Member and Core Settlement Guarantee Fund Committee
("MCSGFC/Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Mumbai – 400051
held on March 19, 2024

In the matter of the Trading Member – M/s. Moneywise Finvest 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
Mr. Bireshwar Chatterjee	-	Vice President - Surveillance & Investigation
Ms. Renu Bhandari	-	Vice President - Inspection
Ms. Sonali Karnik	-	Vice President - Enforcement
Mr. Janardhan Gujaran	-	Vice President - Enforcement
Mr. Dharmapal Dave	-	Senior Manager – Legal

BACKGROUND OF THE CASE AND PRELIMNARY OBSERVATIONS

1. **M/s. Moneywise Finvest Limited** ("**Noticee**") having SEBI Registration No. INZ000185137 is a registered Trading Member of the National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") and enabled for trading in the Capital Market ("**CM**") segment and Futures and Options ("**F&O**") segment and Currency Futures Segment since December 2018.

2. The Exchange during the monitoring of trading activity in the Equity Derivative Segment in December 2022, observed that certain transactions in Equity Derivative Segment were executed by the Noticee's client where orders were placed in a synchronized manner and reversed with the same counterparties.

3. The Noticee's client made a close out difference of Rs. 6,34,400/-. Noticee's client executed the impugned transactions of the nature of reversal in an Equity Call Option contract with the underlying stock IPCALAB having 780 Strike Price expiring on January 25, 2023. The client of the Noticee was Dhruv Maulik Shah ("**DMS**") and the counterparty client was related to the client of the Noticee. Further, the counterparty trading member is

Confidential

the holding company of Noticee as per available records with Exchange. The detailed summary of the impugned transactions is as under.

Trade date	Contract	Buy Client	Sell Client	Trade Qty	Average Trade Price (Rs.)	Square off difference (SOD) – Positive (P)/ Negative (N) (Rs. Lakhs)	Percentage to Market Gross on the day in the scrip/ contract	Reversal %	Synchronized time
19-Dec-22	IPCALAB - 780-CE-25Jan23	DMS	Related client of DMS	7800	41.00	DMS – SOD – P – 6.34 Related client – SOD – N – 6.34	49.98%	100%	Within 60 sec
19-Dec-22		Related client of DMS	DMS	6500*	121.00		41.65%		
22-Dec-22		Related client of DMS	DMS	1300*	129.00		9.09%		

*Weighted Average of Trade Price for sell transactions is Rs.122.33.

3.1. The client of the Noticee for this reversal transaction was Dhruv Maulik Shah ("**DMS**") and had a positive close out difference of Rs. 6,34,400 and the related client of DMS trading through holding company of the Noticee had a negative close out difference of Rs. 6,34,400.

3.2. The traded quantity in the reversal transactions constituted 91.63% of the total market quantity on December 19, 2022, and 9.09% on December 22, 2022.

3.3. 100% of the traded quantity in the first leg of the impugned transaction was reversed with the same counter party in the second leg.

3.4. The time difference between the placement of the buy order and sell order was less than 15 seconds in more than 91% of the trades. Thus, 91% of the transactions appear to be synchronized in nature. The orders were placed through Internet based trading (**"IBT")** and were non-Algo in nature.

3.5. As per the Unique Client Code ("**UCC**") records of the Exchange, it is observed that Dhruv Maulik Shah and related client trading through holding company of the Noticee are having (a) common mobile no. "+91-9825028903", (b) common email id "acerbrd@gmail.com" and (c) common address "C-303, Vrundalay Flats, Ellora Park, behind Shakti Farsan, Vadodara - 390023, Gujarat, India". Thus, the clients on both side of the said transactions are related to each other.

ISSUE OF SHOWCAUSE NOTICE

4. Based on the Exchange observations mentioned in Paragraph 3 above, the Exchange issued a Show cause notice ("**SCN"**) which was communicated to the Noticee vide letter

bearing Ref. no. NSE/INVG/2023/120441 dated January 31, 2023, inter alia alleging the violations/ non-compliances of the regulatory provisions mentioned below. The charges mentioned in the SCN are as follows:

4.1. The Exchange Regulation 4.5.4(c)(i) and Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment).

"4.5.4 General Guidelines
(c) Misleading Transactions: A Trading Member shall not –
(i) make bids and/or offers for derivatives contracts with an intention of creating a false or misleading appearance with respect to the market for, or the price of any derivatives contracts or"

"4.6. Fraudulent and Unfair Trading Practices:
4.6.2. "Without prejudice to generality of the provisions contained in the above clause, no person shall indulge in market manipulation, namely:
1 (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities / derivatives market or, results in reflection of prices of securities / derivatives contracts based on transactions, which are not genuine trade transactions".

4.2. The extract of 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."

4.3. The extract of 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."

4.4. The Exchange circular no. NSE/INVG/2020/46662 dated December 16, 2020 –

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

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

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

RESPONSE OF THE NOTICEE TO THE SHOW CAUSE NOTICE:

5. The Noticee, vide its letter dated February 7,2023 ("**Reply**"), submitted the following response to the SCN:

5.1. The Noticee in its reply stated that as a disciplined Stockbroker, it adheres to all rules & regulations and circulars issued by Exchange from time to time. The Noticee categorically denied any involvement in "Misleading Transactions" as alleged. The impugned trades are placed by the client itself through Internet based trading ("**IBT**") and trades were placed within Daily Price Limit ("**DPR**") as prescribed by the Exchange. The Noticee neither influences nor interferes in clients' investment decisions and had also ensured that the client had duly paid the upfront margin and other obligations and funds came only from its own bank account. In fact, there has been no default in the payment obligations. Furthermore, client had executed trade

within the exposure limit given to the client against available collateral with the Noticee.

5.2. The Noticee contended that it adheres to the guidelines & circulars issued by the Exchange from time to time. In the mentioned instance of client Mr. Dhruv Maulik Shah, client had placed the order through IBT, and order was placed well within daily price limit ("**DPR**") prescribed by the Exchange for the day. The Noticee further stated that it does not influence nor interfere in any client's business decisions as to investment. Therefore, the Noticee as a trading member is not involved in any abnormal/ non-genuine transactions.

5.3. The Noticee further stated that it has no relationship with the aforesaid client and the account was opened with proper KYC documentation and proper risk management practices were enforced. As a precautionary measure the Noticee has banned the client from further trading in Options Segment, The Noticee requests that no adverse action be initiated against it based on Rule 1 and 2 of Chapter IV of NSEIL rules.

PROCEEDINGS BEFORE MCSGFC

6. 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.

7. The Noticee was represented by Mr. Pranay Aggarwal - Designated Director and Mr. Junaid Akhtar – Compliance Officer of the Noticee, for the personal hearing on December 26, 2023.

OBSERVATIONS, CONSIDERATIONS & FINDINGS OF THE COMMITTEE

8. The Committee considered the oral and written submissions made by the Noticee on the charges mentioned in the SCN dated January 31, 2023. In view of the facts and circumstances of the case as discussed above, the Committee is of the view that the violations in this case warrant penalty as mandated by the Exchange Circular No. - NSE/INVG/46662 dated December 16, 2020, on the following grounds:

8.1. The Committee finds that in the impugned transactions, the Noticee was Trading Member on one side of the trade, and the counterparty Trading Member was the holding company of the Noticee.

8.2. The Committee finds that as per the UCC records of the Exchange it has been observed that both client Dhruv Maulik Shah, trading through the Noticee, and the related client trading through the holding company of the Noticee share common contact details. These include the (a) common mobile number ("+91-9825028903"), (b) common email address ("acerbrd@gmail.com"), and (c) common address ("C-303, Vrundalay Flats, Ellora Park, behind Shakti Farsan, Vadodara - 390023,

Gujarat, India"). Consequently, the buy-side and sell-side clients involved in the mentioned transactions are related to each other.

8.3. The Committee notes that 100% of traded quantity in the first leg of the impugned transaction was reversed with the same counter party in the second leg.

8.4. The Committee notes that the second leg was carried out on two days i.e. 83.33% traded quantity in the reversal transactions was executed on December 19, 2022, which constituted 91.63% of the total traded quantity of the market on that day, while the remaining 16.67% traded quantity in the reversal transactions was executed on December 22, 2022, which constituted 9.09% of the total traded quantity of the market on that day.

8.5. The Committee observes that traded quantity in reversal trades, as a percentage of total traded quantity of the client in the scrip/contract on respective days was 100%.

8.6. The Committee finds that the time difference between the placement of the buy order and sell order was less than 15 seconds in more than 91% of the trades. Thus, 91% of the transactions appear to be synchronized in nature. These orders were placed through Internet based trading ("**IBT**") and were Non-Algo in nature.

8.7. The Committee notes from the Noticee's response that it did not influence or interfere in any client's investment decisions, and that the orders were placed by the client through IBT.

8.8. Upon examination, it was found that the Noticee was Trading Member on one side of the trade and the counterparty Trading Member was the holding company of the Noticee. The Committee finds that placement of these orders is in a synchronized manner, with 100% of the first leg being reversed with the same counterparty. These reversal transactions constituted 91.63% on December 19, 2022, and 9.09% on December 22, 2022 of the market's traded quantity for the contract on the respective days. The Committee finds that the there were no trades in the said contract in the five preceding trading days of the impugned transactions, which implies that there was an increase in volume of the traded quantity on the days of reversal transactions, and that the increase in volumes can be attributed to the impugned transactions. In view of the above, the Committee finds that impugned transactions created a false or misleading appearance with respect to the market (Regulation 4.5.4(c)(i)) and to create an artificial appearance of activity in such security thereby violating the Exchange Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment). The Committee observes that as far as Exchange is concerned, as the transactions are not meant for meaningful change in ownership of the shares, the same are considered non-genuine in nature and the trading system of the Exchange cannot be a medium for executing Trade Reversals for any purpose.

8.9. Thus, the Committee is of the opinion that above act attracts provisions of abnormal/ non-genuine transactions as mentioned in circular NSE/INVG/2020/46662 dated December 16, 2020. The Noticee, by executing such trades has violated the provisions of Regulation 4.5.4(c)(i) and Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment). In accordance with the Rules/Regulations and Byelaws of the Exchange, the Committee holds that the Noticee has facilitated non-genuine trades and violated legal provisions as mentioned above. Therefore, in the facts and circumstances of the case, the Committee is of the view that appropriate penalty in terms of Exchange Circular No NSE/INVG/2020/46662 dated December 16, 2020, is attracted and should be levied. As the close out difference is of Rs. 6,34,400/- and the Noticee is on one side of the transaction, the amount of 100% penalty amounts to Rs. 6,34,400/- (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions).

MCSGFC DECISION

9. In view of the above findings, the Committee decides to levy a penalty of **Rs. 6,34,400** (Six Lakhs Thirty-Four Thousand and Four Hundred) (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) on the Noticee in terms of the Exchange circular no. NSE/INVG/2020/46662 dated December 16, 2020.

10. The Noticee is also directed to take adequate measures / put in place effective systems and controls to comply with the provisions of the Regulation 4.5.4(c)(i) and Regulation 4.6.2.1(b) of NSEIL Regulations (F&O Segment) and NSE Circulars NSE/INVG/39647 dated December 13, 2018, NSE/INVG/2019/40175 dated February 07, 2019, and NSE/INVG/2020/46662 dated December 16, 2020.

Sd/-
S Ravindran
(Chairperson)

Sd/-
Essaji Vahanvati
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: January 27, 2025