticee's AP on October 21, 2024, situated at Flat No. 506, Nishi Apartment, New Green City Road No.5, Sankosai, Mango Baliguma, Jamshedpur East, Singhbhum, Jharkhand – 831012 as per the Exchange records, it was observed that Noticee's AP was not available at the address.

11.9.2. The Noticee submitted its reply as under:

a. As the AP was on client visit, the premises were closed. Further, the Exchange official did not make any attempt to contact either the AP or his client on the same day.

b. Merely because the address was residential and appeared to have been closed, this cannot sufficiently form the opinion that premises were closed merely on the basis of particular day and time of visit.

c. Exchange Circular No. NSE/MEM/13429 dated November 09, 2009, and NSE/COMP/56947 dated June 02, 2023, also SEBI Circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009, relates to precaution to be taken when the terminal is allocated to the AP. In the instant case, no terminal was allocated to the AP. Hence, the said circulars are not applicable.

11.9.3. The Committee finds as under:

a. Upon the verification of AP office, the premises was closed and the neighbours have informed to the inspecting team that the AP has vacated the office. As per Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, stipulates that, "*In case of change/shifting of location of AP/Branch, the following is ensured: - c) The new location shall be duly reported to the Exchange and the old should be deactivated.*" In the instant case, the AP was neither present in the office nor has updated any new

office location to the Exchange. Hence, the violation persists. Further, the response by the Noticee suggests that the Noticee was not even aware that the AP has vacated the office which shows lack of adequate supervision by the Noticee.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/MEM/13429 dated November 9, 2009(SEBI/HO/ MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009) and Exchange Circular No. NSE/COMP/ 56947 dated June 02, 2023.

11.10. <u>Failure to maintain evidence of pay-out requests received from clients</u>

11.10.1. Upon verification of the combined ledgers of the Noticee and seeking proof of pay-out Requests received in case of 21 instances pertaining to 4 clients as mentioned in paragraph 12.1 (a) of this order, it was observed that the Noticee failed to maintain records of the pay-out requests received from the clients as the Noticee could not furnish the Media Access Control ID ("**MAC**") wise activity log.

11.10.2. The Noticee submitted its reply as under:

a. The observation appears to be in isolation of fund requests acceded by the system. The system login ID-PW-OTP which permits trading and funds through the same mechanism cannot be blamed discriminately as MAC (Media Access Control) ID wise activity log not furnished.

b. The inspection is from the year 2022, and ending in year 2024, i.e, 3 years records. During the period, the back office and front office were required to be changed due to frequent circulars of Exchange. Such changes in system require data migration from one software to another. During such data migration the old records are required to be kept in old system to not to burden the new system with the data which have already been buried. The data stored with old version becomes difficult to retrieve without the help of software vendor / technical person.

c. The activity log could not be produced due to data migration, however, no transaction generated through self-login has been disputed by any other clients.

d. Exchange Circular No. NSE/COMP/51830 dated March 31, 2022, relates to settlement of running account of Client's funds lying with Trading Members. The client request once acceded becomes a buried transaction. After such buried transaction if query is not received the same accepted by client as per his own request and then the data is transferred to respective backup files.

e. In cases where no complaint is filed by the client, the query of not being able to retrieve the data after passage of time lacks the merits.

11.10.3. The Committee finds as under:

a. The Noticee attributed the loss of proofs of pay-out request to the frequent change in back office and front office software due to multiple Exchange Circular. Noticee submitted that due to frequent migration there had been instance of data loss. Further, Noticee contented that there is no need to preserve the evidence of pay-out requests, once the pay-out is made and the pay-out is not disputed by the client, once the Noticee has executed the clients pay-out, the transaction is buried and there is no need to store the pay-out requests of the clients. However, the said contention is not acceptable as the Exchange Circular No. NSE/INSP/51830 dated March 31, 2022, stipulates that, "*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.*", Thus, the said circular mandates the Noticee to maintain the evidence of pay out requests made by the clients.

b. Furthermore, the Noticee's contention that the transaction gets buried after the Trading Member has executed the transaction and they need not to preserve the same afterwards is contradictory to SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018, that reads as, "..*The Brokers are required to maintain the records specified at*

Para III above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However in cases where dispute has been raised, such records shall be kept till final resolution of the dispute…", this circular stipulates that Trading Member should keep the records for at least three years. The Noticee was obligated to keep the pay-out requests, but it failed to keep the same. Hence, the violation persists.

Thus, the Noticee violated the provisions of Exchange Circular No. NSE/COMP/51830 dated March 31, 2022.

ISSUE II - Do the violations, if any, attract penalty as per Exchange Circular NSE/INSP/53530, dated September 02, 2022, and Exchange Circular No. NSE/INSP/73792 dated April 17, 2026?

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, read with Exchange Circular No. NSE/INSP/73792 dated April 17, 2026, as under.

12. **Failure to ensure that the Authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed including operating any schemes promising indicative / assured / guaranteed/ fixed returns etc.**

Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 40,000 (Rs. 10,000 X 4 Clients) and issue the following directions to :-

a. Issue weekly emails to all its registered clients for the next 6 months from the date of the order stating that it does not offer any assured/fixed return scheme.

b. Ensure continuous monitoring and verification of multiple clients logged in from same IP address / device.

c. Strength the mechanism for continuous monitoring of new and existing APs and ensure that APs do not operate collective investment schemes, assured return, dabba trading etc.

13. **Non-Reporting of clients mapped to AP**

Given the findings mentioned above, the Committee in terms of Serial No. 18 (b) of Annexure 1.3 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026, decided to advise the Noticee for the deficiency.

14. <u>Failure to carry out surveillance of trading activities of clients, particularly in derivatives.</u>

Given the findings mentioned above, the Committee decided to issue the same directions as mentioned in paragraph 12 of this order.

15. <u>Non-maintenance of client registration documents</u>

Given the findings mentioned above :

a. For failure to specify tariff charges for F&O and CD segments even after clients selected the trading preferences in the account opening form in 8 instances, the Committee in terms of Serial No. 100 of Annexure 1.1 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026, read with Exchange Circular No. NSE/INSP/53530 dated September 02, 2023, decided to levy a monetary penalty Rs. 40,000/- (Rs.5,000 per client for 8 clients).

b. For non-activation of clients in F&O and CD segment even after clients selected the trading preference in account opening form for 6 instances, the Committee decided to Warn the Noticee to ensure non-recurrence of the violation and directed the Noticee to comply with prevailing PMLA guidelines.

c. For deficiency in validating the geo-tagging in KYC, the Committee in terms of Serial No.64 Annexure 1.1 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026, decided to Advise the Noticee.

16. <u>Material discrepancies in the retention statement sent to client</u>

Given the findings mentioned above, the Committee in terms of Serial No. 15 of Annexure of 1.1 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026, decided to levy a monetary penalty of Rs. 15,000/-.

17. <u>Non - issuance of retention statement to the clients</u>

Given the findings mentioned above, the Committee in terms of Serial No. 10 of Exchange Circular No. NSE/INSP/73792 dated April 17, 2026, decided to advise the Noticee for non-issuance of retention statement in 6 out of 128 instances (4.69%).

18. **Non-maintenance of pre-order confirmation for orders placed by clients**

Given the findings mentioned above, the Committee in terms of Serial No. 63 of Schedule I of Exchange Circular No. NSE/INSP/53530 dated September 02, 2022, decided to levy a monetary penalty of Rs. 25,000/- and directed the Noticee to comply with the requirement of keeping appropriate evidence for orders placed by clients within 30 days from the date of communication of this order.

19. **Failure to inspect APs as per prescribed parameters**

Given the finding as mentioned above, the Committee decided to advise the Noticee for deficiency observed during the inspection.

20. **AP not found at the Location**

Given the findings as mentioned above and considering that the registration of the AP is cancelled, the Committee decided to warn the Noticee for the non-recurrence of the violation.

21. **Failure to maintain evidence of pay-out requests received from clients**

Given the findings as mentioned above, the Committee decided to warn the Noticee for the non-recurrence of the violation

DECISION

22. Having considered all the facts and circumstances of the case, the material available on record and the submissions made by the Noticee, the Committee imposes the following penalty for the violations committed by the Noticee:

Sr. No.	Committee's findings	Prescribed penalty as per Exchange Circular No.	Monetary Penalty/ Financial Disincentive	Penalty

		NSE/INSP/53530 dated September 02, 2022, read with Exchange Circular No. NSE/INSP/73792, dated April 17, 2026.		
1	Failure to ensure that the Authorized Persons are engaged only in permitted activities and are not undertaking any business which are disallowed including operating any schemes promising indicative / assured / guaranteed/ fixed returns etc.	No Prescribed penalty	Monetary Penalty	Rs. 40,000/- + Direction to: - a. Issue weekly emails to all its registered clients for the next 6 months from the date of the order stating that it does not offer any assured/fixed return scheme. b. Ensure continuous monitoring and verification of multiple clients logged in from same IP address / device. c. Strength the mechanism for continuous monitoring of new and existing APs and ensure that APs do not operate collective investment schemes, assured return, dabba trading etc.
2	Non-Reporting of clients mapped to Authorized Persons (AP) pertaining 14 clients out of 16 clients mapped to the AP.	Advise		Advise

3	Failure to carry out surveillance of trading activities of clients, particularly in derivatives.	No Prescribed penalty		Same as Sr. No. 1
4	Non-maintenance of client registration documents. a. failure to specify tariff charges for F&O and CD segments. b. non-activation of clients in F&O and CD segment even after clients selected the trading preference. c. Failure to validate the geo-tagging for 1 client.	 Rs. 5,000/- per client No Prescribed penalty Advise	Monetary Penalty	 40,000/- (Rs. 5,000 per client for 8 clients). Warning Advise
5	Material discrepancies in the retention statement sent to client in 5 out of 128 instances selected for sample scrutiny.	Rs. 15,000/-	Monetary Penalty	Rs. 15,000/-

6	Non-issuance of retention statement to the clients in 6 out of 128 instances selected for sample scrutiny.	Rs. 20,000/-		Advise
7	Non-maintenance of pre-order confirmation for orders placed by clients in 8 instances for 3 unique clients.	Rs. 25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by clients within 30 days from the date of communication of this order.	Monetary Penalty	Rs. 25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by clients within 30 days from the date of communication of this order.
8	Failure to inspect APs as per prescribed parameters.	No Prescribed penalty		Letter of deficiency + Advise
9	Authorized Person not found at the Location.	No Prescribed penalty		Warning
10	Failure to maintain evidence of pay-out requests received from clients in 21 instances pertaining to 4 clients.	No Prescribed penalty		Warning
TOTAL				Rs.1,20,000/- + Directions

23. The Noticee is directed to pay a monetary penalty of Rs.1,20,000/- (Rupees One Lakh twenty Thousand only) as indicated above.

24. The Noticee is directed to-:

    a. Issue weekly emails to all its registered clients for the next 6 months from the date of the order stating that it does not offer any assured/fixed return scheme.

    b. Ensure continuous monitoring and verification of multiple clients logged in from same IP address / device.

    c. Strength the mechanism for continuous monitoring of new and existing APs and ensure that APs do not operate collective investment schemes, assured return, dabba trading etc.

    d. To comply with the requirement of keeping appropriate evidence for orders placed by clients within 30 days from the date of communication of this order.

25. The Noticee is advised to pay the penalty amount within the specified timeline mentioned in the invoice raised by the Exchange.

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

Date: September 04, 2026