Before the
Member Committee ("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
held on May 23, 2025

In the matter of Trading Member – Profitmart Securities Private Limited

CORAM

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

ALSO PRESENT

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

BACKGROUND

1. **Profitmart Securities Private Limited ("Noticee"/"Profitmart")** is a Trading Member registered with the National Stock Exchange of India Limited **("NSEIL"/"Exchange")** enabled for trading in the Capital Market ("**CM**") segment and Futures and Options ("**F&O**") segments since June 2012, Currency Derivatives ("**CD**") segment since February 2013, and Commodities Derivatives ("**COM**") segment since March 2024.

1. The Exchange conducted a Limited-Purpose Inspection **("LPI")** of the books and records of the Noticee in the month of September 2024, to November 2024, covering the period from December 01, 2021, to March 31, 2023 ("**Inspection period**"). The Exchange observed non-compliances with the regulatory provisions observed during the inspection. Accordingly, the Exchange issued a Letter of Observation **("LO")** dated December 3, 2024, to the Noticee for the observed violations. The Noticee replied to

the LO on December 12, 2024. The matter was placed before MC and after hearing the parties, the MC has passed the following:

INSPECTION OBSERVATION

2. The inspection observations alleged in the LO are summarized hereunder: -

2.1. Failure to comply with code of conduct for stockbrokers

2.2. Non-maintenance of pre-order confirmation for the trades

REGULATORY PROVISIONS

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

3.1. **Failure to comply with the code of conduct for stockbrokers**

a. Regulation 9 (b) of Securities and Exchange Board of India (Stockbrokers) Regulations, 1992

Conditions of registration

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely-

(b) he shall abide by the rules, regulations and byelaws of the stock exchange which are applicable to him.

…….

b. Securities and Exchange Board of India (Stockbrokers) Regulations, 1992

SCHEDULE II

CODE OF CONDUCT FOR STOCK BROKERS [Regulation 9]

B. Duty to the Investor

(4) Business and Commission:

(a) A stock-broker shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission.

(b) A stock-broker shall not furnish false or misleading quotations or give any other false or misleading advice or information to the clients with a view of inducing him to do business in particular securities and enabling himself to earn brokerage or commission thereby.

c. Exchange circular No. NSE/INSP/51770 dated March 25, 2022

Unauthorised Market Practices by Trading Members

Client shall not be subjected to any kind of trade inducement (including generating trade calls through the Interactive Voice Response (IVR) system) and shall ensure that all instructions for placement of orders are obtained from the respective client only.

d. Exchange circular No. NSE/INSP/52900 dated July 06, 2022

Precautions for clients dealing in Options
Members are hereby advised to carry out due diligence to ensure that evidence of financial information / income details reflecting the satisfactory financial position of the client are collected before onboarding the clients for trading in derivatives.

3.2. **Non-maintenance of pre-order confirmation for the trades**

a. Regulations 3.2.1 of NSEIL Regulations (CM segment) and 3.4.1 of NSEIL Regulations (F&O segment)

Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the NEAT 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 telephone, Members shall mandatorily use telephone

recording system to record the instructions and maintain telephone recordings as part of its records.

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

Circular on Prevention of Unauthorised Trading by Stock Brokers

III. *To further strengthen regulatory provisions against un-authorized trades and also to harmonise 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 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 disputed trade, etc. shall also be considered.

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

MC MEETING dated May 23, 2025

The Committee was apprised of the facts and circumstances along with the evidence for the above-mentioned observations against the Noticee in the meeting .

CONSIDERATION AND FINDINGS

4. The observations/violations in the LO, reply of the Noticee and the findings of the Committee are as under: -

4.1. **Noticee failed to comply with the code of conduct for stockbrokers**

4.1.1. Upon verification of the call recordings pertaining to the Client-Mr. Munshi Singh, as provided by the Noticee, it was observed that the Noticee through its Relationship Manager had induced the client [UCC ("**Unique Client Code**"): 52010095] through calls to execute trades solely for the purpose of generating brokerage in 46 instances during Inspection period. No pre-order call was found where the client was initiating trades himself.

4.1.2. In reply to LO, the Noticee submitted as under: -

a. The allegation pertains to a single Client i.e., Mr. Munshi Singh (UCC: 52010095), out of total 2.4 lakhs clients of the Noticee across the country and 11,000 clients in Delhi region.

b. The Noticee has an ongoing sub-judice dispute with said Client on the said subject matter and the competent arbitral tribunal (under the ODR system of the Exchange) shall adjudicate the matter on merits. Further, there is no need to initiate a separate proceeding (by way of the captioned LO) on the said matter.

c. The observation in the LO is based on technical and venial grounds which ought not warrant such harsh allegation of "inducement" of client by Noticee.

d. All impugned trades were executed with the explicit consent of the Client. Hence, no question of inducement. Further, few of the trades were self-initiated by the Client via online trading, showing his active involvement in trading. This demonstrates that trades were Suo-moto and there was no inducement by Noticee.

e. The Client has discussed trading activities with Noticee's Relationship manager. Also, whenever there has been a significant MTM (Mark-to-Market) loss or profit, Noticee's team has promptly informed the Client, which demonstrates that the Client was fully aware of his trading

activities. Further, not even a single query or complaint was raised by the Client regarding the trading activities at the relevant time of trading.

f. The regulatory provision that has been mentioned in LO has no application to the facts of this case. For instance, Regulation 9 B 4 (a) of stock-brokers regulation does not appear in the statue books. Also, NSE Circular dated March 25, 2022, pertains to incentives, referral schemes, advertisements, inactive accounts, and client registration documents and NSE Circular dated July 06, 2022 pertains to trading preference of client. Thereby, the aforesaid provisions do not have any applicability to the facts of the present case.

g. With respect to inducement of client for brokerage charges, the Noticee submitted that the Noticee charges brokerage as per the regulatory approval norms and standards which is informed to client by way of tariff sheet and is confirmed by client at the time of account opening. Further, the overall brokerage earned in Client's account was mere 3.38 lakhs, which was not even 0.01% of the Noticee's brokerage during relevant period.

h. The Noticee claimed to have demonstrated the robustness of its system and internal controls to the inspection team during the course of onsite inspection. Hence, the Noticee submitted that no further action or penalty is warranted in the facts of present case.

4.1.3. The Committee finds as below: -

a. The Noticee contended that all the impugned trades were executed with the explicit consent of the Client and no question of inducement. Further, the Noticee promptly informed about the profit and loss and no query or complaint was raised by the Client at the relevant time of trading. The Noticee's contention is not acceptable as the Noticee failed to provide pre-order call recordings in most cases, especially for the trades carried out in CD segment. Further, upon perusal of call recordings, it was observed that the Noticee's dealers has informed the Client that the trades were executed in the Client's account based on discussion with the Noticee's relationship manager assigned to the Client.

b. As per Exchange circular No. NSE/INSP/51770 dated March 25, 2022, "…*Client shall not be subjected to any kind of trade inducement (including generating trade calls through the Interactive Voice Response (IVR) system) and shall ensure that all instructions for placement of orders are obtained from the respective client only*...". Thus, it appears that the Noticee induced the client to place trades solely for the purpose of generating brokerage.

c. The Noticee further contended that few trades were self-initiated by the Client. However, upon verification of trade data, it was observed that all trades of Client were non-IBT (Internet Base Trading) trades.

   Thus, by inducing the client to trade via its relationship manager and not providing pre-order confirmation of trades the Noticee has violated the Exchange circular No. NSE/INSP/51770, which prohibits the inducement of trades and obligates the members to keep pre-order evidence of placement of order by the Clients. Further, by inducing the client to trade for the purpose generating more brokerage, the Noticee has violated Schedule II, Code of Conduct for Stock Brokers, Securities and Exchange Board of India (Stockbrokers) Regulations, 1992.

d. The Committee noted that vide order dated August 11, 2022, the Committee prohibited the Noticee from onboarding new Clients, registering new Authorized Persons and also directed to conduct a concurrent audit and submit root cause analysis for failing to detect such a major violation of Regulation and Circulars and submit a report indicating the corrective action that has been taken by the Noticee in strengthening the inspection process of the Authorised Persons.

4.1.4. Considering that the Noticee has undertaken significant steps to strengthen its internal systems post committee's order dated October 13, 2022, which directed the Noticee to strengthen its internal processes and the violation pertains to the period prior to the corrective measures taken by the Noticee, the Committee decided to warn the Noticee to ensure non- recurrence of the observed violation.

4.2. **<u>Non-maintenance of pre-order confirmation for the trades</u>**

4.2.1. Upon verification of proof of pre-order confirmation pertaining to the Client, the Exchange observed that of the Noticee failed to maintain pre-order placement proofs properly.

4.2.2. In reply to LO, the Noticee submitted as below: -

a. The Client has placed significant amount of trade orders through IBT (Internet based trading) and for some offline trades, the Noticee could retrieve a few call recordings wherein the Client has consented the trades.

b. Few recordings for the one client could not be produced during inspection due to unforeseen IT hardware failure and software crash, which rendered certain pre-trade recordings unavailable. The Noticee has written to the software vendor, however, the recording could not be retrieved from vendor's end.

c. The Client was always kept abreast of trades in his account in the following ways:

i. Daily Contract Notes and Margin statements to Client's email-id i.e. munshisingh1961@gmail.com and SMS notifications to client's mobile number: 9650994973

ii. Noticee has strengthened the centralised call recording system ensuring that all communications to be recorded in a centralised database by introducing initiatives such as pre-trade call recording and post-trade confirmation.

iii. As a part of risk management practices, MTM **("Mark-to-Market")** calls for the clients whose profit or loss reached a certain threshold to ensure that clients are fully aware of their trades.

4.2.3. The Committee finds as under: -

a. The Noticee denied the observation and submitted online IBT trades logs and retrieved phone calls to support its claim. However, Noticee failed to provide pre-order confirmation of trades due to IT hardware failure and software crash. Further, upon verification of call recordings,

it was observed that the calls were mainly of MTM loss/profit intimation to clients/clients inquiring about its account balance only. Hence, the Noticee's contention is not acceptable, and the violation persists.

b. As per SEBI circular No. SEBI/HO/ MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 (Exchange circular No. NSE/INSP/37301 dated March 26, 2018), "…*To further strengthen regulatory provisions against un-authorized trades and also to harmonise 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 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 disputed trade, etc. shall also be considered.…',*

c. Thus, by failing to keep appropriate evidences in respect of the order placed by the client, the Noticee violated Regulations 3.2.1 of NSEIL Regulations (CM segment) and 3.4.1 of NSEIL Regulations (F&O segment) and SEBI circular No. SEBI/HO/ MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 (Exchange circular No. NSE/INSP/37301 dated March 26, 2018).

4.2.4. Given the findings mentioned above and as per Serial No. 63 of Part B of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022 read with Exchange circular No. NSE/INSP/73792 dated April 17, 2026 the Committee decided to levy a monetary penalty of Rs. 25,000/- on the Noticee for the observed violation.

DECISION

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

Sr. no.	Committee's Findings based on Noticee's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange circular No. NSE/INSP/73792 dated April 17, 2026	Penalty Levied
a.	Noticee failed to comply with code of conduct of stockbrokers.	No prescribed penalty.	Warning (Considering that the Member has undertaken significant steps to strengthen its internal systems post 2022 and the matter pertains to the period prior to these corrective measures taken by the Member)
b.	Non-maintenance of pre-order confirmation for the trades.	Rs. 25,000/-	Rs. 25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication.
TOTAL			**Rs. 25,000/- + Directions**

6. The Committee directed the Noticee as under:

   a. To warn the Noticee and ensure non-recurrence of the observed violation.

b. To pay a monetary penalty of Rs. 25,000/- (Rupees Twenty five thousand only) and the Noticee is further directed to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication.

7. The Noticee is directed to note the non-monetary penalty as indicated against the violation.

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

Date: May 22, 2026