Member Committee ("MC/Member Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Mumbai – 400051
held on November 25, 2024

In the matter of the Trading Member – Fortune Capital Services Private Limited

CORAM:

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

ALSO PRESENT:

Mr. Piyush Chourasia	-	Chief Regulatory Officer
Mr. Ankit Sharma	-	Chief Regulatory Officer
Mr. Bireshwar Chatterjee	-	Vice President - Surveillance & Investigation
Mr. Vishnu Gupta		Chief Manager – Investigation
Mr. Vikram Narvekar		Senior Manager – Investigation

BACKGROUND OF THE CASE

1. **Fortune Capital Services Private Limited** ("**Noticee**") 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 the Noticee's Clients Senthilkumar Krishnan ("**SK"**) and Thaher Hussain Javith Hussain ("**THJH**"), were reversed with the same counterparties ("**the Impugned Transactions**").

3. The summary of the Impugned Transactions is provided as below:

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			
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)

3.1. During the period September 05, 2023, to September 22, 2023, the Noticee's clients SK and THJH executed the Impugned Transactions by placing orders with same counterparties in 5 equity derivative contracts across 6 trading days, where the Noticee's Client SK made a positive close out difference of Rs. 6,41,732.73/- and the Noticee's Client THJH made a negative close out difference of Rs. 6,41,732.73/-.

3.2. With respect to the above transactions, the Noticee is the Trading Member on both sides of the Impugned Transactions, which were subsequently reversed with the same counterparties. These orders were placed through Internet Based Trading ("**IBT**") / STWT terminal.

3.3. The traded quantity in the reversal transactions ranged from 16.39% to 100% of the market traded quantity of the respective contracts on the relevant days.

3.4. Additionally, 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 recording a reversal percentage exceeding 75%.

3.5. It is observed that whenever there is a significant time difference between the placement of buy and sell trades, the first order is placed at unfavourable prices. This ensures that the probability of any other participant placing a matching order remains low.

3.6. Based on the following example, the Exchange noted a significant time gap between buy and sell orders, and the initial orders were often placed at unfavourable prices. This led to no immediate takers, and eventually, the order matched with the intended counter-order, even if placed much later. The following example illustrates this scenario:

3.6.1. Example of trade number “20230921883362594” on September 21, 2023, in stock option contract with the underlying scrip “POWERGRID”.

Trade Date	**21-Sep-2023**
Symbol	POWERGRID
Expiry Date	26-10-2023
Strike Price	175
Option Type	PE
Trade No	20230921883362594
Trade Time	11:11:57
Trade Price	2.50
Trade Quantity	68400
Buy Order No	2100000044524956
Buy Order Time	21-09-2023 11:11:57
Sell Order No	2100000038715865
Sell Order Time	21-09-2023 10:56:27
Time diff between Buy & Sell Order	00:15:30
Buy Order Original Volume	68400
Buy Order Disclosed Volume	0
Sell Order Original Volume	68400
Sell Order Disclosed Volume	0
Buy Order Limit Price	2.50
Sell Order Limit Price	2.50
Buy Client Name	Thaher Hussain Javith Hussain
Sell Client Name	Senthilkumar Krishnan

3.6.2. The underlying scrip (POWERGRID) price of the above contract was trading at the below mentioned prices:

Date	Open Price	High Price	Low Price	Close Price
20-Sep-2023	198.70	205.95	198.45	204.65
21-Sep-2023	205.00	205.55	200.40	201.60
22-Sep-2023	200.55	202.90	196.40	199.15

3.7. From the above data, it is observed that the underlying scrip POWERGRID had a close price of Rs. 201.06/- on September 21, 2023, and the Put Option strike price of Rs. 175/- was an out-of-the-money contract. The sell order for this contract was placed at 10:56:27, prior to the buy order at an unfavourable price of Rs. 2.50/- considering the moneyness and the expiry of the strike price as compared to the underlying price. Thus, in the given scenario, although the initial sell order was placed at an unfavourable price of Rs. 2.50/-, and the sell order was exposed to the market, due to its pricing there were no buyers on the other side of the order book. As a result, the sell order ultimately matched with the intended order on the buy side.

4. Further, the Exchange had sent the following alerts to the Noticee to which the Noticee had responded. Extracts of Exchange's alerts' details along with Noticee's responses is provided as below:

Alert Type	TM Code	Contract	Remarks	Alert Raised on	Noticee's Response	Response date
Reversals	14572	POWERGRID 28-09-2023 PE 175	It has been observed that your client: THAHER HUSSAIN JAVITH HUSSAI and client SENTHILKUMAR KRISHNAN, on 20/09/2023, seems to have indulged in reversal trade. Kindly provide trading rationale for the same.	20-09-2023 16:43	With reference to the alert generated by the system, we have taken up the same to both the clients and there is no satisfactory response from these 2 clients. Hence, we have frozen for further trading of these two clients with intimation till we receive the satisfactory reply from them. Enclosed the copy of email sent to these 2 clients for your reference. Note: It is observed that both the clients are trading online using mobile application / web application provided to them and orders are placed by the clients themselves.	27-09-2023 18:51
Reversals	14572	POWERGRID 26-10-2023 PE 175	It has been observed that your client: SENTHILKUMAR	21-09-2023 17:11	With reference to the alert generated by the system, we have taken	27-09-2023 18:52

Alert Type	TM Code	Contract	Remarks	Alert Raised on	Noticee's Response	Response date
			KRISHNAN and client THAHER HUSSAIN JAVITH HUSSAIN seems to have indulged in reversal trade. Kindly provide trading rationale for the same.		up the same to both the clients and there is no satisfactory response from these 2 clients. Hence, we have frozen for further trading of these two clients with intimation till we receive the satisfactory reply from them. Enclosed the copy of email sent to these 2 clients for your reference. Note: It is observed that both the clients are trading online using mobile application / web application provided to them and orders are placed by the clients themselves.	
Reversals	14572	POWERGRID 26-10-2023 PE 175	It has been observed that your client: SENTHILKUMAR KRISHNAN, and client THAHER HUSSAIN JAVITH HUSSAIN, seems to have indulged in reversal trade. Kindly provide trading rationale for the same.	22-09-2023 17:19	With reference to the alert generated by the system, we have taken up the same to both the clients and there is no satisfactory response from these 2 clients. Hence, we have frozen for further trading of these two clients with intimation till we receive the satisfactory reply from them. Enclosed the copy of email sent to these 2 clients for your reference. Note: It is observed that both the clients are trading online using mobile application / web application provided to them and orders are placed by the clients themselves.	27-09-2023 18:54

ISSUE OF SHOW CAUSE NOTICE

5. Based on the above-mentioned observations of the Exchange, the Exchange issued a Show Cause Notice to the Noticee, vide Exchange letter NSE/INVG/2024/137515 dated September 17, 2024 ("**SCN**").

RELEVANT REGULATORY PROVISIONS

6. 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:

6.1. NSE Regulation 4.5.4(c)(i) and Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment).

"4.5.4 ***General Guidelines***

(c) ***Misleading Transactions***

A Trading Member shall not –

(i) make bids and/or offers for derivatives contracts with an intention of creating a false or misleading appearance with respect to the market for, or the price of any derivatives contracts or;"

"4.6. ***FRAUDULENT AND UNFAIR TRADING PRACTICES***

4.6.2. "Without prejudice to generality of the provisions contained in the above clause, no person shall indulge in market manipulation, namely :

1. (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities / derivatives market or, results in reflection of prices of securities / derivatives contracts based on transactions, which are not genuine trade transactions; or"

6.2. Extract from Exchange Circular No. NSE/INVG/39647 dated December 13, 2018 –

"Sub: Abnormal/Non-Genuine Transactions – In this regard, Trading Members are advised to refrain from entering into abnormal/ non-genuine transactions executed by the market participants primarily with an objective of transferring profit/loss between the concerned entities or creation of artificial volume in securities/contracts."

6.3. Extract from Exchange Circular No. NSE/INVG/2019/40175 dated February 07, 2019 –

"Sub: Guidance note on Abnormal / Non-Genuine trades - This is in continuation of NSE Circular No. NSE/INVG/39647 dated December 13, 2018, with respect to

"Abnormal / Non-Genuine transactions" inter alia advising trading members to refrain from entering abnormal / non – genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts.

In this regard, in order to assist trading members in identifying such type of transactions, certain indicative scenarios have been listed below which may need additional attention and examination by the trading member.

- *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. Additionally, factors such as clients earning significant profit or incurring losses on account of such transactions, their consistent contribution to daily average volumes of security / contract may also be looked at.*

- *Securities /contracts where the total traded volume of the client vis a vis the average daily traded volumes in that security is significant.*

- *Trading Members may please note that these alerts and guidance note is indicative and not exhaustive and hence should exercise necessary caution and due diligence at all times."*

6.4. Extract from Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020 –

"Sub: Penalty on Abnormal / Non-Genuine Transactions- The Exchange shall send necessary advice/caution letter to Trading Members and initiate appropriate disciplinary actions against the members concerned in case the activity is observed to be abnormal/non-genuine. Exchange shall levy a penalty of 100% of the traded value/ profit made/ loss incurred as a result of the trades on the trading members for both profit and loss making abnormal / non-genuine transactions after following the due process & providing necessary opportunity to the trading member for clarification in the matter.

The decision whether a trade or trades is / are abnormal / non-genuine would be of the Exchange which would be final and binding.

The Exchange may also consider taking appropriate disciplinary actions against the member concerned for multiple instances of such abnormal / non-genuine trades as per the Rules, Regulations and Byelaws of the Exchange."

RESPONSE OF THE NOTICEE TO THE SHOW CAUSE NOTICE

7. The Noticee, vide email dated September 25, 2024, provided the following response to the SCN:

7.1. Mr. Senthil Kumar Krishnan (UCC: FT028147) opened the trading and demat account with the Noticee on 22/07/2023 and started trading in his F&O Account since July 27, 2023.

7.2. Mr. Thaher Hussain Javith Hussain (UCC: FT029626) opened the trading and demat account with the Noticee on 09/08/2023 and started trading in his F&O account since August 14, 2023.

7.3. Based on the observation / alert provided by the Exchange on 22nd September 2023, Noticee sought the rational for reversal of trades from the client.

7.4. The Noticee received the response from both these clients towards observation and the same was not satisfied and also again requested further clarification from the client. Excerpts of such responses: Mr. Senthil Kumar Krishan (UCC: FT028147) “My account is handling by stock advisor firm I don't know regarding this i will check. I will not give my account from here anyone” and Mr. Thaher Hussain Javith Hussain (UCC: FT029626) “The trading account please given by one of the advisory firms. I am not sure about this transaction i will handle my account myself.”

7.5. Considering the non-satisfied response from these two clients and there is no further response, Noticee froze their trading account for further transactions on September 27, 2023, and also replied to the Exchange accordingly.

7.6. Considering the fact that these orders are placed using the login credentials of the client who have provided to the third party and the transactions are accepted by the client itself. The Noticee, as a stockbroker acted swiftly as and when the alert generated by the Exchange and also frozen their trading accounts immediately upon receiving the response from the client which is not satisfied to the nature of the complaint.

7.7. Being these transactions are executed directly under the client account based on the login credentials provided to the client and the same is accepted by the clients and also taken the ownership of their transactions, the Noticee, as a stockbroker stopped the trading of these clients and also reported to Exchange immediately. The Noticee requested to consider its reply and not to charge any penalty and or initiate the disciplinary action.

PRESENT PROCEEDINGS BEFORE MEMBER COMMITTEE

8. The Exchange vide email dated October 14, 2024, granted the Noticee an opportunity of personal hearing before the Committee in its meeting to be held on October 21, 2024. The Noticee vide its email dated October 18, 2024, sought adjournment of the matter.

9. The Exchange vide email dated November 18, 2024, again granted the Noticee an opportunity of personal hearing before the Committee in its meeting to be held on November 25, 2024. The Noticee was represented by Mr. E Sivasankari - Compliance Officer, and Mr. K Narayana Moorthy – Managing Director of the Noticee.

ADDITIONAL RESPONSE SUBMITTED POST HEARING

10. The Noticee submitted an additional response vide its letter dated November 25, 2024. The summarized response of the Noticee is as under:

10.1. **Incident Background and Context**

10.1.1. Timeline of Events: The flagged trades were executed on 20/09/2023, 21/09/2023, and 22/09/2023 by clients Thaher Hussain Javith Hussain (PAN: ALIPJ0803D) and Senthilkumar Krishnan (PAN: CLOPS4176C) through Noticee's Internet-Based Trading (IBT) platform.

10.1.2. Independent Client Trading Behaviour: These trades were conducted entirely by the clients using their own credentials, with no advice, encouragement, or involvement from Noticee's side. Both clients were amateur traders seeking profit opportunities in illiquid contracts due to their inexperience.

10.1.3. Operational Scale: Noticee's platform supports over 8,000 active clients daily, with close to half a million trades executed daily. Given the scale, it is neither feasible nor practical to scrutinize or manually review every trade in real time.

10.1.4. Technological Limitations in Pre-emptive Detection: Currently, no technology exists that can identify and prevent such trades in real time at the scale the Noticee operate. Surveillance systems, including Noticee's, operate based on post-trade analysis to identify patterns after trades are executed. While such trades can be flagged retrospectively, they cannot be entirely prevented before execution.

10.1.5. Immediate Actions Post-Alert: Upon receiving NSE alerts on 22/09/2023, the Noticee:

- Blocked the clients from further trading.
- Conducted an internal inquiry, which confirmed no malicious intent.
- Submitted a detailed report to NSE on 27/09/2023, outlining its findings and actions.

10.2. **Response to Charges**

10.2.1. Charge 1: Violation of Regulation 4.5.4(C)(1)

Observation: The flagged trades raised concerns about potential non-genuine transactions and market distortion.

Response: Independent Client Actions: The flagged trades were conducted entirely by the clients via the IBT platform without any involvement or encouragement from Noticee's side. The internal inquiry confirmed that the clients acted independently, motivated by perceived profit opportunities in low-liquidity contracts.

Compliance with RMS Policy: At the time of the flagged trades, Noticee's RMS policy was aligned with NSE's framework, permitting trading in all NSE-approved contracts, provided adequate margins were maintained. The trades complied with these policies, as the contracts were exchange-approved, and all required margins were collected.

Revised RMS Policy Post-SCN: In response to the SCN, the Noticee significantly enhanced its RMS policy to reduce the risks associated with illiquid contracts. Key improvements include:

- Strike Price Range: Only contracts within a +/-10% range of the spot price are permitted for trading.
- Open Interest Threshold: Trading is allowed only in contracts with an Open Interest (OI) greater than 100 as on the previous trading day. Contracts that cross the OI threshold during the day become eligible for trading on the following day.
- MIS or Intraday Orders- ITM (In the Money) Contracts: Only contracts within a +/-7% range of the spot price are permitted for trading.
- MIS or Intraday Orders- OTM (Out of the Money) Contracts: Allowed within a +/-10% range of the spot price.
- MIS or Intraday Orders- Square-Off Flexibility: Clients holding positions outside these boundaries are permitted to square off their positions but cannot take fresh positions.

Impact on NSE Contracts: The new RMS Policy restricts all its clients from trading in more than 90% of the contracts launched by NSE, thereby reducing participation in these contracts and making them even more illiquid. These stricter limits aim to proactively prevent trades in illiquid contracts while maintaining trading flexibility for clients.

Exemption under Regulation 4.S.4(C)(2): As trading members, the Noticee had no prior knowledge or reason to believe these trades would not involve a genuine change in ownership.

Hence, the exemption under 4.5.4(C)(2) is fully applicable.

10.2.2. Charge 2: Violation of Regulation 4.6.2.I(b)

Observation: Noticee's surveillance system failed to detect the flagged trades before NSE alerts were issued.

Response: Surveillance Gaps Identified: At the time, Noticee surveillance system, Garuda, focused on Margin adequacy and compliance with trading limits and Standard alerts for irregular trading patterns.

However, it lacked specific logic to flag trades in illiquid contracts or patterns such as reversal trades.

Limitations of Real-Time Detection: Surveillance systems cannot foresee every potential trading scenario in advance and developing and implementing logic to detect such specific patterns requires post-trade analysis and significant time.

Post-SCN Enhancements: Based on the SCN and NSE alerts, the Noticee enhanced Garuda to:

- Monitor trades based on OI thresholds of 100.
- Flag unusual trading patterns, including potential reversal trades, in real time.

10.3. **Challenges in Enforcing Penalties**

10.3.1. Delayed SCN and Recovery Challenges: SCN was issued nearly a year after the flagged trades, by which time the clients had withdrawn all funds. Without an immediate penalty framework, recovering penalties retroactively from clients is impractical and places an undue burden on trading members.

10.3.2. No Authority to Penalize Clients: Trading members lack the authority to impose penalties or freeze client funds without regulatory directives. Despite this, the Noticee proactively blocked the clients and conducted a thorough inquiry.

10.3.3. Systemic Issues Highlighted by a Recent Case: On 31/10/2024, a similar case of circular trading occurred. NSE indicated that client funds could not be frozen without an FIR. After escalating to the Cyber Crime Department, the funds were frozen following significant delays, underscoring systemic enforcement challenges.

10.4. **Recommendations for Regulatory Improvements**

10.4.1. Real-Time Penalty Framework: Introduce a mechanism to impose penalties immediately upon detection, allowing members to recover penalties directly from clients while funds are available.

10.4.2. Enhanced Member Authority: Empower trading members to temporarily freeze client funds in flagged cases, pending further investigation.

10.4.3. Collaborative Industry Solutions: Develop pre-trade and real-time surveillance tools to identify potential violations without compromising order execution speed or system.

10.5. **Conclusion**

The Noticee contended that flagged trades were conducted independently by the clients via the IBT platform, without Noticee's advice or involvement. As trading members, it acted promptly upon receiving NSE alerts, taking all possible measures within its authority. Given the technological limitations of real-time detection and the proactive measures implemented post-SCN, the Noticee requested the committee to acknowledge these efforts and refrain from imposing penalties on it.

OBSERVATIONS, CONSIDERATIONS & FINDINGS OF THE COMMITTEE

11. After duly considering the oral and written submissions made by the Noticee on the allegations mentioned in the SCN dated September 17, 2024, the Committee observes the following:

11.1. The Noticee is the Trading Member on both sides of the Impugned Transactions and the transactions were reversed with the same counterparties.

11.2. The Noticee'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/-.

11.3. 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.

11.4. 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%.

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

11.6. Further, the Committee notes 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%

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

11.8. The Committee observes that the Impugned Transactions were executed by the Noticee'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.

11.9. The Committee further notes that with regard to the Impugned Transactions, the Noticee requested for client's rationale involved in the reversal transactions. Upon receiving the rationale from both clients, the Noticee found it unsatisfactory and proceeded to freeze their accounts. However, after one month of freezing the accounts, the Noticee's clients informed the Noticee that the trades had been executed unexpectedly and requested to unfreeze the account. The Noticee 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 notes that the action taken by the Noticee occurred after the issuance of alerts by the Exchange.

Further, the Committee notes that as per NSE Circular No. NSE/SURV/48818 dated July 01, 2021, with respect to surveillance obligations of the Trading Members, the Noticee 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 the Noticee, and the Noticee has failed to adhere to the same.

11.10. The Committee notes from the response of the Noticee that the Noticee'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 the Noticee 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 finds from the above that, the Noticee does not have adequate controls to ensure that orders are placed by the clients themselves.

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

11.12. The Committee finds that Noticee'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 Noticee'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.

11.13. In view of the above, the Committee finds that the Noticee 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, Noticee 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 is 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 the Noticee 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.

MEMBER COMMITTEE DECISION

12. Accordingly, a penalty of Rs. 12,83,465/- (Rupees Twelve Lakhs Eighty-Three thousand and Four hundred and Sixty-Five only) (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) is levied on the Noticee in terms of the Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020.

13. The Noticee is also directed to take adequate measures / put in place effective systems and controls to comply with the provisions of the Exchange Regulation 4.5.4(c)(i) and Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment) and NSE 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.

Sd/-	Sd/-	Sd/-
S Ravindran	Abhilasha Kumari	Mamata Biswal
(Chairman)	(Committee Member)	(Committee Member)

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

Date: September 09, 2025