ANNEXURE 1

Member and Core Settlement Guarantee Fund Committee
("MCSGFC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400- 051
held on May 8, 2023

In the matter of the Trading Member M/s. Prithvi Finmart Private Limited

CORAM:

Ms Mona Bhide	- Chairperson
Mr K Narasimha Murthy	- Committee Member
Mr Ranganayakulu Jagarlamudi	- Committee Member
Mr S Ravindran	- Committee Member
Mr Ashishkumar Chauhan	- Committee Member

ALSO PRESENT:

Ms Priya Subbaraman	- Chief Regulatory Officer
Dr Dinesh Kumar Soni	- Senior Vice President – Regulatory
Ms Renu Bhandari	- Vice President – Inspection
Mr Shailesh Adukia	- Vice President – Enforcement
Mr Janardhan Gujaran	- Vice President – Enforcement

BACKGROUND

1. **M/s Prithvi Finmart Private Limited ("Prithvi"/ "Member")** is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**"), Futures & Options ("**F&O**") segments since March 2011 and Currency Derivatives ("**CD**") segment since October April 2009.

2. The Securities and Exchange Board of India ("**SEBI**") along with other stock Exchanges conducted a comprehensive joint inspection of the books and records of Prithvi covering the period from April 01, 2021, to November 30, 2022, from December 2022 till January 2023. Post-inspection, SEBI issued a letter of findings ("**LoF**") dated February 21, 2023, to Prithvi. Prithvi, vide its letter dated February 28, 2023, replied to the LoF.

3. In the 37 Joint Committee Meeting held on March 29, 2023, SEBI decided to allocate the case to the Exchange for post-inspection enforcement action in accordance with the provisions of the Rules, Byelaws, and Regulations of the Exchange. Accordingly, SEBI, vide its letter dated April 11, 2023, communicated the decision to the Exchange.

4. The Exchange, vide its email dated April 12, 2023, informed Prithvi regarding the case allocation.

INSPECTION OBSERVATIONS/VIOLATIONS

5. The inspection observations/violations alleged in the LoF are summarized hereunder:

5.1 Material discrepancies in the retention statement sent to clients in 4 instances.

5.2 Failure to send an intimation including the details about the transfer of funds to clients by SMS and email at the time of running account settlement of funds within the prescribed timeline.

5.3 Non-settlement of clients' funds in case of 5 active clients out of 100 instances involving Rs. 12,397/- and 1 inactive client out of 18,522 instances involving Rs. 5,750/- selected for sample scrutiny (0.03% of total sample instances).

5.4 Passing on penalty to the clients for short/non-collection of upfront margins in the following cases:

a. CM Margin – 22 out of 30 instances involving an amount of Rs. 1,42,144/-

b. F&O Margin – 28 out of 30 instances involving an amount of Rs. 2,61,653/-

c. CDS Margin – 24 out of 30 instances involving an amount of Rs. 23,875/-

5.5 Incorrect data uploaded towards Holding Statement on a weekly basis in case of 15 instances involving an amount of Rs. 2.61 crores as on June 30, 2022, July 30, 2022, August 31, 2022, September 30, 2022, and November 25, 2022.

5.6 Incorrect data submitted towards weekly monitoring of clients' funds in case of 5 areas as on June 18, 2021, December 10, 2021, March 25, 2022, November 18, 2022, November 25, 2022, differential amount ranging from Rs. 2.32 Crores to Rs. 4.45 crores.

5.7 Incorrect data submission in Risk based Supervision as on March 31, 2022 and September 30, 2022.

5.8 Non-disclosure of the number of complaints received against the Member for the month of December 2022 and incorrect details of complaints score uploaded on the Member's website.

REGULATORY PROVISIONS

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

6.1 **Material discrepancies in the retention statement sent to clients**

i. Exchange Circular No. NSE/INSP/13606 dated December 03, 2009

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 explain the retention of funds/securities and the details of the pledge if any.

ii. Exchange Circular No. NSE/INSP/36889 dated February 02, 2018

An indicative format of retention statement is attached as Annexure 1. In case of any other format, members should ensure that the contents specified by the relevant circulars are covered in the retention statement.

iii. Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

TM shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days.

6.2 **Member has not sent an intimation including the details about the transfer of funds to clients by SMS and email at the time of running account settlement of funds**

Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also 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 running accounts to the clients as per the existing provisions within 5 working days.

6.3 **Non-settlement of clients' funds**

i. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009

Unless otherwise specifically agreed to by a client, the settlement of funds/securities shall be done within 24 hours of the pay-out. However, a client may specifically authorize the stockbroker to maintain a running account subject to inter alia the following condition:

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.

ii. Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

5.4. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM within next three working days irrespective of the date when the running account was previously settled.

6.4 **Passing on penalty to the clients for short/non-collection of upfront margins**

i. Exchange Circular No. NSE/INSP/45191 dated July 31, 2020

15. In case of short reporting of margin/margin on consolidated crystallized obligation/MTM, can member pass on the penalty to the clients?

In case of failure (cheque not cleared or margin requirement not met*

by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of client upfront margins/ margin on consolidated crystallized obligation/MTM losses, member may pass on the actual penalty to the client, provided he has evidence to demonstrate the failure on part of the client. Wherever penalty for short reporting of upfront margin/margin on consolidated crystallized obligation/ MTM losses is being passed on to the client relevant supporting documents for the same should be provided to the client.

**Member cannot pass on the penalty w.r.t. short collection of upfront margins to client.*

ii. Exchange circular No. NSE/INSP/49929 dated October 12, 2021

Member shall not pass on the penalty w.r.t short collection of upfront margins to clients under any circumstances. In case of failure (requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of margins other than "upfront margins" such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins), member may pass on the actual penalty to the client, provided he has evidence to demonstrate the failure on part of the client. Wherever penalty for short reporting of margins other than "upfront margins" is being passed on to the client relevant supporting documents for the same should be provided to the client.

6.5 **Incorrect data uploaded towards Holding Statement on a weekly basis**

i. Exchange Circular No. NSE/INSP/39393 dated November 13, 2018

Exchange shall seek periodic upload of day-wise Holding Statement in the specified standard format. The periodicity of reporting shall be weekly. Members have to submit the above mentioned data for all calendar days of that week on or before the next four trading days of the subsequent week. This circular shall be applicable with effect from January 1, 2019.

ii. Exchange Circular No. NSE/INSP/46960 dated January 8, 2021

Exchange has provided certain additional clarifications in the revised format of cash & cash equivalent Balances and Holding Statement enclosed as Annexure-A and Annexure-B of this circular.

Members will have to submit the data for all calendar days of the week except Sunday on or before the next four trading days of subsequent week.

iii. Exchange Circular No. NSE/INSP/53531 dated September 02, 2022

All Members are required to ensure correct submission of data towards Client Level Holding Statement, Cash & Cash Equivalent Balances and Bank Account Balances to the Exchange.

6.6 **Incorrect data submitted towards weekly monitoring of clients' funds**

Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

3.2. Stockbrokers shall submit the following data as on the last trading day of every week to the Stock Exchanges on or before the next trading day:

B- Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of cash and cash equivalents [fixed deposit (FD), bank guarantee (BG), etc.] (across stock exchanges). Only funded portion of the BG, i. e. the amount deposited by stock broker with the bank to obtain the BG shall be considered as part of B.

C - Aggregate value of Credit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations)

D - Aggregate value of Debit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared
cheques deposited by clients, uncleared cheques issued to clients and the margin obligations)

P-Aggregate value of proprietary margin obligation across stock exchanges

MC - Aggregate value of Margin utilized for positions of Credit Balance Clients across Stock Exchanges

MF - Aggregate value of Unutilized collateral lying with the clearing corporations and/or clearing member across Stock Exchanges

6.7 **Incorrect data submission in Risk based Supervision**

i. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

6.1.1. Monitoring criteria for Stock Brokers

j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

ii. Exchange circular no. NSE/INSP/51970 dated April 8, 2022

Members are requested to submit the information / data towards the Risk Based Assessment for the period April 01, 2021 – March 31, 2022 to the Exchange. The particulars of such information / data sought in this regard are enclosed as Annexure-A.

6.8 **Display of investor charter and complaints data on website**

Exchange Circular No. NSE/ISC/50597 dated December 14, 2021

Trading Members are advised to bring the Investor Charter to the notice of their clients(existing as well as new clients) by uploading the Investor Charter on their respective websites, making them available at prominent places in the office, providing a copy of the Investor Charter as a part of account opening kit to the clients, through e-mails / letters etc.

Additionally, Trading Members shall disclose the data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month on their website, in the format given in the attached SEBI circular.

CONSIDERATION AND FINDINGS

7. The inspection observations/violations, the reply of Prithvi and the findings of the Committee are as under:

7.1 **Material discrepancies in the retention statement sent to clients**

a. Upon verification of the client ledgers, margin liability and holding statements along with log files, it is observed that Prithvi has sent incorrect retention

statement with material discrepancies in case of 4 clients.

b. In reply to the LoF, Prithvi submitted as under:

i. For the client code JNS049 - Prithvi runs the settlement process every day after completion of the billing process. Prithvi had a process of running the charges files on T Day for the T-1 day. The retention statement was generated after the processing of the charges files. The funds' working for the said client code before release of payout, as closing ledger balance on August 30, 2021 was Rs. 7,500/-. The total funds available before payout was Rs. 7,500/-. The DP charges balance run for August 29, 2021, as on August 30, 2021, after payout is Rs.11/-. The total funds available after payout, as per the retention statement was Rs.7,489/-.

ii. For the client code MU753 – The clear Ledger balance of said client as on October 22, 2021, is Rs. 1,17,86,977.65 and they have released the fund amounting to Rs. 95,00,000/- to the client. Further, the system has deducted margin opening balance of Rs.47,58,333.11 as on April 5, 2021, from clear balance and hence, the retention statement has reflected the clear balance of Rs.70,28,644.54. There was a technical issue in the software due to which erroneous retention statements were generated. The said issue has been escalated with the back-office vendor.

iii. For the client code SVN009 - Prithvi runs the settlement process every day after completion of the billing process. Further, after the process pay-out request is generated, the funds are released during the day. Also, Prithvi had a process of running the charges files on T Day for the T-1 day. The retention statement was generated after the processing of the charges files. The funds working for the said client code before release of pay-out as Closing ledger balance as on October 4, 2021, is Rs. 3,040/-, The total funds available before pay-out is Rs. 3,040/-, The DP charges balance run for October month after pay-out is Rs. 1,000/-. The total funds available after pay-out as per the retention statement is Rs. 2,040/-.

iv. For the Client Code PR707 – The client's clear ledger balance as on July 4, 2022, is Rs. 40,87,015.39. Prithvi released the pay-out of Rs. 50,00,000/- as per client's request. The client has sold stock on July 1, 2022, of which settlement pay-out date was July 5, 2022, and sold stock amount was of Rs. 58,62,725.16.

c. The Committee finds as under:

i. For client code JNS049 and SVN009: Prithvi contended that the difference in pay-out amount is due to Prithvi had a process of running the charges files on T Day for the T-1 day. This contention of Prithvi is not acceptable, since the actual amount of pay-out should always match with pay-out amount as per retention statement. Thus, the violation will persist.

ii. For the client code MU753: Prithvi attributed discrepancy in retention statement to system issue. Thus, the violation will persist.

iii. For the Client Code PR707 – Prithvi stated that the actual funds pay-out amount is more than the amount mentioned in the retention statement. The amount of pay-out should always match with pay-out amount as per the retention statement. Thus, the violation will persist.

iv. Exchange Circular No. NSE/INSP/36889 dated February 02, 2018, provides an indicative format for the retention statement. Thus, by issuing retention statement with incorrect data, Prithvi has violated the provisions of Exchange Circular No. NSE/INSP/13606 dated December 03, 2009, Exchange Circular No. NSE/INSP/36889 dated February 02, 2018, and Exchange Circular No. NSE/INSP/48624 dated June 16, 2021.

d. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.15,000/- for the observed violation in terms of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

7.2 **Failure to send an intimation including the details about the transfer of funds to clients by SMS and email at the time of running account settlement of funds**

a. Upon verification of the retention statements along with POD/ Logs, it is observed that Prithvi has not sent an intimation including the details about the transfer of funds to clients by SMS within 5 working days pursuant to running account settlement of clients' funds. Prithvi has settled the clients on August 3, 2022, and therefore, the SMS was required to be sent by August 10, 2022. However, the SMS was sent on August 24, 2022. Thus, there has been a delay of 14 days.

b. In reply to the LoF, Prithvi submitted as under:

The system error occurred due to which Prithvi was not able to send SMS to its clients as on the day of settlement i.e., August 3, 2022, and the query was raised to the vendor. Further, the same was resolved by the vendor on August 24, 2022, and the SMS was sent on that day itself instead of the settlement date.

c. The Committee finds as under:

i. Prithvi accepted the inspection observation and attributed the delay in sending intimation about the settlement to technical error which was claimed to be resolved on August 24, 2022. Thus, the violation persists.

ii. In terms of the Exchange Circular No. NSE/INSP/48624 dated June 16, 2021, Prithvi was required to send SMS within 5 working days from date of settlement. However, it has sent SMS after 5 working days as there is delay of 14 days from date of settlement. Hence, the violation will persist.

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

7.3 **Non-settlement of client funds and securities**

a. Upon verification of client ledgers, bank books, weekly client level cash and cash equivalent submission, Exchange trade data along with margin and obligation data from Clearing Corporations of Prithvi, it is observed that Prithvi has not settled funds and securities of active as well as inactive clients during the inspection period as under:

i. Active clients – 5 out of 100 instances (5%) amounting to Rs. 12,397/-

ii. Inactive clients - 1 out of 18,522 instances (0.005%) amounting to Rs. 5,750/-

b. In reply to the LoF, Prithvi submitted as under:

For Active clients:

i. For client codes BB458 and BB459 involving an amount of Rs. 2,732.00: Being NRI Clients, the NEFT got rejected from the bank due to which

the account was not settled on August 18, 2019, and the client has opened Normal account, post which it got settled October 12, 2022.

ii. For client code MS035 involving an amount of Rs. 186.82: The account of the client was closed (the client shifted from Individual to NRI) as on March 5, 2022, due to which Prithvi was not able to settle the account and they had transferred the amount of Rs.186.82 to Escrow account.

iii. For Client code HS435 involving an amount of Rs. 7478.31: The amount of Rs 7478.31, was transferred to Escrow account since the client bank details were not proper. On receipt of proper details from the client, Prithvi transferred the amount from Escrow account to client ledger. Prithvi further settled client account on October 7, 2022, as per the Exchange guidelines.

iv. For client code BSSB09 involving an amount of Rs.2000.00: The opening balance of Rs. 2,000.00 was paid on April 5, 2022. Further, the amount of Rs. 2,000.00 received on April 12, 2022, was paid on June 3, 2022, and the amount received on June 12, 2022, was paid on July 4, 2022. The amount paid to client are within 90 days.

<u>For Inactive clients:</u>

v. The client is inactive and not traceable due to which they were not able to settle the account, however, they had kept the said amount in Escrow account. As and when the client will be traceable and active, Prithvi will transfer the said amount to the client.

c. The Committee finds as under:

i. For client codes BB458 and BB459 involving an amount of Rs.2,732/-: Prithvi contended that the said clients were NRI Client. On verification of UCC, Prithvi's contention was found to be correct.

ii. As per the Exchange circular NSE/INSP/49458 dated August 31, 2021, regarding FAQ on Settlement of Running Account of Client's Funds lying with Trading Member (TM), it is stated that,

"*12. In which circumstances does settlement need not be done by a member?*

The periodic settlement as per the above-mentioned rules (Point no.1) is not required to be done in the following cases:

a) Clients settling trades through "custodians.

c) Clearing members who are clearing trades of custodial participants/ trading members"

iii. Being the NRI clients, the clients settle the trades through custodian and hence, the settlement is not applicable. Hence, no violation will persist for such 2 instances.

iv. For client code MS035 involving an amount of Rs. 186.82: Prithvi claimed that that the client's account was closed (client shifted from Individual to NRI). However, Prithvi has not provided any supporting document to substantiate the said claim such as statement of closed account, Banks statement of Escrow account in which funds are kept etc. Also, on verification of UCC, it was observed that the said client category is not NRI. Hence, Prithvi's contention is not acceptable. Therefore, the violation will persist.

v. For Client code HS435 involving an amount of Rs. 7478.31: Prithvi contended that due to non-availability of bank statement, the settlement was not done. Prithvi further claimed that after receiving proper bank statement, the settlement was done on October 7, 2022. However, Prithvi has not provided any supporting document such as retention statement, pay-out details etc. to substantiate it's claim. Hence, the violation will persist.

vi. For client code BSSB09 involving an amount of Rs.2000/-: Prithvi claimed that they have settled the client within 90 days. On verification of the ledger provided by Prithvi, it was observed that client has been settled and Prithvi's contention is acceptable. Therefore, no violation will persist for the said instance.

vii. For Inactive client (1 instance involving an amount of Rs. 5,750.43): Prithvi contended that the client was not traceable and hence, the same was not settled and the funds are kept in Escrow account. However, Prithvi has not provided any supporting documents to prove that the efforts were taken to trace the client, to settle its funds and audit trail for such efforts made for tracing such clients viz. email log confirmation log, Banks statement of Escrow account in which funds are kept etc. Hence, the violation will persist for the said client.

viii. Therefore, post considering Prithivi's contentions, the revised violation will stand as under (less than 2% of the total samples verified):

1) Active clients: 2 instances involving an amount of Rs. 7665.13.

2) Inactive clients: 1 instance involving an amount of Rs. 5750.43.

ix. The concept of monthly or quarterly running settlement of clients' accounts by the Trading Member as per client preference is incorporated in Exchange Circular No. NSE/INSP/13606 dated December 3, 2009, to instil greater transparency and discipline in the dealings between the clients and the stockbrokers. Non-settlement of clients' accounts is prejudicial to the investors' interests.

x. Further, Exchange Circular No. NSE/INSP/48624 dated June 16, 2021, stipulates that in case of clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within the next three working days irrespective of the date when the running account was previously settled.

xi. Prithvi has therefore violated the regulatory provisions mentioned above by failing to settle the clients' accounts.

d. Given the findings mentioned above, the Committee decided to advise Prithvi to ensure non-recurrence of the observed violation.

7.4 **Trading Member has passed on penalty to clients on account of short/non-collection of upfront margins**

a. Upon verification of short reporting penalty and clients' ledgers, it is observed that Prithvi has passed the short margin penalty to the clients pertaining to Upfront margin. The details of the same are as below;

i. Instances where penalty on account of short collection of upfront margins passed on to the clients:

1) CM - 1 client, 1 instance, amounting to Rs 1,860.55
2) FO - 13 clients, 13 instances, amounting to Rs 1,09,797.10
3) CDS - 6 clients, 6 instances, amounting to Rs 9,195.12

ii. Instances where penalty on account of short collection of upfront margins passed on to the clients after October 11, 2021, and has not been reversed by Prithvi:

1) CM - 21 clients, 21 instances amounting to Rs 1,40,283.99

2) FO - 15 clients, 15 instances amounting to Rs 1,51,856.09
3) CDS - 18 clients, 18 instances amounting to Rs 14,680.22

b. In reply to the LoF, Prithvi submitted as under:

Prithvi has reversed the penalties passed on to the clients.

c. The Committee finds as under:

i. Prithvi contended that it has reversed the penalties passed on to the clients is not acceptable in absence of any supporting documents such has clients ledgers, Bank statements Thus, the violation will persist.

ii. As per the Exchange circular no. NSE/INSP/45191 dated July 31, 2020, and Exchange circular no. NSE/INSP/49929 dated October 12, 2021, regarding Guidelines/clarifications on Margin collection & reporting, it is prescribed that, Members cannot pass on the penalty with respect to short collection of upfront margins to client under any circumstances.

d. Given the findings mentioned above, the Committee decided to warn Prithvi to ensure non-recurrence of the observed violation and direct Prithvi to return the penalty collected on account of short collection of upfront margins to the clients within 15 days from the date of this order and provide evidence to the Exchange.

7.5 **Incorrect data uploaded towards Holding statement on a weekly basis**

a. Upon verification of weekly submission of holding statement, register of securities and Demat holding statements, it is observed that, Prithvi has uploaded incorrect data towards weekly holding statement in the case of 15 instances involving an amount of Rs. 2.61 crores as on June 30, 2022, July 30, 2022, August 31, 2022, September 30, 2022, and November 11, 2022.

b. In reply to the LoF, Prithvi submitted as under:

i. 12 instances involving an amount of Rs. 2.58 crores

There have been minor mismatches in the holding quantities reported to the Exchange due to a technical error in their back-office software. Further, Prithvi escalated this issue with the vendor and subsequently the same has been resolved. These mismatches belong to SLBM segment, and the system does not allow direct payin to NSDL Payin account from

CDSL Client POA account. Hence, they have faced this technical difficulty which has been resolved.

ii. 3 instances involving an amount of Rs.0.03 crores

Due to system error, the old ISIN was reflecting in the holding file. The said error has been rectified by the vendor.

c. The Committee finds as under:

i. Prithvi has accepted the inspection observation and attributed the incorrect uploading of weekly holding statement to the system / technical errors and claimed to have resolved the same. Hence, the violation will persist.

ii. Exchange Circular No. NSE/INSP/39393, dated November 13, 2018, requires the Trading Members to upload day-wise Holding Statement in the specified standard format every week.

iii. Exchange Circular No. NSE/INSP/46960 dated January 8, 2021, provides certain additional clarifications in the revised format of the holding statement and further reiterates that the Members are required to submit the data for all calendar days of the week except Sunday on or before the next four trading days of subsequent week.

iv. The Exchange monitors the details submitted by the Trading Members as a part of its regulatory supervision, and any incorrect submission, therefore, defeats the purpose of regulation. Any incorrect reporting for reasons whatsoever is neither permissible nor acceptable. Hence, the Trading Members must verify the data before submission to the Exchange.

d. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.1,00,000/- for the observed violation in terms of Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

7.6 **Incorrect data reported towards weekly monitoring of clients' funds**

a. Upon verification of the data submitted by Prithvi for weekly monitoring of clients' funds under the Enhanced Supervision of Stockbrokers as of June 18, 2021, December 10, 2021, March 25, 2022, November 18, 2022, and November 25, 2022, vis-à-vis the client bank account balances, collateral deposited with Clearing Corporation/Clearing Member, credit and debit

balances of clients, own collateral, pro-obligations, and free collaterals lying with Clearing Corporation/Clearing Member, it is observed that Prithvi submitted incorrect data to the Exchange in case of the following 6 areas.

Table 1: Incorrect reporting of data as of June 18, 2021

Particulars	As computed by the Exchange	As reported by Prithvi (Rs.)	Difference
Collateral deposited with exchanges in form of Cash and Cash Equivalents (In Rs.)	49,626,000.00	52,626,000.00	-3,000,000.00
Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	1,338,458,027.11	1,333,208,027.11	5,250,000.00
Total Credit Balance of all clients (In Rs.)	1,317,725,243.09	1,318,797,622.34	-1,072,379.25
Total debit balance of all clients (In Rs.)	79,642,192.10	79,341,877.59	300,314.51
Margin utilized for positions of Credit Balance Clients (In Rs.)	849,885,197.12	849,951,197.74	-66,000.62
Free/unblocked Collateral deposited with Clearing corporation (In Rs.)	100,614,037.99	67,135,925.50	33,478,112.49
Free/unblocked Collateral deposited with Clearing Member (In Rs.)	1,011,447,597.78	966,925,765.71	44,521,832.07

Table 2: Incorrect reporting of data as of December 10, 2021

Particulars	As computed by the Exchange	As reported by Prithvi (Rs.)	Difference
Collateral deposited with exchanges in form of Cash and Cash Equivalents (In Rs.)	7,43,75,000.00	7,73,75,000.00	-30,00,000.00
Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	1,26,79,67,102.00	1,26,27,17,102.00	52,50,000.00
Total Credit Balance of all clients (In Rs.)	1,15,18,64,904.41	1,15,18,64,718.00	186.41
Total debit balance of all clients (In Rs.)	4,42,49,607.77	4,42,49,018.00	589.77
Margin utilized for positions of Credit Balance Clients (In Rs.)	81,01,43,975.02	80,99,63,025.00	1,80,950.02
Free/unblocked Collateral deposited with Clearing corporation (In Rs.)	9,92,35,203.72	9,27,20,814.00	65,14,389.72
Free/unblocked Collateral deposited with Clearing Member (In Rs.)	95,42,33,130.39	95,08,30,890.00	34,02,240.39

Table 3: Incorrect reporting of data as of March 25, 2022

Particulars	As computed by the Exchange	As reported by Prithvi (Rs.)	Difference
Collateral deposited with exchanges in form of Cash and Cash Equivalents (In Rs.)	7,28,75,000.00	7,58,75,000.00	-30,00,000.00
Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	98,82,12,326.04	98,51,76,326.00	30,36,000.04
Total Credit Balance of all clients (In Rs.)	92,58,96,721.02	92,58,96,531.00	190.02
Margin utilized for positions of Credit Balance Clients (In Rs.)	47,16,11,425.87	45,09,56,548.00	2,06,54,877.87
Free/unblocked Collateral deposited with Clearing corporation (In Rs.)	10,58,87,630.99	9,16,94,777.00	1,41,92,853.99

Table 4: Incorrect reporting of data as of November 18, 2022

Particulars	As computed by the Exchange	As reported by Prithvi (Rs.)	Difference
Collateral deposited with exchanges in form of Cash and Cash Equivalents (In Rs.)	14,83,75,000.00	14,33,75,000.00	50,00,000.00
Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	98,36,21,908.99	98,20,71,909.00	15,49,999.99
Proprietary margin Obligation (In Rs.)	25,94,473.87	-	25,94,473.87
Margin utilized for positions of Credit Balance Clients (In Rs.)	37,13,83,168.71	39,45,88,090.00	-2,32,04,921.29
Free/unblocked Collateral deposited with Clearing corporation (In Rs.)	19,33,53,659.83	19,25,02,154.00	8,51,505.83

Table 5: Incorrect reporting of data as of November 25, 2022

Particulars	As computed by the Exchange	As reported by Prithvi (Rs.)	Difference
Collateral deposited with exchanges in form of Cash and Cash Equivalents (In Rs.)	14,01,96,000.00	13,51,96,000.00	50,00,000.00
Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	95,71,47,027.38	95,55,97,027.00	15,50,000.38
Proprietary margin Obligation (In Rs.)	12,72,800.14	-	12,72,800.14
Margin utilized for positions of Credit Balance Clients (In Rs.)	41,21,96,197.06	40,44,83,356.00	77,12,841.06

b. In reply to the LoF, Prithvi submitted as under:

i. Collateral deposited with Exchanges in form of Cash and Cash Equivalents: MSEI Segment is inactive and Prithvi has not done any trade in this segment. Further, Prithvi was not aware that BMC of MSEI should not be considered for the Enhanced working.

ii. Collateral deposited with clearing member in form of Cash and Cash Equivalents: Prithvi was not aware that IFSD amount has to be considered for Enhanced Calculation. NSEFO, CD, and MCX Segment IFSD amount is not considered for Enhanced working.

iii. Proprietary margin Obligation: By mistake, Prithvi had not considered the proprietary Margin for Enhanced calculation.

iv. Margin utilized for positions of Credit Balance Clients: M2M Margin of MCX was not considered and difference in repledge value.

v. Free/unblocked Collateral deposited with Clearing corporation: Prithvi has considered C_MG01 Exchange available balance, SLBM amount, MSEI BMC. However, CC02 file was not considered.

vi. Free/unblocked Collateral deposited with Clearing Member: As per practice for commodity segment (MCX and NCDEX) total cash collateral - Total Margin= Free Collateral and the Exchange has considered column of Excess shortfall.

vii. Total Credit Balance of all clients: For June 18, 2021, the Exchange has not considered the ledger balance of 1,53,987.04 of Client code 708028. The Ledger amount of Client code 999D0030 is Rs.9,00,892.21. The said client has a debit balance of Rs.(-ve) 2,99,107.79 as on June 18, 2021. The said client is also having FD of Rs 12,00,000/- which is reflecting in Trial balance and hence, the client has a credit balance of Rs.9,00,892.21. For remaining dates, the client's account was closed (client shifted from Individual to NRI) as on March 5, 2022, due to which Prithvi was not able to settle the account and therefore, they had transferred the amount of Rs. 186.82 to Escrow account.

viii. Total debit balance of all clients: For June 18, 2021, the Exchange has considered debit balance of Client code 999D0030 as per trial balance. However, the client has a credit balance of Rs.9,00,892.21. For remaining dates, the account was opened with wrong client code 668007. The amount of Rs. 589.77 was transferred to authorised person in January 2023.

c. The Committee finds as under:

i. Collateral deposited with Exchanges in form of Cash and Cash Equivalents: Prithvi contended that MSEI Segment is inactive, and they have not done any trade in this segment. Prithvi further contended that they were not aware that BMC of MSEI should not be considered for the Enhanced working. It is to be noted that base minimum capital is not considered to Enhanced Supervision Submissions, as the same is blocked towards deposit amount and no exposure on the same is granted. Hence, the violation will persist.

ii. Collateral deposited with clearing member in form of Cash and Cash Equivalents: Prithvi agreed that IFSD amount was not considered for Enhanced Supervision Submissions while reporting data to Exchange. Hence, the violation will persist.

iii. Proprietary margin Obligation: Prithvi contended that, mistakenly, they had not considered the proprietary margin for Enhanced Supervision Submissions. Hence, the violation will persist.

iv. Margin utilized for positions of Credit Balance Clients: Prithvi claimed that that M2M Margin of MCX was not considered and difference in repledge value. However, Prithvi has not provided any supporting document such as collateral files, repledge files etc. to verify its claim Hence, the violation will persist.

v. Free/unblocked Collateral deposited with Clearing corporation: Although Prithvi has claimed that they considered free collaterals as per C_MG01 file, on verification of the said file it was observed that Prithvi has considered incorrect figures. Also, BMC with MSEI cannot be considered as free collateral as taken by Prithvi. Hence, the violation will persist.

vi. Free/unblocked Collateral deposited with Clearing Member: Prithvi claimed that they considered free collateral after deducting total margin from total cash collateral. However, the Exchange has considered excess/shortfall figure reflected in clearing member report. In this regard, Prithvi should consider the figure representing total collaterals adjusted with total margin including additional margin as per RMS in daily margin statement provided by clearing member as free collaterals instead of considering free collateral after deducting total margin from total cash collateral. Hence, the violation will persist.

vii. Total debit balance of all clients and total credit balance of all clients: Prithvi has attributed the mismatches to adjustments pertaining to fixed

deposit, amount payable to inactive clients not considered, amounts payable to AP However, no supporting for fixed deposit were provided. In absence of any relevant supporting the violation will persist.

viii. As per Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, the Stock Exchanges have put in place a mechanism for monitoring clients' funds lying with the stockbroker to generate alerts on any misuse of clients' funds by stockbrokers. The Trading Members should verify the data before submission to the Exchange. Thus, Prithvi violated the regulatory provisions mentioned above by reporting incorrect data for weekly monitoring of clients' funds to the Exchange.

ix. The Exchange monitors the data submitted by the Trading Members as a part of its regulatory supervision, and any incorrect submission, therefore, defeats the purpose of regulation. As such, any incorrect reporting for reasons whatsoever is neither permissible nor acceptable. Hence, the Trading Members must ensure that the data is verified before submission to the Exchange.

d. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.1,00,000/- for the observed violation in terms of Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

7.7 **Incorrect data submitted towards Risk Based Supervision**

a. Upon verification of trial balance, Prithvi's submission and register of securities, it is observed that Prithvi has reported incorrect data towards Risk based supervision submission as per the following details:

i. As on March 31, 2022

In the case of the following 4 areas for period ended March 31, 2022, amounting to Rs. 250.97 crores:

1. Value of collaterals from the debit balance clients
2. Brokerage Income
3. Details of loans
4. Details of Associates

ii. As on September 30, 2022

In the case of total funds available in the Bank (all Client Bank Accounts, including the Settlement Account)/ with Clearing Member/ clearing corporations for the Period from April to September 2022 amounting to Rs. 104.28 crores.

b. In reply to the LoF, Prithvi submitted as under:

As on March 31, 2022

i. Value of collaterals from the debit balance clients: Prithvi had considered only CUSA and TM/CM Pledge Account and they had not considered pool account.

ii. Brokerage Income: The Exchange has considered the brokerage amount from balance sheet and the data submitted in RBS was obtained from Unaudited balance sheet.

iii. Details of loans: The loan is not given to the Director. Prithvi has provided working sheet for reference.

iv. Details of Associates: Prithvi had reported Prithvi Broking Pvt Ltd as their associate company during RBS Submission for September 2021 and March 2021 along with their previous submission. However, by mistake, it has not reported the same in March 2022.

As on September 30, 2022

v. Prithvi had not considered amount with clearing member and clearing corporation while reporting the data to the Exchange.

c. The Committee finds as under:

As on March 31, 2022

i. Value of collaterals from the debit balance clients: Prithvi accepted inspection violation and attributed incorrect data submission due to non-consideration of value of securities lying in pool account. Hence, the violation will persist.

ii. Brokerage Income: Prithvi contended that the Exchange has considered the brokerage amount from balance sheet and the data submitted in RBS was obtained from Unaudited balance sheet. However, Prithvi has not provided any supporting document to substantiate its claims. Hence, the violation will persist.

iii. Details of loans: Prithvi claimed that the loan is not given to director. Member has provided working sheet for reference. On perusal of said working it was observed that bifurcation provided by Prithvi is not matching with details submitted. Hence, the said claim is not tenable.

iv. Details of Associates: Prithvi accepted the inspection observation and attributed the same to inadvertent omission. Hence, the violation will persist.

As on September 30, 2022

v. Prithvi contended that it had not considered Clearing Member and Clearing Corporation amount while reporting. As per the Exchange circular no. NSE/INSP/51970 dated April 8, 2022, it is stated that total funds available in Bank should include Aggregate of fund balances available in all Client Bank Accounts, including the Settlement Account and Funds available with Clearing Member / Clearing Corporation (For all Exchanges). Hence, the violation will persist.

vi. Prithvi has therefore violated the regulatory provisions of the Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, and Exchange circular no. NSE/INSP/51970 dated April 8, 2022, by submitting incorrect data towards risk based supervision.

vii. The Exchange monitors the data submitted by the Trading Members as a part of its regulatory supervision, and any incorrect submission, therefore, defeats the purpose of regulation. As such, any incorrect reporting for reasons whatsoever is neither permissible nor acceptable. Hence, the Trading Members must ensure that the data is verified before submission to the Exchange.

d. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.10,000/- for the observed violation in terms of Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

7.8 **Website/Disclosure Requirements, Investor Charter**

a. Upon verification of Prithvi's website, the following non-compliances were observed:

i. Prithvi has not disclosed the number of complaints received against it for the month of December 2022.

ii. Prithvi has not uploaded correct details of complaints score on its website.

b. In reply to the LoF, Prithvi submitted as under:

Prithvi has been regularly updating the compliant details month-wise. However, in the month of December, Prithvi missed to update the data on its website on or before the due date and the same was updated on January 23, 2023. Further, in the month of December no complaints were registered.

c. The Committee finds as under:

i. Prithvi accepted inspection violation and attributed the non-disclosure of the number of complaints because Prithvi skipped to update data on the website on or before the due date. Thus, the violation persists.

ii. As per SEBI Circular no. SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021, with respect to Publishing Investor Charter and disclosure of Investor Complaints by Stock Brokers on their websites, it is stated as under:

"Additionally, in order to bring about transparency in the Investor Grievance Redressal Mechanism, it has been decided that all the Stock Brokers shall disclose on their respective websites, the data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month."

Since Prithvi has not disclosed the details within the prescribed timeline, the violation will persist.

iii. Also, Prithvi has not provided any response with respect to incorrect details of complaints score uploaded on their website. Hence, the violation will persist.

iv. In terms of the Exchange circular no. NSE/ISC/50597 dated December 14, 2021, the Members are required to notify the clients about the investor charter by uploading the same on their websites. Further, Members should also disclose the data regarding complaints on their website. Therefore, Prithvi has violated the mentioned regulatory provisions by not updating the said documents / details on its website.

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

DECISION

8. In view of the above, the Committee levied the following penalties as indicated against each of the violations:

Sr. No.	Committee's Findings	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 02, 2022	Penalty Levied
a.	Prithvi has sent retention statements to the clients which contain material discrepancies in case of 4 instances	Rs. 15,000/-	Rs. 15,000/-
b.	Prithvi has not sent an intimation including the details about the transfer of funds to clients by SMS & email at the time of running account settlement of funds	No Prescribed Penalty	Warning
c.	Prithvi has not settled funds and securities of active as well as inactive clients	Advice	Advice
d.	Prithvi has passed penalty to clients on account of short/non-collection of upfront margins	No prescribed penalty	Warning + Direction to return the penalty collected on account of short collection of upfront margins to the clients within 15 days from the date of this order and provide evidence to the Exchange
e.	Prithvi has reported incorrect data towards weekly holding statement in case of 15 instances involving an amount of Rs. 2.61 crores.	Rs.1,00,000/-	Rs.1,00,000/-
f.	Prithvi has reported incorrect data towards weekly monitoring of clients' funds in case of 5 areas as on June 18, 2021, December 10, 2021, March 25, 2022, November 18, 2022, November 25, 2022, amount ranging from Rs. -2.32	Rs.1,00,000/-	Rs.1,00,000/-

	Crores to Rs. 4.45 crores.		
g.	Prithvi has reported incorrect data towards Risk Based Supervision submission	Rs. 10,000/-	Rs. 10,000/-
h.	Prithvi has not disclosed the number of complaints received against it for the month of December 2022 and also incorrect details of complaints score uploaded on their website.	No prescribed penalty	Warning
Total			**Rs. 2,25,000/-**

9. Prithvi is directed to pay a monetary penalty of Rs.2,25,000/- (Rupees Two Lakhs, Twenty-Five Thousand only).

10. Prithvi is further directed to return the penalty collected on account of short collection of upfront margins to the clients within 15 days from the date of this order and provide compliance certificate to the Exchange.

11. Prithvi shall note the non-monetary penalties mentioned above and ensure non-recurrence of the observed violations.

12. Prithvi shall submit a certificate duly certified by a Chartered Accountant within 15 days from the date of this order certifying the compliance of the aforesaid directions of the Committee. Failure to submit the said certificate within prescribed timeline shall be construed as non-compliance and appropriate disciplinary proceedings for non-adherence to the directions of the Committee shall be independently initiated.

Sd/-
Mona Bhide
(Chairperson)

Sd/-
K Narasimha Murthy
(Committee Member)

Sd/-
S Ravindran
(Committee Member)

Sd/-
Ranganayakulu Jagarlamudi
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: May 26, 2023

ANNEXURE 2

You are advised to pay/deposit the penalty amount along with applicable GST in your Exchange Dues Account as and when Bill for the same is raised by the Exchange.

1. In case of late payment, interest @18% p.a. calculated on a daily basis will be levied from the due date for the delayed period i.e., till the date of payment. Late payment may also attract withdrawal of trading facility pursuant to Circular no. NSE/F&A/2571 dated May 29, 2001.

2. In addition to the mentioned penalty amount, tax @ 18% under Section 15 of Central Goods and Services Tax Act, 2017 will be levied on the penalty amount as well as on the interest in case of late payment.