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

In the matter of the Review Request of Member and Core Settlement Guarantee Fund Committee ("MCSGFC/Committee") order dated January 27, 2025, with respect to Show Cause Notice ref: NSE/INVG/2023/123015 dated April 19, 2023 placed by Trading Member Upstox Securities Private Limited

CORAM:

Shri. Srinivas Injeti	- Chairperson
Justice (Retd.) Smt. Abhilasha Kumari	- Committee Member
Shri. Essaji Vahanvati	- Committee Member

ALSO PRESENT:

Shri. Piyush Chourasia	- Chief Regulatory Officer
Shri. Ankit Sharma	- Chief Regulatory Officer
Shri. Bireshwar Chatterjee	- Senior Vice President - Surveillance & Investigation
Shri. Vishnu Gupta	- Chief Manager - Investigation
Shri. Vikram Narvekar	- Senior Manager - Investigation
Smt. Vasundhara Singh	- Manager - Investigation

Upstox Securities Private Limited (Erstwhile "RKSV Securities India Private Limited") ("**Upstox**") vide its email dated March 19, 2025, requested a review of the order passed by the MCSGFC (currently known as Member Committee '**MC**') dated January 27, 2025.

The matter was placed before the Committee. The Committee, after evaluating review request along with the documents provided by Upstox, passed the order as under.

BACKGROUND

1. Upstox with SEBI Registration No. INZ000315837 is a registered Trading Member of the National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") and

enabled for trading in the Capital Market ("**CM**") segment and Futures and Options ("**F&O**") segment since August 2010, Currency Derivatives ("**CD**") segment since August 2011 and Commodity segment ("**COM**") since October 2018.

2. A Show Cause Notice ("**SCN**") bearing reference NSE/INVG/2023/ 123015 dated April 19, 2023, was issued by the Exchange in relation to certain impugned transactions in Equity Option contracts in Equity Derivative Market. These transactions were executed by Upstox's clients Yasmeen Arshi ("**YA**") and Shamim Bano ("**SB**") and reversed within the same counterparties by placing orders in a synchronized manner. The clients were related to each other and Upstox was the trading member on both sides of the trade. Pursuant to this, the Exchange communicated the Member and Core Settlement Guarantee Fund Committee ("**MCSGFC/Committee**", now known as Member Committee "**MC**") order ("**Order**") dated January 27, 2025, through its letter bearing reference NSE/INVG/MCSGFC-106/2023/ACT/13942/123015 dated January 27, 2025. A penalty of Rs. 13,32,600/- (Thirteen Lakhs Thirty-Two Thousand and Six Hundred) (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) was levied on Upstox in terms of Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020.

3. The details of transactions on which penalty has been levied are as under:

Set	Trade date	Contract	Buy Client	Sell Client	Traded Quantity	Avg Trade Price (Rs.)	Square off difference (SOD) – Positive (P)/ Negative (N) (Rs. Lakhs)	Perc to Market Gross on the day in the scrip/ contract	Reversal %
A	20-Feb-23	AARTIIND-27/04/2023 - 430- PE	YA	SB	34000	0.05	YA-SOD-P-1.99	100%	100%
A	20-Feb-23		SB	YA	34000	5.90	SB-SOD-N 1.99	100%	
B	20-Feb-23	EXIDEIND - 27/04/2023 - 165- PE	YA	SB	36000	0.05	YA-SOD-P-1.67	100%	100%
B	20-Feb-23		SB	YA	36000	4.70	SB-SOD-N 1.67	100%	
C	20-Feb-23	NATIONALUM - 27/04/2023 - 95 -CE	YA	SB	150000	0.05	YA-SOD-P-3.00	100%	100%
C	20-Feb-23		SB	YA	150000	2.05	SB-SOD-N 3.00	100%	

OBSERVATIONS, CONSIDERATIONS & FINDINGS OF THE COMMITTEE AS MENTIONED IN THE EXCHANGE ORDER DATED JANUARY 27, 2025

4. The findings of the Committee are as follows:

4.1. Upstox is the Trading Member on both sides of the reversal trades.

4.2. As per the UCC records of the Exchange, it is observed that the clients of Upstox, YA and SB, share a common address, thus the clients on both sides of the transaction are related to each other. Thus, the Committee found that the impugned transactions of reversal were executed among the clients related to each other.

4.3. The Committee found that, the traded quantity in the reversal transactions in all the three instances constituted 100% to the market traded quantity of the contract on the respective day.

4.4. Further, in all three aforesaid instances, the Committee found as under:

4.4.1. 100% of the traded quantity in the first leg of the transaction was reversed with the same counter party in the second leg.

4.4.2. The close out difference with respect to reversal trades as a percentage of total close out difference for the clients in the contract on respective days was 100%.

4.4.3. The client of Upstox, YA had a positive close out difference and client SB had a negative close out difference. Thus, there was consistency with respect to positive/ negative close out difference across instances.

4.4.4. There were no trades in the three securities in the immediately preceding 5 days of the impugned transactions.

4.4.5. The Committee acknowledged Upstox's assertion that necessary actions were taken. However, it was observed that such actions were undertaken after the impugned transactions had occurred, indicating a lack of pre-emptive controls to prevent the said transactions from taking place.

4.5. In view of the above, the Committee found that the execution of impugned transactions lead to creating a false or misleading appearance with respect to the market (Regulation 4.5.4(c)(i)) and creating an artificial appearance of activity in such security thereby violating the Exchange Regulation 4.6.2.1(b) of

NSEIL Regulations (F&O Segment). The Committee observed as far as Exchange is concerned, the transactions are not meant for meaningful change in ownership of the contract and thus, the same are non-genuine in nature. The trading system of the Exchange cannot be a medium for executing Trade Reversals for any purpose.

4.6. In accordance with the Rules/Regulations and Byelaws of the Exchange, the Committee found that Upstox has facilitated non-genuine trades and violated the provisions of the circular NSE/INVG/2020/46662 dated December 16, 2020, and other regulations mentioned above. Therefore, considering the facts and circumstances of the case, the Committee was of the view that appropriate penalty in terms of Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020, is attracted. The close out difference is Rs.6,66,300/-, since Upstox was the trading member on both sides of the transaction, the amount of penalty (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) amounts to Rs.13,32,600/-.

REVIEW REQUEST OF UPSTOX

5. On March 19, 2025, vide an email, Upstox filed a review request, stating:

5.1. The client Shamim Bano (CT2105) is registered with the Upstox from August 12, 2020, and the client Yasmeen Arshi (CT3379) since August 13, 2020. Upstox stated that, both the clients were regularly trading and their Annual Income declared, commensurate with their trading activities.

5.2. The trading rationale given by both the clients states that their intention was not to indulge in reversal trades for profit. Apart from the aforementioned trade reversals, there were no other red flag indicators found for these clients. Furthermore, post sensitising the clients for the same, these clients have not traded in illiquid scrips nor indulged in any such abnormal / non-genuine trades and discontinued trading in derivatives segment altogether.

5.3. Upstox has categorised these clients as ‘High’ risk clients and are monitoring the trades of these clients as part of the additional measures. Also, there are no alerts generated by the system so far for the trades of these clients.

5.4. Upstox stated that they have appropriate systems, and controls have been implemented by Upstox to ensure compliance with Exchange Regulation 4.5.4(c)(i) and Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment), as well as the directives outlined in NSE Circulars NSE/INVG/39647 (December

13, 2018), NSE/INVG/2019/40175 (February 07, 2019) and NSE/INVG/2020/46662 (December 16, 2020).

5.5. Upstox stated that, with respect to Index options, Upstox already had controls in place where transactions were only allowed if the minimum lot size was 50. In August 2023, Upstox further enhanced pre-trade controls to include stock options.

5.6. Additionally, Upstox has following controls for stock options covering different expiry contracts:

5.6.1. In case of contract expiring in the current month, such contract shall not be available for placing fresh orders during the day until 50 lots have been traded in such contract.

5.6.2. Similarly, in case of contract expiring in the next month, such contract shall not be available for placing fresh orders during the day until 100 lots have been traded in such contract.

5.6.3. Lastly, in case of far month expiring contract, such contract shall not be available for placing fresh orders during the day until 200 lots have been traded in such contract.

5.7. These updates as mentioned by Upstox are based on real-time trading activity to ensure that contracts are dynamically eligible for trading as the required lot sizes are traded.

5.8. Upstox stated that, considering this is the first instance for both the clients and Upstox, it has requested the Exchange to have a lenient approach and reconsider the monetary penalty levied.

ISSUE FOR DETERMINATION

6. The following issue arise for determination:

6.1. Whether the facts and circumstances warrant waiver or reduction of penalty imposed under Exchange Circular.

PROCEEDINGS BEFORE THE MEMBER COMMITTEE HELD ON NOVEMBER 21, 2025

7. The Review Request was placed before the Member Committee in its meeting dated November 21, 2025. The Committee Members were apprised of the facts of the case and the review request submitted by Upstox.

OBSERVANCE OF PRINCIPLES OF NATURAL JUSTICE

8. The Committee has considered the written submissions submitted by Upstox.

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

STANDARD OF PROOF IN REGULATORY PROCEEDINGS

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

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

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

COMMITTEE'S OBSERVATIONS ON UPSTOX'S REVIEW REQUEST POST MC ORDER DATED JANUARY 27, 2025

13. After duly considering the Review Request dated March 19, 2025, with respect to the Exchange Order dated January 27, 2025, the findings of the Committee are as under:

    13.1. The Committee notes Upstox's submission that the clients did not have the intention to indulge in reversal trades for profit, and that there were no other red flag indicators for these clients. Further, these clients have not traded in illiquid scrips nor indulged in any such abnormal / non-genuine trades and discontinued trading in derivatives segment altogether, post sensitising the clients; the Committee thus finds that:

        13.1.1. As per the UCC records of the Exchange, it is observed that clients of Upstox, YA and SB, share a common address, thus the clients on both sides of the transaction are related to each other. The Committee notes

that impugned transactions were executed among the related counterparties.

13.1.2. The traded quantity in the reversal transactions in all three instances constituted 100% to the market traded quantity of the contract on the respective day.

13.1.3. The client YA and SB consistently made positive and negative close out differences respectively. The Committee notes that there was consistency in close out differences across instances which is in contradiction to client's rationale that the intention was not to enter in reversal trades for profit.

13.1.4. The Committee further notes that the transactions were not meant for meaningful change in ownership as the traded quantities were 100% reversed with the same counterparty and thus, the same are non-genuine in nature.

13.1.5. There were no trades in the three contracts in the immediately preceding 5 days of the impugned transactions

13.1.6. The Committee notes that Exchange vide a Circular, bearing reference NSE/INVG/2019/40175 dated February 07,2019, has provided certain indicative scenarios in order to assist trading members in identifying abnormal/non-genuine transactions. One of such scenario was *"Trading activity of client(s) concentrated in a specific security / contract which is/are not traded very frequently or trading with low volumes with client squaring up its position within a short span of time."*

13.1.7. The Committee further notes that, vide Exchange Circular bearing reference NSE/SURV/48818 dated July 01, 2021, on Surveillance Obligation for Trading Members, the Exchange has provided indicative themes on which Trading Members may formulate their own alerts. One such theme being *"Client/group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip/contract as compared to the market."* Another such theme included *"Consistency in profit/loss at client / group of clients' levels…"*

13.1.8. The Committee finds that in spite of such indicative scenarios and themes provided by the Exchange, Upstox has failed to identify the concentrated trading activity of their clients who were related to each

other and executed trades in three different contracts with 100% contribution to market gross and reversed 100% of their positions on the same day.

13.1.9. The Committee further notes that, Upstox's submission regarding the trading rationale given by their clients, the same was already submitted by Upstox in its response dated April 20, 2023, and the same has been considered in the Exchange order dated January 27, 2025.

13.2. With respect to Upstox's submission that to ensure compliance with Exchange regulations, appropriate systems and controls have been implemented; the Committee notes that such actions were undertaken after the impugned transactions had been executed, indicating lack of pre-emptive controls to prevent the said transactions from taking place.

13.3. With respect to Upstox's submission that in respect to Index Options, it had controls in place wherein transactions were only allowed if the minimum lot size was 50. In August 2023, and it further its pre-trade controls to include stock options, the Committee notes that as Upstox had enhanced controls post this incident, Upstox did not have adequate controls at the time of incidence of the impugned transactions.

14. Upon consideration of the review application, written submissions, records of the proceedings and the material available on record, the Committee finds that the review request does not disclose any new fact or evidence which was unavailable at the time of passing of the Order dated January 27, 2025. The submissions regarding absence of intent, absence of prior adverse history, and implementation of enhanced surveillance and risk controls have been duly considered.

15. The Committee notes that the determination of non-genuine trades in regulatory proceedings is based upon the totality of surrounding circumstances and the standard of preponderance of probabilities. In the present matter, the impugned trades were executed between related clients, constituted 100% of the market traded quantity in the relevant contracts, were reversed in entirety with the same counterparty, and displayed a consistent profit/loss pattern. These circumstances collectively support the finding that the transactions were non-genuine in nature.

16. The Committee further notes that the enhanced controls and surveillance measures referred to by Upstox were implemented after the occurrence of the impugned transactions. While such measures are noted positively as compliance initiatives, they do not alter the nature of the transactions already executed nor constitute sufficient grounds for interference with the penalty imposed under the applicable Circular.

17. The Committee also observes that the penalty has been levied in accordance with the methodology prescribed under Exchange Circular NSE/INVG/2020/46662 dated December 16, 2020. No circumstance has been demonstrated which would justify deviation from or interference with the application of the said Circular.

18. Accordingly, the Committee finds no error apparent on record, no material fact omitted from consideration, and no mitigating circumstance of such nature as would warrant review, waiver, or reduction of the penalty imposed vide Order dated January 27, 2025.

19. In view of the aforesaid, the Committee rejects the review application and confirms the findings and penalty imposed vide MCSGFC Order dated January 27, 2025.

DECISION OF THE COMMITTEE

20. The Committee, after considering the submissions of Upstox in its review application and the MCSGFC order, decided that no change is required in MCSGFC order dated January 27, 2025, and thus rejected the review request filed by M/s Upstox Securities Private Limited.

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

Date: June 25, 2026