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 March 19, 2024

In the matter of the Trading Member -
M/s. Alice Blue Financial Services Private Limited

Committee Members:

Mr. S Ravindran	-	Chairman
Mr. S Sudarshan	-	Committee Member
Mr. Essaji Vahanvati	-	Committee Member
Mr. Ashishkumar Chauhan	-	Committee Member

Also Present:

Mr. Piyush Chourasia	-	Chief Regulatory Officer
Mr. Ankit Sharma	-	Chief Regulatory Officer
Ms. Renu Bhandari	-	Vice President - Inspection
Mr. Bireshwar Chatterjee	-	Vice President - Surveillance & Investigation
Ms. Sonali Karnik	-	Vice President - Enforcement
Mr. Janardhan Gujaran	-	Vice President - Enforcement
Mr. Dharmpal Dave	-	Senior Manager – Legal

BACKGROUND

1. **Alice Blue Financial Services Private Limited ("Noticee")** having SEBI registration No. INZ000156038, is a registered Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**") segment since October 17, 2017, Futures & Options ("**F&O**") segment since October 17, 2017, and Currency Derivatives ("**CD**") segment since February 15, 2019.

2. The Exchange during the monitoring and surveillance of trading activity in the Equity Derivatives segment, observed certain transactions executed by the Noticee's clients that were matched and reversed with the same counterparties.

3. The Noticee was on both sides of the trades, for the clients Shubham Yadav, Mandagaru Ramachandra Pradeepa, Harischandra Reddy Kunam, Kavita Ashutosh Hatkar, Sharad Ganga Sonkar, Snehul Kanaiyalal Raval and Snivedhitha Ilango. A brief summary of these trades is as follows:

Contract	Contract	Buy Client Name	Sell Client Name	Square off difference (SOD) – Positive (P)/ Negative (N) (Rs. Lakhs)	Traded Qty	Traded Value (Rs. Lakhs)	Reversal % - First leg traded quantity Vs Second Leg traded quantity	Perc to Market Gross on the day in the scrip/ contract
Contract 1	NIFTY-01-12-2022-19000-PE Trade Date - 20-10-2022	Shubham Yadav	Snehul Kanaiyalal Raval	*P SOD* 06.50	500	800	100%	100%
		Snehul Kanaiyalal Raval	Shubham Yadav	*N SOD* 06.50	500	2100		
Contract 2	NIFTY-08-12-2022-18500-PE Trade Date - 21-10-2022	Shubham Yadav	Kavita Ashutosh Hatkar	*P SOD* 7.42	700	440	100%	100%
		Kavita Ashutosh Hatkar	Shubham Yadav	*N SOD* 7.42	700	1500		
Contract 3	NIFTY-15-12-2022-17500-PE Trade Date -25-10-2022	Shubham Yadav	Snivedhitha Ilango	*P SOD* 05.50	1000	100	100%	62.50%
		Snivedhitha Ilango	Shubham Yadav	*N SOD* 05.50	1000	650		
Contract 4	NIFTY-15-12-2022-17600-CE Trade Date - 25-10-2022	Mandagaru Ramachandra Pradeepa	Sharad Ganga Sonkar	*P SOD* 13.16	1400	260	100%	100%
		Sharad Ganga Sonkar	Mandagaru Ramachandra Pradeepa	*N SOD* 13.16	1400	1200		
Contract 5	NIFTY-15-12-2022-17850-PE Trade Date - 27-10-2022	Mandagaru Ramachandra Pradeepa	Harischandra Reddy Kunam	*P SOD* 14.50	2500	170	100%	98.04%
		Harischandra Reddy Kunam	Mandagaru Ramachandra Pradeepa	*N SOD* 14.50	2500	750		
Contract 6	NIFTY-15-12-2022-17950-PE Trade Date - 27-10-2022	Shubham Yadav	Harischandra Reddy Kunam	*P SOD* 22.03	2800	199	98.21%	99.11%
		Harischandra Reddy Kunam	Shubham Yadav	*N SOD* 22.03	2750	1000		
Contract 7	NIFTY-15-12-2022-18500-PE Trade Date - 21-10-2022	Kavita Ashutosh Hatkar	Shubham Yadav	*N SOD* 06.40	650	1485	100%	100%
		Shubham Yadav	Kavita Ashutosh Hatkar	*P SOD* 06.40	650	500		
Contract 8	NIFTY-22-12-2022-17550-PE Trade Date - 25-10-2022	Shubham Yadav	Sharad Ganga Sonkar	*P SOD* 5.50	1000	150	100%	100%
		Sharad Ganga Sonkar	Shubham Yadav	*N SOD* 5.50	1000	700		
Contract 9	NIFTY-01-12-2022-17400-CE Trade Date - 25-10-2022	Shubham Yadav	Sharad Ganga Sonkar	*P SOD* 13.72	1400	220	100%	50%
		Sharad Ganga Sonkar	Shubham Yadav	*N SOD* 13.72	1400	1200		
Total				***P SOD 94.73 NSOD 94.73***				

3.1 In these transactions, the Noticee was the Trading Member on both sides of the trade and the transactions were reversed with the same counterparty.

3.2 The impugned trades were executed on October 20, October 21, October 25, and October 27, of 2022, i.e. 4 trading days in 9 contracts.

3.3 The quantity traded in the first leg of the transactions was reversed to 100% in 8 out of 9 contracts and in one contract it was 98.21%.

3.4 The traded quantity in the 9 contracts executed by the Noticee's clients constituted in the range 50% to 100% to the market traded quantity of the contract on the respective days. From the below table, it can be seen that in 5 out of 9 instances, percentage to market gross on the day in the scrip/ contract was 100% and in other 2 out of 9 instances, percentage to market gross on the day in the scrip/ contract was more than 98% i.e. on these days the impugned transactions were contributing significantly to the market traded quantity.

Percentage of traded quantity in the impugned transactior to Market Gross on the day in the scrip/ contract	**Instances**
100%	5
98% to less than 100%	2
50% to less than 98%	2

3.5 In the said 9 contracts, clients Shubham Yadav (in 7 instances) and Mandagaru Ramachandra Pradeepa (in 2 instances), trading through the Noticee, were consistently making positive close out difference and the clients Harischandra Reddy Kunam, Kavita Ashutosh Hatkar, Sharad Ganga Sonkar, Snehul Kanaiyalal Raval and Snivedhitha Ilango trading through the Noticee, were making negative close out difference.

3.6 It is observed that the percentage of reversal transactions to total traded quantity of the client in the contract on the respective days was 100%. Further, the percentage of square off profit for reversal transactions to the total square off profit in the respective contracts for the respective period was also 100%.

3.7 In 6 out of 9 contracts, both buy and sell orders were placed in a synchronized way for the impugned transactions i.e. time of placement of the buy order and sell orders were less than or equal to 60 seconds. These orders were placed through Internet Based Trading ("**IBT**") and were non-algo in nature.

3.8 In rest of the 3 out of 9 contracts, time of placement of the buy order and sell orders of the impugned transactions were 1 minute 07 seconds, 1 minute 37

seconds and 6 minutes 39 seconds. These orders were placed through "IBT" and were non-algo in nature.

3.9 From the above, it is observed that the clients have placed buy and sell orders through the Noticee in multiple contracts on four trading days, mostly in a synchronized manner and reversed with the same counterparty with some clients consistently making positive square off difference and other clients consistently making negative square off difference.

4. It was also observed that there were 4 instances pertaining to 3 clients of the Noticee (Harischandra Reddy Kunam, Sharad Ganga Sonkar, and Snivedhitha Ilango) where the trades matched with the clients of another Trading Member.

ISSUE OF SHOWCAUSE NOTICE

5. Based on the observations of the Exchange mentioned in the above Paragraphs, the Exchange issued a Show Cause Notice ("SCN") which was communicated to the Noticee vide the Exchange letter NSE/INVG/2022/118630 dated November 01, 2022. The charges mentioned in the SCN are as follows:

5.1 **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:
4.6.2.1.(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;"

5.2 **The 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."

5.3 **The 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.

5.4 **The Exchange circular 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

6. The Noticee responded to the Show Cause Notice ("**SCN**") vide its letter dated May 30, 2023. The summarized response of the Noticee is as under:

6.1 The observed transactions were allegedly unauthorised trades and were not executed by the clients themselves.

6.2 On October 25, 2022, client Ms. Snivedhitha Ilango (Client Code: 534015) complained to the Noticee regarding the execution of a far month contract in her account, however the same was not executed by her.

6.3 On receipt of the said complaint, the Noticee verified and analyzed the nature of the transaction and identified certain unauthorised transactions in her account.

6.4 Vide email dated October 25, 2022, the Noticee had informed the Exchange that unauthorised trades have taken place in the said client's account.

6.5 On subsequent verification and analysis at the Noticee's end, it was observed that unauthorized trades have taken place in 18 clients' accounts in certain contracts of NIFTY.

6.6 As a remedial measure, the Noticee withheld the pay outs of all the profit-making concerned clients.

6.7 Assistance of Cyber Cell has been taken for resolution of the incident and a cyber-crime incident report dated October 25, 2022, bearing acknowledgement number 21610220032249 was provided by the Noticee for reference.

6.8 The Noticee stated that it has provided the VA&PT report and list of critical assets to the Exchange and have also mentioned that there was no data leakage/data breach from the Noticee's end.

6.9 The Noticee stated that it had communicated with the concerned clients, some of whom have admitted sharing their credentials to third party. The Noticee further stated that based on the aforesaid, security of the Noticee's system is secured and standardized and the unauthorised transactions have taken place as the login credentials were shared with the third party by the clients themselves.

6.10 The Noticee asserts that the alleged wrongdoing by clients does not render the Noticee liable or subject to penalties. Merely acting on behalf of clients does not imply collusion. Established jurisprudence, as upheld by the honourable tribunal, dictates that unless a clear link exists demonstrating broker awareness of fraud or collusion, liability cannot be attributed to the broker.

6.11 The Noticee provided a gist of the steps/communications/details taken by it on being aware of the said unauthorized trades/transactions. Upon receiving the complaints from the clients and identifying the issue, the Noticee had individually communicated with all the concerned clients via call and gathered necessary information as mentioned herein under:

6.11.1. When did the client realize that unauthorized trades have taken place in their accounts.

6.11.2. Upon identification of the issue, how did the client communicate with Noticee.

6.11.3. Which platform is the client using for trade execution.

6.11.4. Whether the client has shared his login credentials to the third party to handle and manage their trading account.

6.11.5. Is the client using any third-party application or stored the password/credentials or entered the credentials in a wrong, unauthorized link.

6.11.6. Whether the clients have placed orders.

6.11.7. Whether the clients have shared their login credentials with any given third party.

6.11.8. The Noticee requested all the affected clients to register a Cyber-cell complaint for the incident and submit the complaint acknowledgement report with them to proceed further.

6.12 The Noticee provided a gist of the remedial and corrective measures taken. The Noticee mentioned that it has taken Remedial and Corrective measures in respect of the matter, so that such unauthorized trades/transaction do not recur. The below mentioned are the steps undertaken by the Noticee to mitigate the risk across all its client base.

6.12.1. The Noticee communicated to all the Clients to reset the password via email.

6.12.2. The Noticee had reset the overall MPINs, and the Clients shall set the fresh MPINs.

6.12.3. The Noticee further enabled/forceful live with TOTP and removed the MPIN login version.

6.12.4. The Noticee had also reset the passwords of high margin clients and requested them to set the new passwords.

6.12.5. The Noticee has blocked the far month contracts on October 28, 2022, from its system across all client base.

6.13 The Noticee provided its submission on its security system as below:

6.13.1. The Noticee reiterated that it has a strong security and robust & efficient system in place, and have been providing an online trading service to the clients through platform named as ANT. The said platform has been approved across all the Exchanges like NSE, BSE, MCX and is running from since more than 4 years.

6.13.2. The Noticee submitted that there is no possibility of leakages and data breach in the Noticee's system. Any incoming traffic needs to reach origin server and has to cross two layers of security to reach its servers. The Noticee's system is following the best industry standards on password management & trading functionality. The clients need to enter the details to make their successful logins (USER ID, PASSWORD, YOB, MPIN) in the trading system. If any client has reached the 3 attempts in password, the user account will be blocked. The aforesaid basic details are required before using the trading functionality of App i.e. Market watch, Order book, position book, buy and sell window, Holdings, account details, fund details.

6.13.3. The Noticee stated that it has adequate and efficient tools backed with advanced technologies and well-equipped personals to monitor system security. The Noticee further stated that, security enhancement is not a one-time task rather a daily activity that it performs on a regular basis. In case of any lacuna, the Noticee is supported by the experts, consultants and it has a SAS model tool in place to manage and monitor.

6.13.4. The Noticee has a 3-shield system wherein it has CDN firewalls, rate limiting rules and server firewalls.

6.13.5. The system is in place to monitor and surveillance the traffic to maintain security and safeguard the interests of its clients. In application level, the Noticee has control of user-based request limit and password control mechanism.

6.13.6. The Noticee has enabled package security for its mobile application, the details of which are mentioned below:

a. SSL pinning is enabled in the application to prevent IMA (In Middle Attack).
b. The Noticee has enabled Root Deduction protection.
c. VAPT process takes place on a regular basis for its in-house platforms and the observations/ deviations are evaluated and rectified immediately to ensure smooth and comfortable trading experience for its clients.
d. The Noticee has implemented Cyber audit & system audit as per the Exchange guidelines and the reports are duly submitted to the Exchange within the prescribed time period.

6.13.7. Measures in process of implementation: The Noticee stated that the Noticee is planning to have trigger alert system in place wherein if the client has logged in with the new IP and it does not match with the last login, a mail will be triggered. If the trigger happens continuously for a particular client based on certain limit, an official precautionary mail will be communicated with the clients.

6.14 The Noticee stated that the Noticee has a technically sound and secured system in place, to provide efficient and convenient trading facilities to its clients. Upon identification of the issue, the nature and pattern of the incident, it was observed that its systems were not compromised or exposed; rather the client shared his login credentials with the third party. On communication with the clients via Phone calls, it was understood that the clients have shared their login credentials with the third party and the said incident has also been escalated to the concerned cyber cell and the Investigation of the same is in process.

6.15 The Noticee further stated that to mitigate the risk and prevent such incidents in the future, the Noticee has implemented the appropriate changes in the system and further strengthen the system security to provide effortless and hassle-free trading experience to its clients. Further, it is submitted that qSEAp Infotech Pvt. Ltd had conducted a vulnerability assessment in respect of the

Noticee's system and by vulnerability Assessment and Penetration Testing ("VAPT") report for the year 2022 -2023 inter alia by way of Remarks stated that there was no deficiency observed in the Noticee's system.

6.16 The Noticee submitted that the broker cannot be penalized for the alleged wrongdoing of its clients and referred few orders as below:

6.16.1. Vidyut Shah vs. SEBI 13.08.2010 (Appeal No. 35 of 2007)
"… It is true that the whole-time member has found the appellant guilty of violating the Code of Conduct but that is on the ground that he knowingly executed fictitious trades on behalf of his clients. Since we are not attributing knowledge of fictitious trades to the appellant, the charge of violating the Code of Conduct must also fail...."

6.16.2. The Noticee submitted that the broker cannot be held liable and penalized for the alleged wrongdoing of the client. Merely because the broker acted on behalf of the client does not lead to an inference that they acted in 'concert' or 'collusion' with client. The Noticee referred to the case of Pravin V Shah Stock Broking Pvt. Ltd. v/s SEBI (Appeal No. 126 of 2006), wherein Hon'ble Tribunal held as under:
"...Having held that no nexus had been established between the appellant and its clients, the adjudicating officer in Para 12 of the impugned order jumped to the conclusion that the appellant had not exercised due skill and diligence and allowed its clients to generate artificial volumes. This finding is based on no material whatsoever and cannot, therefore, be upheld... "

6.16.3. The Noticee referred several other cases viz:

SR No.	Name of Case	Date of Decision
1	Subhkam Securities Pvt. Ltd vs. SEBI	July 25, 2012
2	Rajendra Jayantilal Shah vs. SEBI	July 16, 2012
3	Networth Stock Broking Ltd. vs. SEBI	June 19, 2012
4	Ajmera Associates Pvt. Ltd. vs. SEBI	December 13, 2010
5	IndiaBulls Securities Ltd. vs. SEBI	October 26, 2010
6	R K Global Shares and Securities Ltd. vs. SEBI	September 16, 2010
7	Prashant J. Patel vs. SEBI	August 17, 2010
8	Ramaben Samani Finance Private Limited vs. The Adjudicating Officer, SEBI	October 22, 2007

6.16.4. Hon'ble Supreme Court of India in SEBI vs Rakhi Trading Private Limited passed by in order dated February 08, 2018, held that:

"44. As far as brokers are concerned, we are of the view that there is hardly any evidence on their involvement so as to proceed against them for violation of Regulation 7A of the Brokers Regulations and PFUTP Regulations. Merely because a broker facilitated a transaction, it cannot be said that there is violation of the Regulation. SEBI has not provided any material to suggest negligence or connivance on the part of the brokers."

6.17 The Noticee denied alleged violation of Regulation 4.5.4 (c) (i) and Regulation 4.6.2. 1(b) of the NSEIL F&O Regulations, the Exchange circular NSE/INVG/39647, Exchange circular NSE/INVG/2019/40175 and Exchange circular NSE/INVG/2020/46662.

6.18 The Noticee submitted that the Noticee has been wrongly roped into the present proceedings and requested to drop the said SCN and withdraw the allegations and the charges.

PROCEEDINGS BEFORE MCSGFC

7. The Exchange vide email dated December 19, 2023, provided the Noticee an opportunity of personal hearing before the Committee in its meeting held on December 26, 2023.

8. The Noticee was represented by Mr. Prakash Shah - Advocate, Mr. Keyur Shah - Advocate, Mr. Kushal Shah - Authorized Person of the Noticee and Mr. Sarvanan - Compliance Officer of the Noticee for the personal hearing.

9. The matter was once again placed before MCSGFC and discussed in the meeting dated March 19, 2024.

OBSERVATIONS, CONSIDERATIONS AND FINDINGS OF THE COMMITTEE

10. After duly considering the oral and written submissions made by the Noticee with regards to the charges mentioned in the SCN dated November 01, 2022, the Committee finds as under:

10.1 The Committee observes that in these transactions, the Noticee was Trading Member on both sides of the trade and the transactions were reversed with the same counterparty. The Committee also finds that:

10.1.1 The impugned trades were executed on October 20, October 21, October 25, and October 27, of 2022, i.e. 4 trading days in 9 contracts.

10.1.2 The quantity traded in the first leg of the transactions were reversed to 100% in 8 out of 9 contracts and in one contract it was 98.21%.

10.1.3 The traded quantity in the 9 contracts executed by the Noticee's clients, constituted in the range of 50% to 100% of the market traded quantity of the contract on the respective days. From the below table, it can be seen that in 5 out of 9 instances, percentage to market gross on the day in the scrip/ contract was 100% and in the other 2 out of 9 instances, percentage to market gross on the day in the scrip/ contract was more than 98% i.e. on these days the impugned transactions were contributing significantly to the market traded quantity.

Percentage of traded quantity in the impugned transactions to Market Gross on the day in the scrip/ contract	**Instances**
100%	5
98% to less than 100%	2
50% to less than 98%	2

10.1.4 In the said 9 contracts, clients Shubham Yadav (in 7 instances) and Mandagaru Ramachandra Pradeepa (in 2 instances) trading through the Noticee were consistently making positive close out difference and the clients Harischandra Reddy Kunam, Kavita Ashutosh Hatkar, Sharad Ganga Sonkar, Snehul Kanaiyalal Raval and Snivedhitha Ilango trading through the Noticee were making negative close out difference.

10.1.5 The Committee observes that the percentage of reversal transactions to total traded quantity of the client in the contract on the respective days was 100%. Further, the percentage of square off profit for reversal transactions to the total square off profit in the respective contracts for the respective period was also 100%.

10.1.6 In 6 out of 9 contracts, both buy and sell orders were placed in a synchronized manner for the impugned transactions i.e. time of placement of the buy order and sell orders were less than or equal to 60 seconds. These orders were placed through IBT and were non-algo in nature.

10.1.7 In rest of the 3 out of 9 contracts, time of placement of the buy order and sell orders of the impugned transactions were 1 minute 07

seconds, 1 minute 37 seconds and 6 minutes 39 seconds. These orders were placed through IBT and were non-algo in nature.

10.2 In view of the above, the Committee finds that the clients have placed buy and sell orders through the Noticee in multiple contracts on four trading days conclusively in a synchronized manner and reversed with the same counterparty with some clients consistently making positive square off difference and other clients consistently making negative square off difference.

10.3 The Committee notes that, as per the response of the Noticee, the Noticee investigated the cases upon receipt of complaint from one of its clients. The Noticee filed complaints with Cyber Cell upon receiving one complaint. Thus, Committee observes that due diligence was exercised by the Noticee in the said instances. The Committee further notes that there were other complaints filed including a FIR with Cyber Cell/Police.

10.4 The Committee notes the Noticee's contention, that the clients have admitted to sharing their credentials to third parties due to which the Noticee cannot be penalised.

10.5 The Committee directed the Noticee to get the full list of complaints filed by the Noticee. Pursuant to MCSGFC meeting, the Exchange sent an email dated May 30, 2024, to the Noticee seeking details of any other complaints filed by the Noticee in this regard.

10.6 The Noticee vide its email dated June 04, 2024, provided copies of three complaints filed with reference to impugned trades.

10.6.1 Cyber compliant (ref. 22910220057125) filed w.r.t trades of Snivedhitha Ilango for Rs 17.80 lakhs.

10.6.2 Cyber complaint (ref. 21610220032249) filed by the Noticee for Rs. 85 lakhs.

10.6.3 FIR copy filed by the Noticee in the YELAHANKA PS Bangalore - FIR copy has a list of 9 client codes (567265, 539406, 425395, 534015, 528336, 526692, 549661, 541546, 542916) in whose account unauthorized transaction is alleged to have taken place and list of 3 client codes (AB067662, 163049, 131508) who might have done these trades. All the client codes mentioned in Exchange SCN dated November 01, 2022, making negative close out were part of the 9 client codes (in whose account unauthorised trades were executed) mentioned in the said FIR. Further, 2 client codes who made positive

close out were part of the 3 client codes (alleged to have executed the unauthorised trades) as mentioned in the FIR.

10.7 The Committee notes that the list of clients' codes mentioned in the Exchange SCN were included in the list of client codes for which the Noticee had filed the above FIR. The list of client codes along with other details are as follows:

Client Code	Client Name	Client PAN	Closeout (Positive/Negative)	Amt. Rs. (in Lakhs)
AB067662	Shubham Yadav	ANPPY6025R	Positive	67.07
163049	Mandagaru Ramachandra Pradeepa	AFGPP5923G	Positive	27.66
526692	Snehul Kanaiyalal Raval	AOXPR1974F	Negative	6.5
528336	Kavita Ashutosh Hatkar	AKAPA9452A	Negative	13.82
534015	Snivedhitha Ilango	ANUPI8550L	Negative	5.5
567265	Sharad ganga Sonkar	BFPPS4621N	Negative	32.38
539406	Harischandra Reddy Kunam	AIUPK7339Q	Negative	36.53

10.8 Further, the Committee notes that during the October 2022 to August 2023, the Exchange had received investor complaints on its platform against Alice Blue Financial Services Private Limited for unauthorized trades which involved the impugned trades mentioned in the SCN. The details are mentioned as under:

ISC Case Reference No.	IGRP Order Date	Investor Name	Client Code
NSEWRO/0011142/22-23/ISC/IGRP	13-Dec-2022 - Claim Admitted	Kavita Ashutosh Hatkar	528336
NSEHRO/0011335/22-23/ISC/IGRP	28-Dec-2022 – Claim Admitted	Kunam Harischandra Reddy	539406
NSEDRO/0011349/22-23/ISC/IGRP	13-Dec-2022 - Nil claim admitted	Shubham Yadav	AB067662
NSEDRO/0011432/22-23 / I	Closed by Exchange	Shubham Yadav	AB067662
NSEDRO/0011430/22-23/ISC	Closed by Exchange	Shubham Yadav	AB067662
NSEBEN/0011572/22-23/ISC/IGRP	03-Jan-2023 - Nil claim admitted	Pradeep Ramachandra Ramachandra	163049
NSEBEN/0012031/22-23 / I	Closed by Exchange	Pradeep Ramachandra Ramachandra	163049
NSEBEN/0012034/22-23 / I	Closed by Exchange	Pradeep Ramachandra Ramachandra	163049
NSEDRO/0012457/22-23 / I	Closed by Exchange	Shubham Yadav	AB067662
NSEARO/0012826/22-23/ISC/IGRP	2023-01-05 – Nil claim admitted	Raval Snehul Kanaiyalal	526692
NSECRO/0012963/22-23/ISC/IGRP	11-Jan-2023 – Claim Admitted	Snivedhitha Ilango	534015
NSEDRO/0016722/22-23/ISC	Closed by Exchange	Shubham Yadav	AB067662

10.9 The Committee notes the below mentioned outcomes of resolution of the ISC complaints/ order of Grievance Redressal Committee ("**GRC**"):

10.9.1 For Shubham Yadav, the Noticee indicated before GRC that complainant was probably perpetrator in unauthorized trades cases of other clients.

10.9.2 For Mandagaru Ramachandra Pradeepa, the Noticee mentioned before GRC that this client is supposedly involved in the unauthorized trades in other client's account.

10.9.3 For Snehul Kanaiyalal Raval, both complainant and the Noticee filed complaint before Cyber cell. No claim admitted.

10.9.4 For Kavita Ashutosh Hatkar, GRC admitted claim of Rs. 16,61,604/- in favour of client.

10.9.5 For Snivedhitha Ilango, GRC admitted claim of Rs. 17,80,000/- in favour of client.

10.9.6 For Sharad Ganga Sonkar, no complaint was observed to have been filed.

10.9.7 For Harischandra Reddy Kunam, GRC admitted claim of Rs. 65,60,037/- in favour of client.

10.10 The Committee notes that the Noticee has filed cyber complaints and police FIR. Further, ISC complaints were also registered by the clients on the Exchange platform. Thus, the Committee notes that impugned transactions were involved in disputes pertaining to unauthorised trades for which the Noticee has taken action. It is also noted that GRC has issued orders, wherein, based on the submissions, some of the client's claims were admitted.

10.11 In view of the above, the Committee is of the opinion that since FIR/Cyber complaints were filed and GRC of the Exchange disposed of complaints with respect to the impugned transactions, these transactions are of the nature of unauthorized trades rather than non-genuine transactions as mentioned in the Exchange Circular NSE/INVG/2020/46662 dated December 16, 2020.

10.12 With respect to the impugned transactions as mentioned above in Paragraph 4, the Committee observed that the Noticee was only on one side of the transactions. Further, the Committee notes that there is no evidence to conclude that there was any apparent relationship between the client of Noticee and the counterparties to these trades. In view of the above, the impugned transactions as mentioned above in Paragraph 4 may not be categorized as non-genuine as mentioned in Exchange Circular NSE/INVG/2020/46662 dated December 16, 2020.

MCSGFC DECISION

11. In view of the above facts, the Committee decides that no action as prescribed in Exchange Circular No. NSE/INVG/2020/46662 dated December 16, 2020, is required in this matter.

Sd/-	Sd/-	Sd/-
Mr. S Ravindran	Mr. Essaji Vahanvati	Mr. Ashishkumar Chauhan
(Chairperson)	(Committee Member)	(Committee Member)

Date: February 17, 2025