Before the
Member Committee
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Mumbai – 400051
held on February 24, 2026

In the matter of the Review Request of Member Committee ("MC"/ "Member Committee"/ "Committee") order dated September 09, 2025, with respect to Show Cause Notice ref: NSE/INVG/2024/137515 dated September 17, 2024, placed by Trading Member Fortune Capital Services Private Limited (Now Flattrade Broking Private Limited)

CORAM:

Shri. Srinivas Injeti	- Chairperson
Justice (Retd.) Smt. Abhilasha Kumari	- Committee Member
Shri. Ashishkumar Chauhan	- Committee Member
Shri. Vijai Pratap Singh	- 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

BACKGROUND

1. **Fortune Capital Services Private Limited ("Fortune")** bearing SEBI Registration No. INZ000201438, is a registered Trading Member of the National Stock Exchange of India Limited **("NSEIL"/ "Exchange")** and is enabled for trading in the Capital Market **("CM")** and Futures and Options **("F&O")** segments since August 2012.

2. During the monitoring of trading activity in the Equity Derivative Segment in September 2023, the Exchange observed that both buy and sell orders for certain transactions in the Equity Index Put Options contracts, executed by Fortune's Clients Senthilkumar Krishnan ("SK") and Thaher Hussain Javith Hussain ("THJH"), were reversed with the same counterparties ("the Impugned Transactions"). A Show Cause Notice was sent to

Fortune, vide Exchange Letter ref. NSE/INVG/2024/137515 dated September 17, 2024 ("SCN").

3. A penalty of Rs 12,83,465/- (Rupees Twelve Lakhs Eighty-Three Thousand Four Hundred and Sixty-Five only) (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) was levied on Fortune by the MC vide its order dated September 09, 2025 ("MC Order"),

4. The details of Impugned Transactions on which penalty has been levied are as under:

Instance	Trade Date	Contract / Scrip	Buy Client	Sell Client	Trade price (Rs.)	Trade quantity	Square off Difference (SOD) / Positive (P)/ Negative (N) (Rs. in Lakhs)	Perc to Market Gross on the day in the scrip/ contract	Reversal %
1	Sept 07, 2023	A	SK	THJH	0.05	18300	SK – SOD – P - 0.10 THJH – SOD – N - 0.10	100	100
1	Sept 07, 2023	A	THJH	SK	0.60	18300			
2	Sept 05, 2023/ Sept 07, 2023	B	SK	THJH	0.18	18900	SK – SOD – P - 0.17 THJH – SOD – N - 0.17	50 - 64.29	77.78
2	Sept 05, 2023/ Sept 07 2023	B	THJH	SK	1.07	24300			
3	Sept 20 2023	C	SK	THJH	0.09	180000	SK – SOD – P - 1.73 THJH – SOD – N - 1.73	16.39 - 54.60	56.82
3	Sept 18, 2023/ Sept 20, 2023/ Sept 21 2023	C	THJH	SK	1.05	316800			

Instance	Trade Date	Contract / Scrip	Buy Client	Sell Client	Trade price (Rs.)	Trade quantity	Square off Difference (SOD) / Positive (P)/ Negative (N) (Rs. in Lakhs)	Perc to Market Gross on the day in the scrip/ contract	Reversal %
4	Sept 21, 2023/ Sept 22 2023	D	SK	THJH	0.33	194400	SK – SOD – P - 3.42 THJH – SOD – N - 3.42	68.75 – 95.24	100
4	Sept 21, 2023/ Sept 22 2023	D	THJH	SK	2.09	194400			
5	Sept 21, 2023/ Sept 22 2023	E	SK	THJH	0.23	82800	SK – SOD – P - 1.00 THJH – SOD – N - 1.00	31.40 - 44.68	50
5	Sept 21, 2023/ Sept 22 2023	E	THJH	SK	1.44	165600			

(Contract "A" - Put Option Equity Stock Derivative Contracts with underlying stock GAIL with strike price 102 and expiry date 2023-09-28)
(Contract "B" - Put Option Equity Stock Derivative Contracts with underlying stock POWERGRID with strike price 215 and expiry date 2023-09-28)
(Contract "C" - Put Option Equity Stock Derivative Contracts with underlying stock POWERGRID with strike price 175 and expiry date 2023-09-28)
(Contract "D" - Put Option Equity Stock Derivative Contracts with underlying stock POWERGRID with strike price 175 and expiry date 2023-10-26)
(Contract "E" - Put Option Equity Stock Derivative Contracts with underlying stock EXIDEIND with strike price 240 and expiry date 2023-09-28)

5. **Observations, considerations & findings of the Committee as mentioned in the MC Order dated September 09, 2025**

5.1. Fortune was the Trading Member on both sides of the Impugned Transactions, and the transactions were reversed with the same counterparties.

5.2. Fortune's clients, Senthilkumar Krishnan, made a positive close out difference of Rs. 6,41,732.73/- in the mentioned trades across 5 contracts consistently, and Thaher Hussain Javith Hussain made a negative close out difference of Rs 6,41,732.73/-.

5.3. The traded quantity in the Impugned Transactions ranged from 16.39% to 100% of the market traded quantity of the contract on the reversal days.

5.4. The reversal percentage of the traded quantity in the first and second leg ranged from 50% to 100%, with three out of the five contracts exceeding 75%.

5.5. The orders of the Impugned Transactions were placed through IBT / STWT terminal.

5.6. Further, the Committee noted that, the average traded volume of the contract on reversal days as a percentage of the maximum traded volume in the preceding 5 days were as follows:

Instance	**Contract Name**	**Volume on days when Impugned transactions were executed as a % of Maximum Traded Value in the preceding 5 days**
1.	GAIL_102_PE_2023-09-28	200%
2.	POWERGRID_215_PE_2023-09-28	266.70%
3.	POWERGRID_175_PE_2023-09-28	Nil trades in preceding 5 days
4.	POWERGRID_175_PE_2023-10-26	Nil trades in preceding 5 days
5.	EXIDEIND_240_PE_2023-09-28	42.07%

5.7. Thus, the Committee observed that the increase in volume of the contracts as mentioned above resulted from the Impugned Transactions.

5.8. The Committee observed that the Impugned Transactions were executed by Fortune's clients which were matched and reversed with the same counterparty across various contracts between September 05, 2023, to September 22, 2023, across 6 trading days, with one client always making positive square off difference and other client always making negative square off difference.

5.9. The Committee further noted that with regard to the Impugned Transactions, Fortune requested for client's rationale involved in the reversal transactions. Upon receiving the rationale from both clients, Fortune found it unsatisfactory and proceeded to freeze their accounts. However, after one month of freezing the accounts, Fortune's clients informed Fortune that the trades had been executed unexpectedly and requested to unfreeze the account. Fortune proceeded to unfreeze the accounts, on the ground that there was no communication from the Exchange directing the freezing or unfreezing of the accounts. Further, the Committee noted that the action taken by Fortune occurred after the issuance of alerts by the Exchange.

Further, the Committee noted that as per NSE Circular No. NSE/SURV/48818 dated July 01, 2021, with respect to surveillance obligations of the Trading Members, Fortune is obligated to have a surveillance policy which should include the process of alert generation and the type of action taken by the Trading Member in relation to their clients. Accordingly, the surveillance obligation is on Fortune, and Fortune has failed to adhere to the same.

5.10. The Committee noted from the response of Fortune that Fortune's clients were unaware of the Impugned Transactions as the decision of the order placement was taken by persons other than the client. However, since Fortune is acting as a trading member for both the clients involved in the Impugned Transactions, it should have a closer supervision and possess considerably more information about their clients including but not limited to identification of suspicious activity and to monitor whether the orders are being placed by its respective clients. Thus, the Committee found from the above that, Fortune does not have adequate controls to ensure that orders are placed by the clients themselves.

5.11. The Committee observed that the Impugned Transactions were executed by the same set of clients on multiple days across various contracts and Fortune does not have adequate processes in place to identify such transactions, even post trading hours.

5.12. The Committee found that Fortune's Client Senthilkumar Krishnan executed transactions in the nature of reversal trades and made a positive close out difference of Rs 6,41,732.73/- in these mentioned trades across all 5 contracts in Equity Derivative Market wherein Fortune's Client Thaher Hussain Javith Hussain simultaneously made a negative close out difference of Rs 6,41,732.73/- in the same trades, thereby establishing consistent pattern in the execution of the trades which do not appear to be meant for meaningful change in ownership of the contract and are non-genuine in nature.

5.13. In view of the above, the Committee found that Fortune, by placing such orders on both sides of the transaction, made bids and offers for derivatives contracts with an intention of creating a false or misleading appearance with respect to the market for derivatives contracts and indulged in executing such Impugned Transactions which are not genuine trade transactions. Thus, Fortune by allowing execution of such trades have violated the provisions of Regulation 4.5.4(c)(i) and Regulation 4.6.2.1.(b) of NSEIL Regulations (F&O Segment). Further, the Impugned Transactions executed are non-genuine transactions as per Exchange Circular Nos. NSE/INVG/39647 dated December 13, 2018, NSE/INVG/2019/40175 dated February 07, 2019, and NSE/INVG/2020/46662 dated December 16, 2020. Therefore, in 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. As the close out difference is Rs. 6,41,732.73 and since Fortune is on both sides of the Impugned Transactions, the total penalty (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) amounting to Rs. 12,83,465/- is levied.

REVIEW REQUEST OF FORTUNE

6. Fortune filed a review request ("Review Request") vide email dated October 31, 2025, for the waiver of the full penalty amount of Rs. 12,83,465/- levied for the Impugned Transactions in the contracts of GAIL, POWERGRID and EXIDEIND. The details of the review request provided by Fortune are as follows:

6.1. Fortune mentioned that the transactions referred to in the order were executed by two retail clients through the Internet- Based Trading (**"IBT"**) platform using their own login credentials. These trades were entirely client- initiated, executed without any inducement, facilitation, or involvement from Fortune. Upon receipt of the Exchange alerts dated September 22, 2023, Fortune immediately froze both client accounts, sought written explanations, and reported the matter to the Exchange on September 27, 2023, after receiving unsatisfactory responses.

6.2. Fortune mentioned that during its personal appearance before the Hon'ble Member Committee on November 25, 2024, it had submitted that trading members do not possess any real-time capability to block or cancel trades once executed on the Exchange platform. The only course available to a member is post-trade monitoring and reporting, which was diligently followed in this instance.

6.3. At that hearing, Fortune had also suggested that the Exchange may consider developing a system- level control to automatically detect and cancel reversal or self-trades at the Exchange end, since such situations can be effectively

addressed only through Exchange-controlled mechanisms. Fortune further stated that within just three weeks of the hearing, the Exchange issued Circular No. NSE/SURV/65645 dated December 17, 2024, introducing the Reversal Trade Cancellation Mechanism (RTCM) in the Equity Derivatives Segment, effective January 13, 2025. This framework now automatically cancels reversal or self-trades between the same PANs once specified thresholds are breached - exactly the preventive mechanism proposed during our submission.

6.4. Fortune stated that the close timeline between the hearing on November 25, 2024, and the issuance of the RTCM circular on December 17, 2024, clearly indicates that the suggestion placed before the Hon'ble Committee was found to be constructive and was implemented by the Exchange at the earliest opportunity. This sequence of events underscores that the matter was systemic in nature and beyond the control of any individual trading member. Had the same incident occurred under the present framework, the RTCM system would have automatically cancelled the trades, and the question of any penalty would not have arisen. In this context, Fortune submitted that applying a financial penalty for a matter which was later recognized, addressed, and systemically resolved by the Exchange itself may not be in alignment with the spirit of natural justice and regulatory balance that the Exchange has always upheld.

6.5. Fortune mentioned that throughout this process, the firm has acted in good faith, extended full cooperation, and has since implemented further enhancements to its RMS and surveillance systems, including:

6.5.1. Restricting client access to illiquid or far-out-of-the-money contracts through automated filters;

6.5.2. Enforcing open-interest-based pre-trade and post-trade validations;

6.5.3. Integrating real-time alerts for reversal-trade patterns with automated blocking logic; and

6.5.4. Maintaining comprehensive client-level audit trails for transparency and traceability.

6.6. While concluding, Fortune submitted that:

6.6.1. The trades were entirely client-driven, with no facilitation or benefit to the Fortune;

6.6.2. Fortune acted swiftly and responsibly upon receiving Exchange alerts;

6.6.3. The Exchange accepted and implemented the RTCM mechanism (Circular NSE/SURV/65645 dated December 17, 2024) soon after our appearance, demonstrating that the control lay exclusively with the Exchange; and

6.6.4. Fortune has since strengthened its RMS and surveillance framework well beyond the prevailing regulatory requirements.

6.7. Fortune submitted its request before the Hon'ble Member Committee to consider waiver of the penalty imposed under the. Fortune also expressed its sincere appreciation for the Exchange's proactive and progressive approach in implementing the RTCM framework, which has greatly enhanced market integrity and operational consistency across the ecosystem.

ISSUE FOR DETERMINATION

7. The following issue arises for determination:

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

PROCEEDINGS BEFORE THE MEMBER COMMITTEE HELD ON FEBRUARY 24, 2026

8. The Review Request was placed before the committee in the 18th MC Meeting dated February 24, 2026. The Committee Members were appraised of the facts of the case and Review Request submitted by Fortune.

OBSERVANCE OF PRINCIPLES OF NATURAL JUSTICE

9. Fortune has filed review request and provided detailed written submission vide email dated October 31, 2025. The Committee has considered the written submissions.

10. 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

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

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

13. Applying that standard, the consistent and repeated pattern of the Impugned Transactions, one client making a positive square-off difference and the other an equal and opposite negative square-off difference across all five contracts over six trading days, reversal percentages ranging from 50% to 100%, and concentration of up to 100% of the contract's traded quantity, establishes, on a preponderance of probabilities, that the transactions were non-genuine and were not intended to effect a meaningful change in beneficial ownership.

The present proceedings are in the nature of a review of the MC Order dated September 09, 2025 . The scope of such review is confined to a consideration of whether there is any error apparent on the record, or any new and relevant fact not already available and considered at the time of the MC Order, warranting interference with the penalty.

COMMITTEE'S OBSERVATIONS ON FORTUNE'S REVIEW REQUEST POST MC ORDER DATED SEPTEMBER 09, 2025

14. After duly considering the Review Request dated October 31, 2025, with respect to the Exchange Order dated September 09, 2025, the findings of the Committee is as under:

14.1. The Committee noted the arguments of Fortune, that the Impugned Transactions were executed through IBT by the two retail clients by using their own credentials. The transactions were client initiated and were not induced, facilitated by Fortune. Fortune upon receiving the Exchange Alerts dated September 22, 2023, froze both the client accounts, sought explanations and reported it to the Exchange on dated September 27, 2023, due to the unsatisfactory replies from the clients. The Committee finds that this submission of Fortune, is not tenable on account of the following reasons-

14.1.1. As mentioned in the MC Order (communicated to Fortune vide Exchange letter ref. NSE/INVG/MC-5/2024/ACT/14572 /137515 dated September 09, 2025) the Exchange has raised an alert on September 20, 2023, instead of September 22, 2023, as claimed by Fortune in the waiver application.

14.1.2. Fortune has not produced any evidence that on receipt of Exchange alert on September 20, 2023, through the "Online Member Surveillance Dashboard", Fortune has carried out any action or intimation to client on the same day.

14.1.3. Further, Fortune has also not restricted the same set of clients to execute similar transactions on the very next day i.e. September 21, 2023 (Instance 4 and Instance 5 as mentioned in the MC Order)

14.2. The Committee noted that the argument of Fortune that during Fortune's personal appearance before the Member Committee on November 25, 2024, it had submitted that trading members do not possess any real-time capability to block or cancel trades once executed on the Exchange platform. The only course available to a member is post-trade monitoring and reporting, which was diligently followed in this instance by Fortune, is not tenable on account of the following reasons-

14.2.1. The Committee did not find any evidence in the waiver application or earlier submissions that, the course of action available to Fortune (as stated by Fortune) which is post-trade monitoring was diligently followed in this instance. The Committee noted that the Exchange vide circular 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 scenarios 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." The Committee found that in this matter, the first set of transaction between the clients took place on September 07, 2023, where the same set of clients constituted 100% concentration of the total quantity traded in the contract for that day. However, there is no evidence that Fortune's surveillance system has detected, and any action is taken by Fortune to ensure that such transactions are not repeated. Fortune, in fact, allowed similar transaction between the same set of clients on September 18, September 20, September 21 and September 22, 2023.

14.2.2. The Committee further noted that absence of the mechanism to block reversal trades at the time of execution is not a valid defence for violations pertaining to the surveillance obligations of stock broker.

14.3. The Committee noted that the Exchange Circular NSE/SURV/65645 dated December 17, 2024, with respect to "Reversal Trade Cancellation Mechanism (RTCM) in Equity Derivatives Segment" does not absolve the Trading Members from the obligations set out in Exchange Circular NSE/SURV/48818 dated July 01, 2021. The Committee also noted that, much before the personal hearing on November 25, 2024, Exchange had been in the process of implementing RTCM which is obvious from the circular no. NSE/SURV/58192 issued by the Exchange on August 31, 2023, and circular no. NSE/SURV/62493 issued by the Exchange on June 18, 2024, in this regard. Hence the Committee noted that RTCM mechanism has been under consideration of the Exchange much before the suggestion made by Fortune (as claimed by Fortune in the waiver application) on

November 25, 2024. The Committee noted that implementation of RTCM by Exchange is a proactive measure by the Exchange however, it does not reduce / negate the responsibility of the Trading Members to monitor the trades of their clients.

As to Fortune's plea that penalising conduct which was later addressed by the Exchange's own systemic reform is inconsistent with natural justice and regulatory balance, the Committee holds that the conduct in question falls to be judged by the surveillance norms in force at the relevant time (September 2023), under which Fortune's obligation was clear. A subsequent systemic improvement, however welcome, is not a defence to contemporaneous non-compliance and does not efface a failure that had already occurred and been repeated despite an alert.

14.4. The Committee further noted that, vide Exchange Circular ref 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 was "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…"

14.5. The Committee found that despite such indicative scenarios and themes provided by the Exchange, Fortune has failed to identify the concentrated trading activity of their clients with repeated patterns. With respect to Fortune's submission that to ensure compliance with Exchange Regulations and directives, appropriate systems and controls have been implemented by Fortune, the Committee noted that such actions were undertaken after the impugned transactions had been executed, indicating, lack of pre-emptive/ post trade controls to prevent or prevent recurrence of the said activity by same set of clients.

14.6. The Committee observed that Fortune has not provided any new or relevant fact/s which have not already been provided and considered in MC Order.

14.7. Independent of the characterisation of Fortune's intent in the MC Order, the penalty is, in any event, sustainable on the distinct and sufficient ground that non-genuine transactions bearing a consistent and repeated pattern were routed through Fortune's terminals, and Fortune , being the trading member on both legs ,failed to detect, escalate or prevent their recurrence in discharge of its surveillance and supervisory obligations under, inter alia, Exchange Circular NSE/SURV/48818 dated July 01, 2021. The member's liability under the applicable penalty framework here rests on this supervisory failure and on the non-genuine character of the trades executed through it and does not depend upon proof of the member's own manipulative intent.

14.8. As to the alternative prayer for reduction, the Committee has considered the mitigating circumstances urged by Fortune, namely the freezing of the client accounts, the report to the Exchange, the cooperation extended, and the subsequent enhancements to its RMS and surveillance framework. These are post-facto remedial measures; they do not cure the contemporaneous failure of surveillance, which persisted across six trading days and continued after the Exchange alert of September 20, 2023 (Instances 4 and 5 on September 21–22, 2023).

The freezing of the accounts, moreover, occurred only after repeated instances and after the Exchange alert. The penalty prescribed under Exchange Circular NSE/INVG/2020/46662 dated December 16, 2020, is computed at 100% of the close-out difference on both legs; the Committee finds that the repeated pattern of non-compliance, despite an alert, does not warrant any reduction. Accordingly, neither waiver nor reduction of the penalty is justified.

DECISION OF THE COMMITTEE

15. The Committee, after considering the SCN, its reply, submissions of Fortune in its review application and the MC Order, decided that no change is required in MC Order dated September 09, 2025, and thus rejected the Review Request filed by the Fortune.

Sd/-
Srinivas Injeti
(Chairperson)

Sd/-
Abhilasha Kumari
(Committee Member)

Sd/-
Vijai Pratap Singh
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: August 13, 2026