Member and Core Settlement Guarantee Fund Committee
("MCSGFC/Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex,
Bandra East, Mumbai – 400051
held on June 08, 2023

In the matter of the Trading Member – M/s. Findoc Investmart Private Limited

CORAM:

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

ALSO PRESENT:

Ms. Priya Subbaraman	-	Chief Regulatory Officer
Dr. Dinesh Kumar Soni	-	Senior Vice President - Regulatory
Mr. Bireshwar Chatterjee	-	Vice President – Investigation
Mr. Janardhan Gujaran	-	Vice President – Enforcement
Mr. Sanjayu Nair	-	Vice President – Legal
Mr. Dnyansagar Gadgil	-	Chief Manager – Investigation

BACKGROUND OF THE CASE

1. **M/s. Findoc Investmart Private Limited** ("**Noticee**") is a registered Trading Member of National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") having SEBI Registration No. INZ000164436 and enabled for trading in the Capital Market ("**CM**"), Futures & Options ("**F&O**") and Currency Derivatives ("**CD**") segments since November 2013 and Commodity Derivative ("**COM**") segment since November 2018.

2. On June 02, 2022, the Exchange observed a significant fall in the traded prices of the contract (i.e. in the equity index call option contract with underlying NIFTY, expiry date June 02, 2022 and strike price of 14500) from Rs.2139.85 to Re.0.15 (a fall of Rs.2139.70) without any significant movement in the underlying index NIFTY on June 02, 2022. Upon a detailed verification of the trade and order logs, the Exchange observed that 10 buy orders were placed by the Noticee in its proprietary account using algo terminals at limit prices below intrinsic value.

3. The details of price movement, and other details of the contract on June 02, 2022, was as under:

Open Price (Rs.)	High Price (Rs.)	Low Price (Rs.)	Close Price (Rs.)	Traded Qty	No of Contracts traded	Premium Turnover (in Rs. lakhs)	Settlement price (Rs.)
1943.80	2139.85	0.15	2129.85	2843600	56872	42348.23	16628

4. The movement in the index values of NIFTY on June 02, 2022, was as under:

Date	Open	High	Low	Close
02-Jun-22	16481.65	16646.40	16443.05	16628.00

5. On June 02, 2022, the Exchange observed a significant fall in the traded prices of the contract from Rs.2139.85 to Re.0.15 (a fall of Rs.2139.70) between 14:34:08 and 14:38:21 without any significant movement in the underlying index. The movement in the underlying NIFTY index during the entire day on June 02, 2022, was only Rs.203.35. For a call option contract, when the strike price is less than the underlying price (in this case, NIFTY entire day low was 16443.05 and strike price of the contract was at 14500), it is in-the-money contract as the buyer of the option who has a "right to buy at the strike price" gets to buy at the strike price which is lower than the prevailing underlying price. The intrinsic value of the contract is the difference between the strike price and the value of the underlying. From the above table, it is observed that the contract was deep in-the-money contract where the intrinsic value of the contract was more than Rs.1900 through-out the day. However, the contract got traded significantly below the intrinsic value and touched a low of Rs. 0.15.

6. A summary of the trading activity of the Noticee on June 02, 2022, in the contract is as under:

Brought Forward Long Quantity	Brought Forward Short Quantity	Buy Quantity as on June 02, 2022	Sell Quantity as on June 02, 2022	Buy Average Price (Rs.)	Sell Average Price (Rs.)	Expired Long Quantity in-the-money	Positive square off diff by auto-closure of long position at expiry (in Rs. Crore)
0	0	12,500	0	1387.64	0	12,500	0.93

7. It was observed that the Noticee on proprietary account purchased 12,500 quantities between 14:34:08 and 14:38:21, i.e. during the time of price fall, at an average price of Rs.1387.64. The long position expired on the same day and as the position was in-the-money, the Noticee earned an additional positive square off difference of Rs.0.93 crore due to auto closure.

8. Summary of buy orders of the Noticee between 14:34:08 and 14:38:21 (i.e. during the price fall in the contract) with respect to execution, cancellation and passive/active state is as follows:

No. of Buy Orders placed	No. of Buy Limit Orders executed	No. of Buy Limit orders Cancelled by the Noticee	No. of Buy Market Orders placed
10 (100%)	10 (100%)	0	0

No of Buy Limit Orders placed & executed	No of Passive Buy Limit Orders placed & executed	No of Buy Limit Active orders placed & executed	Total Buy Quantity
10(100%)	10 (100%)	0	12,500

9. The Noticee between 14:34:08 and 14:38:21, purchased 12,500 quantities at an average price of Rs.1387.64. From the above table it is noticed that between 14:34:08 and 14:38:21 the Noticee placed 10 buy orders which got executed in the contract and all orders were passive orders i.e., the Noticee placed the buy limit orders before the corresponding sell orders of the counterparty. Order matching takes place on price time priority. The buy order with the highest bid (buy limit price) and sell order with the lowest ask (sell limit price) get the first preference for matching (price priority). With the same limit price, the order with the first time gets preference (time priority). At the time of matching of orders, the order which already exists in the order book is known as the passive order and the order which is placed and directly gets traded is called active order. Further, at the price of the passive order trade takes place.

10. The Noticee was observed to have multiple buy limit placed orders from the start of the day till 14:38:21 in the said contract. Below is the analysis of buy orders of the Noticee with respect to various limit price/ trade price levels:

Particulars	Prior to 14:34:08	Between 14:34:08 and 14:38:21
No of orders placed	846	10
No of orders executed between 14:34:08 and 14:38:21	0	10
No of orders cancelled	846	0
Buy Limit price / Trade price below 1000	0	2
Buy Limit price / Trade price between Rs.1000-Rs.1500	0	3
Buy Limit price / Trade price between Rs.1500-Rs.1900	6	3
Buy Limit price / Trade price above Rs.1900	840	2
Total Buy traded Qty	0	12500

11. From the above table it is observed that, prior to 14:34:08, 846 buy limit orders were placed and modified multiple times within a range of limit prices from Rs.1739.95 to Rs.2085.8. However only 10 orders were placed and executed between 14:34:08 and 14:38:21 i.e. during the price fall, and all orders were passive and placed significantly below the intrinsic price of the contract.

12. In the given market conditions, the said contract was due to expire in less than hour at a settlement price of more than Rs.2000. However, on analysing order placement pattern of the client, it was observed that between 14:34:08 and 14:38:21, 80% of the buy orders were placed below Rs.1900 and all orders were passive orders.

CORRESPONDENCE OF THE EXCHANGE WITH THE NOTICEE BEFORE ISSUING SCN

13. The Exchange had sent an email to the Noticee on June 02, 2022, referring to the aforesaid trades executed by the Noticee in the contract and requested the Noticee to submit detailed explanation regarding the trades executed in the said contract with documentary evidence(s).

14. The Noticee vide its mail dated June 02, 2022, responded to above email of the Exchange and submitted as under:

"*With reference to your query regarding the trades in NIFTY 14500 Call having 2nd June 2022 expiry, please note that our dealer has executed trades as a part of 3 leg exchange approved strategy whereby bidding was being done for 14500 Nifty Call as best buyer and as soon buy trade got executed, ALGO executed sell trade for equal quantity of 14500 Nifty Put and NIFTY Future.*

A complete list of corresponding trades against the NIFTY 14500 Call Buy Trades as reported by you is enclosed herewith vide Annexure 1 which clearly indicates that all the reported trades have been executed as a part of pre-approved ALGO trading strategy on the rates available in the market and there has been no manual intervention in the same."

EXCHANGE OBSERVATIONS WITH RESPECT TO THE ABOVE RESPONSE:

15. The said contract was a deep in-the-money contract and on the previous day the open interest of the contract was only 600 and no trades were executed. As there was no significant movement in the underlying Index NIFTY, the intrinsic value of the contract was more than Rs. 1900 throughout the day. Thus, there was no economic rationale for any seller to sell at any rate below the intrinsic value especially in a contract that was due to expire in less than hour at a settlement price of more than Rs.2000.

16. Majority of the buy orders placed during 14:34:08 and 14:38:21 by the Noticee were not placed at a fair price and all orders were passive orders. The Noticee was placing buy orders simply because the Last Traded Price in the contract were moving downwards. The Noticee did not check if there were any counterparty sell orders pending in the order book. The Noticee purchased 12,500 quantities at an average price of Rs. 1387.64. The buy limit prices were far from the fair price of the contract. Considering the aforesaid, the Exchange is of the view that the Noticee would have easily realized that the counterparty sell is not a fire sale but an error of the counterparty and took undue advantage.

17. With reference to the statement of the Noticee regarding "our dealer has executed trades as a part of 3 leg exchange approved strategy whereby bidding was being done for 14500 Nifty Call as best buyer and as soon buy trade got executed, Algo executed sell trade for equal quantity of 14500 Nifty Put and NIFTY Future", it is observed that the traded quantity in NIFTY PE 14500 expiring on June 02, 2022 (bought 30600 & sold 33000), NIFTY FUTURES (bought 65850 & sold 70650) expiring on June 30, 2022 on that day are much more than the contracts traded by the Noticee in NIFTY CE 14500 expiring on June 02, 2022 (bought 12500). Further the limit price of the orders placed by the Noticee in NIFTY CE 14500 was not fair with reference to intrinsic value and hence this statement cannot be taken into consideration.

ISSUANCE OF SHOW CAUSE NOTICE AND RELEVANT REGULATORY PROVISIONS

18. Based on the observations of the Exchange mentioned above, the Exchange issued a Show Cause Notice ("SCN") bearing reference no. NSE/INVG/2022/118773 dated November 14, 2022.

19. At the outset, it is appropriate to refer to the relevant regulatory provisions alleged to have been violated by the Noticee, which was communicated to the Noticee vide above mentioned SCN, extracts whereof are reproduced below:

19.1. The act of the Noticee of placing orders at prices significantly below the intrinsic value of the contract, contributed to the matching of trades at prices which resulted in depressing the prices of the derivative contracts and did not result in the orderly market. Thus, it is alleged that the Noticee has contravened the provisions of Regulation 4.6.2 (1) (a) of the Exchange F&O Regulations, the extract of which is reproduced as under:

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

1. (a) effect, take part in or enter into either directly or indirectly transactions in securities / derivatives contracts, which are likely to have the effect of artificially raising or depressing or stabilizing the price of securities/ derivatives contracts."

19.2. The act of the Noticee of placing orders at prices significantly below the intrinsic value of the contract contributed to the matching of trades at prices which were not fair and did not result in orderly market. Thus, it is alleged that the Noticee has contravened the provisions of the Exchange Circular No. NSE/SURV/49368 dated August 21, 2021, the extract of which is reproduced as under:

"Orders should be placed in all contracts in a manner so as to ensure a fair and orderly market."

19.3. The Noticee did not provide any evidence that an alert was generated in their system when the orders of the Noticee were placed at prices which were away from prevailing market prices and any action from the Noticee to desist from placing orders based on such alert. It is thus alleged that the Noticee has contravened the provisions of the Exchange Circular No. NSE/INSP/49369 dated August 21, 2021, the extract of which is reproduced as under:

"As per the functionality, an alert shall be generated if the user places limit order at a price which is away from prevailing market prices."

19.4. In view of the above, it is alleged that the Noticee has contravened the provisions of the Exchange Circulars no. NSE/FAOP/4746 dated January 20, 2004, NSE/FAOP/5856 dated February 22, 2005, NSE/INVG/5911 dated March 10, 2005, NSE/INVG/2006/7127 dated February 3, 2006, and NSE/INVG/2007/8719 dated March 23, 2007. As per these circulars, trading members have been advised to exercise due diligence and caution at the time of entering orders which are away from market price and also advised to put in place appropriate internal systems and procedures for ensuring that such orders are not entered.

19.5. The Exchange Circular no. NSE/MSD/41332 dated June 17, 2019, requires "Trade Price Protection Check" in place. The Algo orders were placed at prices significantly below the intrinsic value of a deep-in-the-money contract. Thus, it is alleged that the Noticee has contravened the provisions of the Exchange Circular no. NSE/MSD/41332 dated June 17, 2019.

19.6. All Trading Members are expected to conduct their business as per the Code of Conduct prescribed under Regulation 4.5 of the Exchange CM and F&O Regulations. Considering the aforesaid conduct of the Noticee, it is alleged that, by engaging in and/or facilitating such market abuse and unfair practices, it is alleged that the Noticee has contravened the provisions of the said Code of Conduct. Some of the principles/provisions of the same are reproduced below:

"GENERAL PRINCIPLES:

(a) Professionalism: A Trading Member in the conduct of his business, shall observe high standards of commercial honor of just and equitable principles of trade.

(b) Adherence to Trading Practices: Trading Members shall adhere to the Rules, Regulations and Byelaws of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines, and

instructions of the relevant authority as may be applicable from time to time……"

"ADHERENCE TO SEBI CODE OF CONDUCT

The Trading Member shall at all times subscribe to the Code of Conduct as prescribed by the Securities and Exchange Board of India (Stockbrokers and Sub-Brokers) Regulations, 1992."

In view of the aforesaid, it alleged that the Noticee has violated Rule 3 (a) (b) (c) and Rule 4 (b) (d) and (e) of Chapter IV of NSEIL Rules.

19.7. The observed violations attract penalty/disciplinary action as prescribed by the Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020. The penalties prescribed are indicative and depending upon the frequency and gravity of the observed offences, the Relevant Authority of the Exchange after considering the facts and circumstances may take appropriate disciplinary actions as it may deem fit.

19.8. It is further alleged that the conduct of the Noticee amounts to conducting the business in a manner prejudicial to the Exchange by making purchases of securities or offers to purchase securities for the purpose of upsetting equilibrium of the market or bringing about a condition of demoralization in which prices will not fairly reflect market value. Thus, if found to be established, the Noticee would also be liable for actions as contemplated in terms of Rule 8(a) of the Chapter IV of Exchange Rules.

RESPONSE OF THE NOTICEE TO THE SHOW CAUSE NOTICE AND SUBSEQUENT CORRESPONDANCES

20. In response to the SCN dated November 14, 2022, issued by the Exchange, the Noticee vide its letters dated November 22, 2022 and December 22, 2022, requested for extension of 30 days and 15 working days, respectively to file its response to the Exchange SCN.

21. The Noticee, vide its letter dated January 03, 2023, submitted its response to the SCN, which is summarized as under:

21.1. The allegations made against the Noticee in the SCN are denied.

21.2. The Noticee has always adhered to high standard of commercial honor of just and equitable principals of trade/ General Principals of Trade Practices/ SEBI code of conduct as prescribed by the Securities Exchange Board of India (Stock Brokers and Sub brokers) Regulations, 1992.

21.3. The observed trades were executed through algorithm trading only and none of the trades were executed through manual process. The Noticee accepted that there was a significant fall in the traded prices of the contract from Rs.2139.85 to Rs.015 (a fall of Rs.2139.70) between 14:34:08 and 14:38:21 without any significant movement in the underlying Nifty Index. However, this abnormal movement did not happen amid the Noticee's trading activities in said contract considering the overall volume in the given contract.

21.4. The Noticee's total volume was highly insignificant in comparison to the total market volume in the given contract as well as the Noticee's own trading volume at the Exchange platform.

21.5. Out of total 56,872 executed contracts in the market, only 250 contracts were executed through system trading in the Noticee's PRO account in total 10 trades which were less than 0.5% of the total contracts traded in the mentioned contract/symbol.

21.6. In terms of the own total transaction value / total number of trades as well, these observed trades were less than 0.6% of the Noticee's total transaction volume and were approximately 0.002 % of the total trades executed on that day.

21.7. Therefore, it is well established that all trades were executed within the defined framework of the Exchanges bye laws, rules and regulation and SEBI Code of conduct.

21.8. Further, the Noticee's dealer has executed trades as a part of three leg Exchange approved strategy (Reversion-conversion), whereby bidding was being done for 14500 Nifty Call to be as best buyer and as soon as the buy trade got executed, Algo executed sell trade for equal quantity of 14500 NIFTY Put and NIFTY Future.

21.9. Under the strategy, the Noticee's algo submitted orders to the Exchange using a proprietary statistical calculation. The order placement and modification are automated but is controlled by the end user. It uses fast broadcast as well as tick by tick data for its working. The fast broadcast is used as normal input and tick by tick data is used to find better alternatives in it.

21.10. Considering all 3 legs of the strategy, the Noticee claims that arbitrage position had been done by the dealer. Trades were executed through 3 leg arbitrage strategy (conversion reversion strategy) through System/algorithm trading. The Noticee claims that the contracts shared by the Exchange, are only the first leg of the trades, however second and third leg executed immediately were not considered by the Exchange.

21.11. A complete list of trades (i.e. second and third leg trades) clearly indicates that all the trades have been executed as a part of pre-approved Algo trading strategy on the rates available in the market and there has been no manual intervention in the same.

21.12. There was abnormal price movement happened in stated contract, but the Noticee was not responsible for the same considering the use of algo approved trading strategy for three leg arbitrage trades. Hence, the Noticee did not indulge in any type of artificially raising or depressing or stabilizing the process of securities/ derivatives contracts on that day.

21.13. Additionally, the Noticee has been bidding/trading strategically for its proprietary trading desk in the multiple contracts irrespective of the liquidity of the contracts without any violation of relevant Exchange byes laws/ rules/ regulation and SEBI Code of conduct pertaining to trading practices.

21.14. With respect to the trades mentioned in the show cause notice, when algo triggered as per the approved strategies, as and when dealer noticed that trades in the mentioned contracts are not as usual and within normal course of trading practice, the dealer immediately stopped the functioning of the algo for the mentioned contract.

21.15. The Noticee's last contract of 1,250 quantity was executed at Rs. 413.85 but the premium in given contract went to Rs. 0.15 on that day.

21.16. The Noticee's algo did not trigger first to the sell order by seller and did not trade till the price fell to 0.15. After the last automatic trade in given contract was stopped by the dealer, the Noticee manually executed the further second and third leg trades.

21.17. In a nutshell, an abnormality in prices in the stated contract did not occur because of the Noticee's trading activities considering the aforesaid explanation.

21.18. The Noticee has defined limit sets in its RMS as per its pre trade risk controls and the trades executed in the mentioned contracts were within the limits stipulated by the Risk Management System ("RMS") considering the prevailing last trading price in given contract and there was no manual interference.

21.19. No reversal of trades was executed in the mentioned contract since these contracts were in the money, the Noticee had not reversed its positions.

PRESENT PROCEEDINGS BEFORE MCSGFC

22. The Exchange, vide its email dated June 01, 2023, granted the Noticee an opportunity of personal hearing before the Committee in its meeting held on June 08, 2023. Mr. Suraj Kumar Prasad, RMS Head and Mr. Mayur Jain, Compliance Officer, attended the personal hearing on behalf of the Noticee reiterated the written submission made by the Noticee vide letter dated January 03, 2023 and also made following submissions:

    22.1. The trades were placed through algorithms and there was no manual intervention.

    22.2. The Noticee was not responsible for the fall in the market price. Once the abnormal trades were observed, the algos were immediately stopped at 14:36:26 and the last traded price was Rs. 413. Out of the 3-leg strategy, 2 legs were executed manually.

    22.3. The trade purchase started at Rs. 2060 and ended at Rs. 413.85.

COMMITTEE FINDINGS ON THE RESPONSE OF THE NOTICEE TO THE SHOW CAUSE NOTICE:

23. The Committee noted that the charges of the SCN are based on certain datapoints viz; (a) Time of placement of orders by the Noticee on proprietary account, (b) The prevailing market price prevailing in the contract at the time of placement of orders by the Noticee (c) With respect to trades of the Noticee in the contract, whether the orders of the Noticee were placed before the placement of orders of the counterparty and the (d) consistent pattern of placement of multiple passive orders at prices significantly below the intrinsic value of a contract expiring in one hour.

24. The Committee noted that on June 02, 2022, there was a significant fall in the traded prices of the contract from Rs.2139.85 to Re.0.15 (a fall of Rs.2139.70) during the time patch 14:34:08 to 14:38:21 without any significant movement in the underlying index. The movement of the underlying NIFTY index during the entire day on June 02, 2022, was only 203.35. The Contract was deep in-the-money contract where the intrinsic value of the contract was more than Rs.1900 through-out the day.

25. The Committee found that there was no brought forward open position of the Noticee in the Contract at the time of start of order placement. on June 02, 2022, in the said contract prior to 14:34:08, 846 buy orders were placed out of which 840 orders were placed at limit prices above Rs.1900 and all 846 orders were cancelled without executions. However, during the period 14:34:08 and 14:38:21, the Noticee on proprietary account placed and executed 10 buy orders out of which 80% orders were placed below limit price of Rs.1900. With these buy orders, the Noticee purchased 12,500 quantities in the said contract. All these orders were passive orders. Thus, there were multiple buy orders with limit prices which were not fair.

26. The said contract was a deep In-The-Money contract and on the previous day the Open Interest of the contract was only 600 and no trades were executed. As there was no significant movement in the underlying Index NIFTY, the intrinsic value of the Contract was more than Rs.1900 through-out the day. Thus, there was no economic rationale for any seller to sell at any rate below the intrinsic value especially in a contract that was due to expire in less than hour at a settlement price of more than Rs.2000.

27. The Committee found that with reference to the statement of the Noticee regarding "*our dealer has executed trades as a part of 3 leg exchange approved strategy whereby bidding was being done for 14500 Nifty Call as best buyer and as soon buy trade got executed, ALGO executed sell trade for equal quantity of 14500 Nifty Put and NIFTY Future*", it is observed that the traded quantity in NIFTY PE 14500 expiring on June 02, 2022 (bought 30600 & sold 33000), NIFTY FUTURES (bought 65850 & sold 70650) expiring on June 30, 2022 on that day are much more than the contracts traded by the Noticee in NIFTY CE 14500 expiring on June 02, 2022 (bought 12500). Further the limit price of the orders placed by Noticee in NIFTY CE 14500 was not fair with reference to intrinsic value of contract and hence this statement cannot be taken into consideration.

28. The Committee has considered the submission of the Noticee, that the Noticee had observed that "*when dealer noticed that trades in the mentioned contracts are not as usual and within normal course of trading practice, dealer immediately stopped the functioning of the algo for the mentioned contrac*t" and was therefore of the view that no penalty should be levied on it.

AFTER DULY CONSIDERING THE ORAL AND WRITTEN SUBMISSIONS MADE BY THE NOTICEE ON THE CHARGES MENTIONED IN THE SCN ISSUED VIDE LETTER NSE/INVG/2022/118773 DATED NOVEMBER 14, 2022, THE COMMITTEE CONCLUDES AS UNDER:

29. The Committee found that as the ALGO of the Noticee was continuously placing multiple orders at such low limit prices (which are unreasonable as the intrinsic value of the contract expiring in less than an hour is close to Rs. 2000), around 80% of the buy limit orders in the proprietary account which got executed for the Noticee were passive orders during 14:34:08 to 14:38:21 i.e. the Noticee placed the buy limit orders before the corresponding sell orders of the counterparty, these orders, some of these being passive orders resulted in the Noticee taking part or entering directly or indirectly in transactions which are likely to have effect of artificially depressing the price of derivatives contracts which is in violation of the provisions of Regulation 4.6.2 (1) (a) of the NSEIL F&O regulations. In view of the above, the Committee noted that act of the Noticee of placing multiple passive orders at such lower limit prices in the contract which is expiring in less than an hour is close to Rs. 2000, contributed to the matching of trades at prices which were not fair and did not result in orderly market. The Committee further noted that the lowest value of NIFTY on June 02, 2022, was

16443.05, the strike price of the contract was 14500 and in one hour before expiry of contract, and based on market conditions prevailing on that day, there was no reason for NIFTY value to come to 14500. Thus, the Committee finds that the Noticee has failed to adhere to the provisions of the Exchange Circular No. NSE/SURV/49368 dated August 21, 2021. In view of the above, the Committee also finds that the Noticee has failed to adhere to the Exchange Circulars No. NSE/FAOP/4746 dated January 20, 2004, NSE/FAOP/5856 dated February 22, 2005, NSE/INVG/5911 dated March 10, 2005, NSE/INVG/2006/7127 dated February 3, 2006 and NSE/INVG/2007/8719 dated March 23, 2007. Further the Committee also records that the Noticee has contravened the provisions of the Exchange circular no. NSE/MSD/41332 dated June 17, 2019, as it is observed that the "Trade Price Protection Check" as required by the Exchange was not effective.

30. In view of the above, the Committee notes that Trading Members are expected to conduct their business as per the Code of Conduct prescribed under Regulation 4.5 of NSEIL CM and F&O Regulations. In light of the aforesaid conduct of the Noticee, the Committee finds that, by engaging in and/or facilitating such market abuse and unfair practices the Noticee has failed to adhere to the Code of Conduct prescribed under Regulation 4.5 of NSEIL CM and F&O Regulations.

31. With respect to the charge of violation of the Exchange Circular No. NSE/INVG/46662 dated December 16, 2020, based on the analysis of the Exchange, the arguments and the submissions presented to the Committee by the Noticee, the Committee found that since the Exchange during its analysis with the data/information available with it, was not able to establish any relationship between entities on both sides of the impugned trades, the Committee does not have enough evidence to establish that the impugned transactions are abnormal / non-genuine transactions executed by the Noticee primarily with an objective of transferring profit/ loss between the concerned entities or creation of artificial volume in the securities / contracts. However, the Committee found that as per the response of the Noticee, "when dealer noticed that trades in the mentioned contracts are not as usual and within normal course of trading practice, dealer immediately stopped the functioning of the algo for the mentioned contract." Therefore, this act shows the dealer was alert and took a pre-emptive step.

MCSGFC DECISION

32. In view of the charges mentioned in the Show Cause Notice and consideration of the written and oral submissions, the Committee observed that the Noticee did not have controls to ensure fair and orderly market. The Committee also acknowledged the immediate action by the dealer of the Noticee which avoided further disruption of orderly market. The Committee, therefore, decided to warn the Noticee to ensure non-recurrence of the observed violation.

33. The Committee also directs the Noticee to put in place controls so that such orders are not placed which results in upsetting the equilibrium of the market and does not ensure orderly markets.

Sd/-	Sd/-
S Ravindran	Ashishkumar Chauhan
(Committee Member)	(Committee Member)

Date: January 11, 2024