Before the
Member Committee ("MC/Member Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Mumbai – 400051
held on May 21, 2026

In the matter of the Trading Member – YES Securities (India) Limited

CORAM:

Shri. Srinivas Injeti	-	Chairperson
Justice (Retd) Smt. Abhilasha Kumari	-	Committee Member
Shri. P. R. Ramesh	-	Committee Member
Shri. Rajeev Vasudeva	-	Committee Member
Shri. Vijai Pratap Singh	-	Committee Member
Shri. Essaji Vahanvati	-	Committee Member
Shri. Sanjay Shorey	-	Committee Member

INVITEE:

Shri. Ashishkumar Chauhan	-	Managing Director & CEO

ALSO PRESENT:

Shri. Ankit Sharma	-	Chief Regulatory Officer
Smt. Renu Bhandari	-	Senior Vice President - Inspection, Member Registration & Compliance
Shri. Janardhan Gujaran	-	Vice President - Enforcement

BACKGROUND OF THE CASE:

1. **YES Securities (India) Limited** ("**Noticee**") is a Trading Member registered with National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in Capital Market ("**CM**") segment since September 2013, Futures & Options ("**F&O**") segment since September 2013 and in Currency Derivatives ("**CD**") since September 2013.

2. The Exchange conducted a limited purpose inspection of the books and records of the Noticee from May 2025 to July 2025, covering the period from January 01, 2025, to March 31, 2025, (hereinafter referred to as "**Inspection period**"). Post-inspection, the Exchange issued a Show Cause Notice dated December 09, 2025 ("**SCN**"), to the Noticee seeking explanation for the non-compliances with the regulatory provisions observed during the

inspection pertaining to non-reversal of penalty passed on to the clients on account of short/non-collection of upfront margin. The Noticee replied to the said SCN on January 05, 2026.

3. CHARGES AS PER SCN

3.1. Noticee has passed on penalty to clients on account of short/non- collection of upfront margin

The Exchange verified the client ledgers vis-à-vis penalties levied by Clearing Corporation **(CC)** for short/non-collection of upfront margin for the inspection period for 60 sample clients involving 474 instances. Upon verification, the Exchange observed that the Noticee passed on penalties levied by CC on account of short/non-collection of upfront margin in 211 instances for 48 clients amounting to Rs. 18,31,203.03.

3.2. Noticee failed to adhere to the Member Committee (MC) (Erstwhile MCSGFC) directions

Pursuant to regular inspection conducted in April 2024, for period covering April 1, 2023, to March 31, 2024, the Exchange vide Action letter No. NSE/INSP-ENF/CMFOCDS/REG/24-25/ACT/14914/2024-39774 dated December 11, 2024 had warned the Noticee for passing on the penalty levied by CC for short/non-collection of upfront margins to clients and directed the Noticee to refund the penalty of Rs. 9.45 lakhs passed on to the clients in 30 instances. The Exchange observed during this inspection that the Noticee failed to comply with the aforesaid direction too.

The Noticee was also subsequently requested on September 30, 2025 to provide any supporting/ documentary evidence with respect to refund of penalties charged to the clients as per Member Committee's directions. However, the Noticee failed to provide any supporting documents in compliance of the directions of refund of penalties in its reply. Accordingly, the Noticee continued to remain non-compliant of the captioned direction.

3.3. Unauthorized Market Practices by the Noticee

The Exchange verified the client ledgers, Early pay-in values, margin pledge/ Client Unpaid Securities Pledgee Account ("CUSPA") records of the Noticee and short margin penalties levied by CC vis-à-vis demat statements of 9 sample clients

for 9 instances. Upon verification, the Exchange observed the Noticee undertook unauthorized market practices including incorrect reporting to CC as under:

a. For one client having client code 9431682, the Noticee reported peak margin collected as zero instead of Rs.2,39,961.99. Subsequently, the Noticee passed on the penalty of Rs. 2,399.62 for short collection of upfront margins to the client.

b. For two clients having client code viz. 15437383 and 15488030, the upfront margin shortfall was caused due to error on the part of the Noticee, as the Early pay-in of shares were not executed by the Noticee. Subsequently, the Noticee passed on the penalties of Rs. 3,563/- (Client code - 15437383) and Rs. 733.04 (Client code - 15488030) for short collection of upfront margin to the said two clients.

c. For two clients having client code viz. 7031258 and 9053247, the Noticee allowed the said clients to trade without collecting upfront margin and passed on the penalties of Rs. 752.86 and Rs. 7,358/- for margin shortfall to the said two clients, respectively.

d. For four clients having client code viz. 7008209, 9010262, 9028147 and 9046065, the margin shortfall was caused due to incorrect reporting by the Noticee. The Noticee did not consider the Early pay-in values of sell trades executed by the clients while reporting the 'peak margin collected', which caused the margin shortfall. Subsequently, Noticee passed on the penalties of Rs. 3,276.17, Rs. 943.26, Rs.3,121.39 and Rs.5,224.27 for margin shortfall to the said four clients, respectively.

4. **PAST PROCEEDINGS BEFORE MEMBER COMMITTEE**

Meeting dated March 24, 2026

The matter was placed before the Member Committee in its meeting dated March 24, 2026, for the non-compliance flagged in the SCN for dealing with the following issues:

ISSUE I - Whether the Noticee has violated provisions of SEBI / Exchange Regulations, Circulars and Rule, Byelaws of the Exchange with regards to passing of penalty to clients pertaining to upfront/peak margin as stated in the SCN and whether the Noticee has failed to comply with the captioned direction?

ISSUE II - Whether on account of violations on Issue I above, any penalty is to be levied under the Exchange Byelaws, Rules, Regulations and Circulars of the Exchange/SEBI?

Vide email dated March 19, 2026, the Noticee sought an adjournment on account of non-availability of its directors, pre-scheduled internal committee and Board meetings. Accordingly, the adjournment request was placed before the Committee for consideration, and the Committee acceded to the request and advised the Exchange to place the matter before it in the subsequent meeting.

5. **PRESENT PROCEEDINGS BEFORE MEMBER COMMITTEE**

Meeting dated May 21, 2026

5.1. The Exchange, vide email dated May 14, 2026, granted the Noticee, an opportunity of personal hearing before the Committee. On behalf of the Noticee, Shri. Anshul Arzare – Managing Director & CEO, Shri. Aditya Goenka – Chief Legal and Compliance Officer and Ms. Meenakshi Sampathkumar – Senior Manager (Compliance), appeared and submitted as under:

i. That the Noticee's interpretation of "Upfront Margin" does not include "Peak Margin" and clarification sought by the Noticee from SEBI is awaited,
ii. That SEBI has not equated "Peak Margin" with "Upfront Margin" in any of its Circular,
iii. That as per the Noticee's interpretation the "Upfront Margin" is collected prior to the execution of trade vis-à-vis "Peak Margin" addresses intraday margin based on random snapshots provided by CC representing the highest margin obligation during the day, therefore, Noticee has passed on "Peak Margin" penalty to its clients.

Further, the Noticee has also admitted that it has not refunded the penalty passed on to the client as per the earlier direction and this continues as on date of the MC meeting. The Committee further notes that the Noticee did not place on record any order of stay, review, modification or appellate interference in respect of the Member Committee's direction dated December 11, 2024. The Noticee also did not produce any contemporaneous material to show that, after receipt of the said direction, it had suspended the impugned practice pending any clarification from SEBI. On the contrary, the material placed before the Committee indicates that the Noticee continued to pass on such penalties to clients during the subsequent inspection period.

5.2. Further, the Noticee's written submission dated January 05, 2026, are summarised as under:

i. SEBI, vide Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated 20/07/2020, introduced the upfront margin collection verification framework across Cash and Derivatives segment, with Peak margin reporting requirements effective from December 01, 2020. The Exchange Circulars NSE/INSP/45191 and NSE/INSP/49929 explicitly prohibited members from passing on penalties for short collection of "UPFRONT" margins to clients.

ii. Upfront margin is collected prior to the execution of trade and peak margin addresses intraday margin requirement based on random snapshots provided by CCs, representing the highest margin obligation during the day.

iii. SEBI has not equated peak margin with the upfront margin, therefore, the Noticee has never passed on penalties pertaining to "UPFRONT" margin but has passed on Peak margin penalties to clients.

iv. The Noticee has sought regulatory clarification on this but no response to it has been received by the Noticee. Therefore, claimed that the directions were limited to "UPFRONT" margin and not to "Peak/EOD" margins. The first formal reference to "Upfront (EOD/Peak)" margins appears only in Exchange Circular NSE/INSP/70746 dated October 10, 2025, which postdates both the direction and the inspection. Further, no prior SEBI or Exchange proceedings clarifies this, therefore, could not comply.

v. The Noticee reiterated that there is no intent to disregard the Committee's directions and that it is awaiting a formal clarification, once the same is provided the Noticee will abide by the final directives.

6. REGULATORY PROVISIONS

It is appropriate to refer to the relevant regulatory provisions, extracts thereof are reproduced below:

6.1. The Noticee has passed penalty to clients on account of short/non-collection of upfront margins. The relevant Circulars of SEBI and Exchange are as under:

a. SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/143 dated July 29, 2020 (Exchange Circular No. NSE/INSP/45191 dated July 31, 2020).

Guidelines/clarifications on Margin collection & reporting

Annexure A

13. What does short reporting of upfront margins/ MTM/ margin on consolidated crystallized obligation mean?

In case a Trading Member fails to collect requisite margin from the respective client on an upfront basis, margin on consolidated crystallized obligation by T+1(in case of F&O and CD segments) and MTM losses by T+2 (in case of cash and commodity segments) and reports to the clearing corporation that margin/ margin on consolidated crystallized obligation/MTM losses collected from client is less than the actual amount of margins/ margin on consolidated crystallized obligation/MTM losses required to be collected, it is termed as short reporting of margin collection and shall attract applicable penalty as mandated by clearing corporation from time to time.

14. What does false reporting of margin/margin on consolidated crystallized obligation/ MTM (Non Compliance) mean?

Where the margins including upfront margins/ margin on consolidated crystallized obligation/MTM Losses have not been collected/short collected by the Member in any of the applicable modes prescribed above, however the same has been reported by the member as collected, it would be construed as false reporting to the clearing corporation.

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

In case of failure (cheque not cleared or margin requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of client upfront margins/ margin on consolidated crystallized obligation/MTM losses, member may pass on the actual penalty to the client, provided he has*

evidences to demonstrate the failure on part of the client. Wherever penalty for short reporting of upfront margin/ margin on consolidated crystallized obligation/ MTM losses is being passed on to the client relevant supporting documents for the same should be provided to the client.

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

b. Exchange Circular No. NSE/INSP/46485 dated November 27, 2020

This has reference to the SEBI circular SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 on "Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments" wherein it has been decided that the Stock Exchanges/ Clearing Corporations shall adopt the framework specified, for the purpose of 'Mechanism for regular monitoring of and penalty for short-collection/ non-collection of margins from clients' in Cash and Derivatives segments, with effect from December 01, 2020.

Guidelines/clarifications on Peak Margin collection and reporting

Annexure A

1. Whether early pay-in (EPI) of securities accepted by clearing corporation (CC) during the day can be considered as upfront/peak margin for the said sale transaction?

Yes, in respect of sale of shares by a client for which EPI has been accepted by CC, the same may be considered as margin collected towards peak margin for the said sale transaction.

Clarifications with respect to EPI, as mentioned in the 1st bullet point of question no. 03 in Annexure A of the Exchange circular NSE/INSP/45191 dated July 31, 2020 has been partially modified as under:

In respect of sale of shares by a client for which early pay-in (EPI) has been accepted by CC and credit entry is posted of the sale value of the shares in the ledger account of the client, EPI value may be considered as margin collected towards subsequent margin requirement of the client.

However, the sale value of such securities (EPI value), as reduced by value of the 20% upfront Margin, shall be available as Margin for other positions across all the segments. Illustration is mentioned below:

Day	***Transaction***	***Scrip***	***Value***	***Upfront Margin***
T day	*Sell*	*ABC Ltd.*	*100*	*20*
Note: In this case, member can utilize, maximum, 80 (100-20) as margin towards subsequent margin requirement.				

2. Is upfront/peak margin collection required to be done in respect of clients who have done early pay-in of securities to pool account of Trading member/s?

No. Trading Member shall not be required to collect upfront/peak margins, in respect of positions for which early pay-in of securities is made by the clients in pool account of the trading member on the date of execution of the transaction.

4. How to collect and report the peak margin on settlement day (T+2 day) as peak margin is captured in the snapshots taken before respective pay-in on T+2 day?

In case member has collected sufficient upfront margin on T day and the same is available till pay-in day the same may be considered as peak margin collected towards peak margin obligation of the said transaction on settlement day.

5. After fulfilling the peak margin obligation on T day, whether member can release the margin on T day?

Applicable upfront margins are required to be collected from the clients in advance of the trade. In view of the same, free and unencumbered collaterals can be released in case peak margin obligation across all segments is fulfilled. Illustration is mentioned below:

Day	***Time***	***Particulars***
T day	*09.00 AM*	*Margin available Rs. 1,00,000*
T day	*10.00 AM*	*Client took position (ABC LTD.) of margin Rs. 1,00,000 (transaction value Rs. 5,00,000) in CMsegment*

T day	*03.00 PM*	*Client squared up the same position (ABC LTD.) in theCM segment (means no EOD margin)*
T day	*04.00 PM*	*Member can release the free and unencumbered collaterals (Rs. 1,00,000)*

c. Exchange Circular No. NSE/INSP/49929 dated October 12, 2021

Guidelines/clarifications on Margin collection & reporting

Members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances.

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

d. SEBI Circular No. SEBI/HO/MRD2/DCAP/P/CIR/2022/60 dated May 10, 2022

Framework to verify collection of peak margin basis intraday snapshots inter-alia states as under:

'it has been decided that the margin requirements to be considered for the intra-day snapshots, in derivatives segments (including commodity derivatives), shall be calculated based on the fixed Beginning of Day (BOD) margin parameters. The BOD margin parameters would include all SPAN margin parameters as well as ELM requirements.'

Also as per Exchange Circular No. NSE/INSP/45191 dated July 31, 2020, Value at Risk (VaR) margin, Extreme Loss Margin (ELM), Standard Portfolio Analysis (SPAN) margins are required to be collected which inter-alia states:

In capital segment, Trading Members (TM) are required to mandatorily collect VaR margins and Extreme loss Margin (ELM) from their clients on an upfront basis.

In F&O segment, it is mandatory for Trading Members to collect SPAN margin & Extreme loss margin from respective clients on a upfront basis.

In Currency Derivatives segment also, it is mandatory for Trading Members to collect initial margin and extreme loss margins from their client on an upfront basis.

6.2. The Noticee has undertaken Unauthorised Market Practices. The relevant Circulars of SEBI and Exchange are as under:-

a. SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/143 dated July 29, 2020 (Exchange Circular No. NSE/INSP/45191 dated July 31, 2020)

Guidelines/clarifications on Margin collection & reporting

Annexure A

13. What does short reporting of upfront margins/ MTM/ margin on consolidated crystallized obligation mean?

In case a Trading Member fails to collect requisite margin from the respective client on an upfront basis, margin on consolidated crystallized obligation by T+1(in case of F&O and CD segments) and MTM losses by T+2 (in case of cash and commodity segments) and reports to the clearing corporation that margin/ margin on consolidated crystallized obligation/MTM losses collected from client is less than the actual amount of margins/ margin on consolidated crystallized obligation/MTM losses required to be collected, it is termed as short reporting of margin collection and shall attract applicable penalty as mandated by clearing corporation from time to time.

14. What does false reporting of margin/margin on consolidated crystallized obligation/ MTM (Non Compliance) mean?

Where the margins including upfront margins/ margin on consolidated crystallized obligation/MTM Losses have not been collected/short collected by the Member in any of the applicable modes prescribed above, however the same has been reported by the member as collected, it would be construed as false reporting to the clearing corporation.

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

In case of failure (cheque not cleared or margin requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of client upfront margins/ margin on consolidated crystallized obligation/MTM losses, member may pass on the actual penalty to the client, provided he has evidences to demonstrate the failure on part of the client. Wherever penalty for short reporting of upfront margin/ margin on consolidated crystallized obligation/ MTM losses is being passed on to the client relevant supporting documents for the same should be provided to the client.*

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

b. Exchange Circular No. NSE/INSP/49929 dated October 12, 2021

Members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances.

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

Member shall not pass on the penalty w.r.t short collection of upfront margins to clients under any circumstances. In case of failure (requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing

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

Members' attention is drawn to Exchange circular NSE/INSP/49434 dated August 27, 2021, wherein it was reiterated that members are not permitted to undertake any business/activity that is not allowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges.

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Members are advised to refrain from engaging in any practice that is against the spirit of the guidelines issued by SEBI/Exchange.

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6.3. The Noticee failed to comply to the MC Directions. The relevant provisions of the following regulations and circulars of the Exchange are as under: -

a. Rule 1, 2 and 3 (d) and (e) of Chapter IV of the NSEIL Rules

IV. DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION

Disciplinary Jurisdiction

(1) The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a trading member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonorable, disgraceful or unbecoming a trading member of the Exchange or inconsistent with just and equitable

principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

Penalty for Misconduct, Unbusinesslike Conduct and Unprofessional Conduct

(2) In particular and without in any way limiting or prejudicing the generality of the provisions in Rule (1) above, a trading member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

Misconduct

(3) A trading member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

(d) Breach of Rules, Bye Laws and Regulations : If it shields or assists or omits to report any trading member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Regulation of the Exchange or of any resolution, order, notice or direction thereunder of the relevant authority or of any Committee or officer or the Exchange authorised in that behalf;

(e) Failure to comply with Resolutions: If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the relevant authority or of any Committee or officer of the Exchange or other person authorised in that behalf under the Bye Laws, Rules and Regulations of the Exchange.

7. The adequate opportunity of written submissions and oral submissions before Member Committee has been provided to the Noticee.

8. **CONSIDERATIONS AND FINDINGS**

8.1. As per SEBI Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated 20 July 2020 a trading member shall collect and maintain the applicable upfront margins from its clients in respect of their trading positions. Peak margin is a supervisory mechanism for verifying compliance with upfront margin collection requirements through intraday snapshots. The framework prescribed therein enables verification of such collection through client-wise intraday margin snapshots generated by the Clearing Corporation. The upfront margin obligation requires the trading member

both to collect applicable margin from the client in advance of each trade and to maintain such margin in adequate measure throughout the trading session in light of the positions then held. A failure to maintain adequate margin at any moment during the day captured by an intraday snapshot is, by definition, a failure of upfront collection or maintenance, and not the breach of any independent obligation. Accordingly, what is commonly described as a 'peak margin shortfall' does not constitute a distinct category of margin. It represents the deficiency between the margin the trading member was required to collect from and maintain on behalf of the client, as determined at the highest margin requirement captured in the prescribed intraday snapshots, and the margin actually available with or collected by the trading member from the client at the relevant point in time. Such deficiency, demonstrate that the Noticee is non-compliant with the requirement of upfront collection and maintenance of applicable margins including Peak Margin.

8.2. To sum up, the upfront margin collection is the requirement, and peak margin is the way the compliance is checked as periodic snapshot rather than for trade by trade. If upfront margin is collected as per the SEBI requirement, no non-compliance can arise out of peak margin collection. The two SEBI circulars (SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 '*Framework to enable verification of upfront collection of margin from clients'* and SEBI/HO/MRD2/DCAP/P/CIR/2022/60 dated May 10, 2022 'Changes to f*ramework to verify collection of peak margin basis intraday snapshots'*) need to be read harmoniously and in tandem. It is a supervisory and compliance mechanism prescribed by SEBI and the CC to verify whether the applicable upfront margins such as VaR Margin and ELM in Capital Market Segment, SPAN Margin and ELM in F& O Segment and initial margin and ELM in Currency Derivatives Segment have been collected and maintained throughout the trading day. The peak margin requirement represents the highest margin obligation of a client captured through the prescribed intraday snapshots. Any deficiency therein constitutes a shortfall in the collection or maintenance of the applicable upfront margin rather than a shortfall in a distinct category of margin called 'peak margin'. The Noticee's reliance on Exchange Circular NSE/INSP/70746 dated October 10, 2025, which uses the expression "Upfront (EOD/Peak)" margin, to contend that the equation of peak margin with upfront margin was formalised only thereafter, is misconceived. The said Circular is clarificatory of an obligation that has existed since the 2020 framework and was reinforced by the 2022 amendment; it neither constitutes nor introduces a new substantive obligation. The obligation to collect and maintain upfront margin, of which peak margin is the verification metric, has been in force throughout the period to which the present proceedings relate, and the Noticee's contention to the contrary is rejected.

8.3. The Noticee's failure to collect both Upfront and Peak Margin from the client has been in violation of extant Rules/Regulation, Circulars of SEBI/Exchange. The compliance requires collection of Upfront and Peak Margin to be adhered by the Noticee while the contention of passing penalty of Peak Margin to the client is not legally tenable and has flouted risk management framework prescribed by SEBI. Upfront Margin and Peak Margin are two parts of the same Risk Management Framework and Noticee cannot substitute one for the other. Upfront margin is the entry gate and the Noticee must ensure that it has collected upfront margin before any trade is executed. Peak Margin is intraday check on the same margin requirement. The Noticee must ensure maintenance of sufficient margin of the client to cover the highest exposure during the trading session. In case the Noticee allows the client to trade by fulfilling the Upfront Margin and later in the day Peak Margin shortfall occurs due to increased position, the Penalty levied on the Noticee due to short collection of Peak Margin cannot be passed on to the client as being done in the present case.

8.4. It is a foundational principle of regulatory discipline that once a direction has been issued by the competent authority, a trading member has only two courses available to it, viz. it must comply with the direction, or it must invoke the remedies of appeal or review available under the Bye-laws, Rules and Regulations of the Exchange and, ultimately, the statutory remedy of appeal to the Securities Appellate Tribunal. It is not trading member's discretion to decide whether, when, or to what extent the direction needs be obeyed. To countenance such a position would be to render the regulatory architecture of the Exchange unworkable, would invite every regulated entity to substitute its own preferred construction for that of the lawfully constituted authority, and would erode the binding character that the Byelaws and Rules attach to directions issued by this Committee. The Noticee, on its own admission, neither appealed nor sought review of the Member Committee's direction dated December 11, 2024. It instead has chosen, a third course, non-compliance which is impermissible in law and in regulatory practice. A direction of a competent authority is binding from the date of its issuance and remains binding until and unless it is modified by the issuing authority or set aside in appeal or review.

8.5. Equally, the Noticee's plea that it has sought a clarification from SEBI and is awaiting a response cannot, on the facts of this case, be seen as an acceptable answer to the charge of non-compliance. The duty of a regulated entity to seek interpretive clarification on a regulatory provision is one that ought to be discharged *ex ante*, i.e. before the entity proceeds to act upon a self-serving construction of an allegedly ambiguous norm and not *ex post*, i.e. after a specific direction has been issued to it on the very point in question. A clarification request made after the issuance of a direction does not, in law, suspend, dilute or postpone the operation of the direction; the direction remains binding throughout. More tellingly, the Noticee

did not pause the impugned conduct on receipt of the December 11, 2024, direction in order to await the clarification it now invokes. On the contrary, in the period following that direction, the Noticee proceeded to pass on penalties to its clients in 211 further instances aggregating Rs. 18,31,203.03 being the very conduct that the December 11, 2024 direction had expressly prohibited. The composite picture that emerges - an earlier specific direction, no appeal, no review, no refund of the penalties already passed on, continued and expanded pass-through of fresh penalties to a further 48 clients, and a belated invocation of an 'awaited clarification' from SEBI does not disclose a *bona fide* interpretive doubt entertained in good faith. In these circumstances, the Committee is unable to accept that the Noticee's conduct was the result of a bona fide interpretive doubt. The conduct reflects a conscious decision not to comply with a binding direction, while continuing the very practice that had been prohibited. Such conduct aggravates the underlying violation and is relevant to the proportionality of the directions issued below, including the time-bound prohibition on onboarding new clients.

9. Keeping in view of the aforesaid legal position, the findings of the Committee are as under:

9.1. Non-compliance of the direction – The Committee observed that the Noticee neither appealed/sought review against the original direction nor complied with direction dated December 11, 2024. Thus, the Noticee continued to remain defiant and non-compliant. The directions at the immediately succeeding paragraphs, in particular the prohibition on onboarding of new clients for a period of three months, are duly considered to reflect not merely the substantive breach of the upfront/peak margin framework but the deliberate refusal of the Noticee to acknowledge the binding character of the December 11, 2024 direction and its continued course of conduct in defiance of it, in the manner more particularly set herein above.

9.2. The Committee finds that the Noticee has passed on the penalty to the clients on account of short/non-collection of upfront/peak margin, thereby violating the regulatory framework and failing to adhere to directions of the Member Committee and further, this violation continues as on date of the MC meeting. The Noticee's contention of regulatory clarification awaited from SEBI does not absolve Noticee from adhering to captioned direction. It is pertinent to mention that compliance officer of the Noticee and MD and CEO continued to insist upon their interpretation of Peak/Upfront Margin despite clear Circulars of SEBI and Exchange including the captioned direction issued. The Noticee and its representative have remained defiant and unapologetic about their wilful defiance of the lawful authority, resulting into wilful non-compliance.

9.3. The Committee noted that in the absence of specific response for the observation pertaining to Unauthorised Market Practices, it is established that the Noticee has failed to comply with regulatory provision as mentioned in the SCN.

9.4. In view of above the Committee observed that the Noticee has violated SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/143 dated July 29, 2020 and Exchange Circular No. NSE/INSP/45191 dated July 31, 2020, Exchange Circular No. NSE/INSP/46485 dated November 27, 2020, Exchange Circular No. NSE/INSP/49929 dated October 12, 2021, w.r.t. Guidelines/clarifications on Margin collection & reporting, which inter-alia states that members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances" and subsequent direction issued in this regard and thereby guilty of Misconduct in terms of Rule 3 (d) and (e) of Chapter IV of the NSEIL Rules.

10. **CONCLUSION**

10.1. The Committee noted that the Noticee has not complied to its earlier directions dated December 11, 2024, of refund of penalty of Rs. 9.45 lakhs which were the passed on to the clients.

10.2. The Noticee has again passed on the new penalty on upfront/peak margins in case of 211 instances pertaining to 48 clients, amounting to Rs. 18.31 lakhs.

10.3. The Noticee failed to provide specific response on the charge Unauthorised Market Practices pertaining to false reporting of margin and passing on the penalty to clients, even after Exchange's SCN specifically required the Noticee to address the same. Hence, the violation persists.

10.4. In view of aforesaid, it is observed that the Noticee, its compliance officer and MD & CEO are in gross violation of the regulatory provisions and further continued to remained defiant while admitting they are duty bound either to comply or to file appeal/review which indicates they have acted in high handed manner and presumed themselves in a position over and above the legitimate authority given to this Committee through the aforesaid Bye-law, Rules and Regulation and Circulars of SEBI and Exchange.

11. The Committee issues following directions to the Noticee in terms of Rule 1 and Rule 2 of Chapter IV of NSEIL Rules read along with Regulation 4A.1 NSEIL Regulations for CM and F&O segment: -

a) The Committee imposes a monetary penalty of Rs. 1 lakh for passing on penalty pertaining to upfront / peak margin to clients. Further, the Noticee is directed to:

i. refund the penalty passed on to all the clients pertaining to upfront / peak margin that has been levied by CC as on date and confirm to the Exchange within 15 days from the date of this order and

ii. submit auditor's certificate for each financial year on refund made in this regard within 30 days from the date of this order.

b) For non-adherence to the Committee's earlier direction dated December 11, 2024, and for continued defiance as mentioned above, the Noticee is prohibited from onboarding any new client for a period of 3 months from date of this order and imposes a monetary penalty of Rs. 1 lakh.

c) Compliance Officer Shri. Aditya Goenka and MD & CEO Shri. Anshul Arzare are cautioned to be more careful in compliance of the regulatory instructions/direction.

d) The Noticee is directed to place the copy of this order before the:

i. Board of Directors of the Noticee in its upcoming meeting
ii. MD & CEO of holding company to also place copy of this order in their next Board of Directors' meeting

and furnish the minutes within 7 days from the date of above-Board meetings.

Sd/- Srinivas Injeti (Chairperson)	Sd/- Abhilasha Kumari (Committee Member)	Sd/- P. R. Ramesh (Committee Member)
Sd/- Rajeev Vasudeva (Committee Member)	Sd/- Essaji Vahanvati (Committee Member)	Sd/- Vijai Pratap Singh (Committee Member)

Sd/-
Sanjay Shorey
(Committee Member)

Date: May 26, 2026