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 January 23, 2023

In the matter of the Noticee – M/s. Bajaj Financial Securities Limited

CORAM:

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

ALSO PRESENT:

Ms. Priya Subbaraman	- Chief Regulatory Officer
Dr. Dinesh Kumar Soni	- Sr. Vice President - Regulatory
Mr. Suresh Nair	- Vice President - Enforcement
Mr. Bireshwar Chatterjee	- Vice President – Investigation
Mr. Manish Deo	- Associate Vice President – Investigation
Mr. Ashish Tiwari	- Senior Manager – Investigation

BACKGROUND OF THE CASE AND PRELIMINARY OBSERVATIONS

1. **M/s. Bajaj Financial Securities Limited** ("**Noticee**") having SEBI Registration No. INZ000218931 is a registered Trading Member of the National Stock Exchange of India Limited ("**NSEIL**"/ "**Exchange**") and enabled for trading in the Capital Market ("**CM**") and Futures and Options ("**F&O**") segments since July 2019 and Currency Derivatives ("**CD**") segment since November 2022.

2. The Exchange during regular monitoring and surveillance of trading activity in the Equity segment, observed certain transactions executed by the Noticee's clients in the Scrip Goldiam International Limited (GOLDIAM) on December 30, 2021, and January 03, 2022. Both the buy side and the sell side client were trading through the Noticee. The clients trading through the Noticee in the said scrip for the said transactions were Dhanyakumar Hukmichand Chordia and World Foods LLP. The Noticee's Clients executed above set of transactions which were matched and reversed with the same counter party. The first leg was of 24,839 traded quantities on December 30, 2021 and the reversal leg was of 24,978 traded quantities on January 03, 2022. By executing the reversal transactions, the Noticee's Clients made a close out difference of Rs. 14,03,264. The reversal transactions between these two clients constituted in the range of 14.7%

to 57.71% of the total traded quantity in the market in that scrip on the respective day. The transactions were in the nature of synchronized transaction and time of placement of the buy order and sell order was less than or equal to 60 seconds. The orders were placed through a CTCL terminal and were NON-ALGO in nature. The details of reversal transaction are as per the table below:

Trade Date	Trade number	Trade price (Rs.)	Traded quantity	Traded value (Rs.)	% market gross	Close out difference (Rs.)	Buy client name	Sell client name
30-12-2021	'2021123027823362'	814	19,927	1,62,20,578	46.29	14,03,264	Dhanyakumar Hukmichand Chordia	World Foods LLP
30-12-2021	'2021123027833974'	811.5	4912	39,86,088	11.41		Dhanyakumar Hukmichand Chordia	World Foods LLP
03-01-2022	'2022010326502886'	870	24,978	2,17,30,860	14.70		World Foods LLP	Dhanyakumar Hukmichand Chordia

3. Based on the observations of the Exchange mentioned in Paragraphs 1 and 2 above, Exchange issued a Show cause notice which was communicated to the Noticee vide Exchange letter NSE/INVG/2021/111754 dated January 20, 2022.

RELEVANT REGULATORY PROVISIONS

4. At the outset, it is appropriate to refer to the relevant regulatory provisions alleged to have been violated by the Noticee, extracts whereof are reproduced below:

4.1. **NSE Regulation 4.5.4(c)(i) and Regulation 4.6. of NSEIL Regulations (CM Segment).**

"4.5.4 General Guidelines

(c) Misleading Transactions: A Trading Member shall not –

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

"4.6. Unfair Trading Practices:

4.6.1. No Trading Member shall execute or cause to be executed or participate in an account for which there are executed purchases of any eligible security at successively higher prices, or executed sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

4.6.2. *No Trading Member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an eligible security or creating or inducing a false or misleading appearance with respect to the market in such security, (a) enter any order or orders for the purchase of such security with knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or (b) enter any order or orders for the sale of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price for the purchase of such security has been or will be entered by or for the same or different parties."*

4.2. **Exchange circular 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. ***Extract from Exchange circular 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. **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:

5. The Noticee responded to the Show Cause Notice ("**SCN**") via its letter dated January 28, 2022. The summarized response of the Noticee is as under:

5.1. The Noticee stated that Mr. Dhanyakumar Hukmichand Chordia (Client Code PUN1583), one of the parties to transaction is also one of partner in M/S World Foods LLP (Client Code PUN1627). The trading history of the client was analyzed by the Noticee & it was observed that client PUN1627 basically trades in cash segment & further converts the position in Margin Trading Facility ("**MTF**") segment to avail the margin benefit for the selected securities as approved by Exchange & as per prescribed regulations.

5.2. The Noticee further stated that Mr. Dhanyakumar Hukmichand Chordia (Client Code PUN1583) and M/S World Foods LLP (Client Code PUN1627) are related entity. Mr. Dhanyakumar Hukmichand Chordia is one of the partners in M/S World Foods LLP and holding a stake of 24% in the firm. The total holding of Chordia Family is 95% in the firm. Thus, both the clients of the Noticee are common related entity and the beneficial owner in Words Foods LLP.

5.3. The Noticee stated that on 30th December 2021 client PUNJ1627 was holding 76,518 quantities of Goldiam in his Demat a/c, out of 14,956 quantities of Goldiam was brought through MTF product.

5.4. The Noticee stated that Client PUN1627 wanted to convert the remaining shares of Goldiam i.e. (61562) from non MTF to MTF with the reason or sole objective

of availing the benefits of MTF as a product and on the other hand would have surplus money with the client which the client could have utilized for the purpose of purchasing the other stocks under normal or Non MTF category. As per the terms and conditions specified under the MTF regulation of the Exchange, the client while purchasing the shares under MTF is required to only bring the margin money and the rest of the purchase is funded by the broker.

5.5. The Noticee further stated that client PUN1627 sold of 25,000 quantities of Goldiam on December 30, 2021, at the market price under normal trade. However, the client PUN1627 wanted those shares of Goldiam in its portfolio thus, PUN1583 and PUN1627 being related entity decided to purchase same quantity of Goldiam (i.e., 25,000) from the open market under normal category.

5.6. The settlement of the transaction of December 30, 2021, happened on January 03, 2022, and thus PUN1627 got the funds and PUN1583 got the securities. The Noticee further contended that the trading was between the related entity and with the objective of having funds as well as to avail the benefit of MTF. Even the transactions were not synchronized as there was a gap in time as well as pricing. Also, the volume of the stock of Goldiam was high on that day as per the available records in the Exchange platform or open market. The matching of orders also cannot be established as the time and pricing were different.

5.7. The Noticee further stated that the client PUN1627 on January 03, 2022, in order to achieve the objective of purchasing the Goldiam stock in MTF which was sold on December 30, 2021, put an order on January 03, 2022, in the stock of Goldiam under MTF category for which the client paid 50% margin and remaining was funded by the Noticee. Thus, PUN1583 sold 25,000 stocks of Goldiam on January 03, 2022, and PUN1627 purchased the same stock under MTF.

5.8. The Noticee further stated that by virtue of the sale transaction by client PUN1627, the ledger of the client was credited with Rs. 1,78,03,824 and PUN1627 again bought the shares of Goldiam on January 03, 2022, for which the client paid a margin money of Rs. -2,17,93,706.97. Thus, PUN1627 was having additional surplus of Rs.1,48,69,073 in its ledger which the client utilized for the purpose of purchasing other stocks under normal category i.e., Non MTF by paying 100% margin for those transactions. The objective of the client for the said transaction which resulted in reversal of trades under exchange surveillance check.

5.9. The Noticee contended that the sell and purchase transactions as specified were under different category i.e., MTF and Non MTF. Thus, the client had sold Non MTF Goldiam stock to purchase the same stock under MTF.

5.10. The Noticee further contended that there was no ill intention on the part of any of the parties (i.e., the client as well as the Noticee) to make any manipulation with respect to price or demand of the said scrip. It was done with the sole intention

of availing the benefit of the MTF as product within the framework of the Exchange guidelines and further to have funds to purchase other scrips from exchange platform. The client had sufficient margin all the time for any of the transactions and was never in debit.

PRESENT PROCEEDINGS BEFORE MCSGFC

6. MCSGFC Meeting held on January 23, 2023:

The Exchange vide email dated January 16, 2023, granted the Noticee an opportunity of personal hearing before the Committee in its meeting held on January 23, 2023. The Noticee was represented through Mr. Bineet Jha, Compliance Officer. The official of the Noticee attended the meeting via personal hearing and reiterated the submissions made in its reply dated January 28, 2022.

ADDITIONAL SUBMISSION OF THE NOTICEE SUBSEQUENT TO THE MCSGFC MEETING ON JANUARY 23, 2023:

7. The Noticee submitted additional response vide email dated January 24, 2023.The summarized response of the Noticee is as under:

7.1. The Noticee emphasised on the following facts that, M/s World Foods LLP had a total holding of 76,518 quantity of the scrip name Goldiam, out of which only 14,956 quantities were purchased through MTF route and remaining through normal trading which requires 100% Margin on the part of buyer to purchase the same. The cash margin of client got blocked due to the purchase of Goldiam through normal route, but the firm further wanted to add more script of Goldiam through MTF route in its portfolio which were not allowed as it didn't have the required cash margin in the client's account to execute the transaction of purchase. As there was no cash margin available to the client to purchase more scrip of Goldiam, the client also requested the Noticee to convert it's normal holding of Goldiam to MTF holding, so the margin could get released to buy shares of Goldiam which the Noticee didn't allow to the client, as the Noticee did not have the policy of converting normal buy shares into MTF buying. The Noticee has the facility where client can buy new shares via MTF facility but can't convert the existing shareholding purchased through normal route to MTF route. Therefore, clients had sold 25,000 shares of Goldiam on December 30, 2021, to make the arrangement of requisite amount of margin, so the scrip could be bought up through MTF route.

7.2. In addition to above the Noticee stated that due to the purchase of Goldiam through normal route the trading account of the client were also in debit. Therefore, in order to purchase the new holding of Goldiam through MTF route, first the client had to clear the debit balance of trading account. Hence, the shares which were purchased through normal route, were sold by M/s World Foods LLP

and purchased later through MTF route which required 50% margin in comparison to 100% margin for normal purchase. After making the arrangement of required margin, M/s World Foods LLP had bought back the 25,000 quantities of Goldiam through MTF route on January 03, 2022.

7.3. The Noticee submitted before the Committee that the above transactions were executed to make the arrangement of required margin for further buying of stock through MTF route and also for clearing of debit balance by M/s World Foods LLP. There was no ill intention on the part of any of the parties to make any manipulation with respect to price or demand of the said scrip. It was done to safeguard the position and for further buying of scrip through MTF route.

M/s World Food LLP Trades - PUN1627

Date	Scrip Name	TXN Type	Action	Quantity	Market Rate	Net Rate	Txn Value
30-12-2021	GOLDIAM	NSE-CAPITAL	SELL	25000	813.5069	812.9375	2,03,23,440
03-01-2022	GOLDIAM	NSE-CAPITAL	BUY	25000	869.9998	870.6089	2,17,65,220
						Profit/Loss	**-1441780**

Dhanya Kumar Chordia- PUN1583

Date	Scrip Name	TXN Type	Action	Quantity	Market Rate	Net Rate	Txn Value
30-12-2021	GOLDIAM	NSE-CAPITAL	BUY	25000	813.5001	814.07	2,03,51,740
03-01-2022	GOLDIAM	NSE-CAPITAL	SELL	25000	870	869.391	2,17,34,780
						Profit/ Loss	**13,83,040**
Total loss of both transactions (of Goldiam Scrip)							**- 58,740**

7.4. The Noticee contended that the cash margin released by executing the sales of 25,000 shares of Goldiam purchased through normal route was used to buy more quantities of Goldiam through MTF route and to clear the debit balance. So, the sole motive behind all the above exercise was to generate enough cash which has been used for buying and as well as to clear the debit of trading account.

7.5. The Noticee contended that the above transaction was made between both the parties was bonafide in nature, they were not made with the intention to make any manipulation in the prices or quantity of the said scrips. The above transaction was made to safeguard the position of assesse and not to disturb the capital market. There was no profit earned by the client from the above trading, so the trading activity of the client can't be demonstrated as ill, misleading or false.

7.6. The Noticee further emphasized on the fact that, it had also observed the said instances in its internal alert mechanism and demanded the client for the explanation for carrying on such trades. Further, as action, the Noticee had reprimanded the client not again to indulge in such type of activities which may result in serious disciplinary action within the framework of internal processes/policies.

7.7. The Noticee further contended that as both the transactions were executed on the instructions of the respective clients, the Noticee didn't have any involvement nor any interest in the above transactions. The Noticee has proper surveillance mechanism in place through which the Noticee had sought relevant explanation from the clients. The Noticee has not contravened any of the provision of regulatory regulations whether its Regulation 4.5.4(c)(i) and Regulation 4.6 of NSEIL Regulations (CM Segment) or any other, as there were no ill intention on the Noticee's part for the purpose of creating or inducing a false, misleading or artificial appearance of activity in this scrip or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

7.8. The Noticee further contended that as a Trading Member, the Noticee always tries to exercise proper due diligence and adherence to the rule, regulations, and byelaws of the exchange and always tries to refrain from entering any non-genuine transactions and ask its clients to do the same. It always tries to make sure the adherence to the requirement of regulatory circulars by making sure to not to involve in any non-genuine/abnormal transactions and ask the clients to do the same. There was no contravention made by the Noticee with regard to applicable exchange circulars as mentioned above.

7.9. The Noticee requested the Committee to give a considerate view on its submission. The Noticee also requested for leniency of the Exchange in the above matter. The Noticee further submitted that the Noticee is a new broker registered with the Exchange and have proper system in place to identify such instances. This was the first instance where the Noticee has received notice from exchange and the transactions were Bonafide without any ulterior motive.

7.10. The Noticee stated that as a stockbroker, the Noticee always tries to adhere to the compliances of regulations.

OBSERVATIONS, CONSIDERATIONS & FINDINGS OF THE COMMITTEE

8. After duly considering the oral and written submissions made by the Noticee on the charges mentioned in the SCN dated January 20, 2022, the Committee finds as under:

8.1. In the facts and circumstances of the case as discussed above, the Committee is of the view that the violations in this case are grave and call for penalty as mandated by the Exchange Circular No. - NSE/INVG/46662 dated December 16, 2020, for the following reasons:

8.1.1 The Noticee is the trading Member on both sides of the reversal trades executed in a synchronized manner.

8.1.2 The Clients on both sides of the transaction are apparently related to each other.

8.1.3 As per the response of the Noticee, Mr. Dhanyakumar Hukmichand Chordia, is one of partner in M/S World Foods LLP and holding a stake of 24% in the firm. The total holding of Chordia Family is 95% in the firm. In view thereof, both clients i.e., Mr. Dhanyakumar Hukmichand Chordia and M/S World Foods LLP are related to each other.

8.1.4 Upon verification of the Unique Client Code ("**UCC**") records of the Exchange, it is observed that the Partner Name is Mr. Dhanyakumar Hukmichand Chordia. Thus, the buy side and the sell side client of the said transactions are related to each other.

8.1.5 The transactions were executed in a synchronized manner i.e. Both buy client and sell client had placed their buy and sell orders within 60 seconds of each other.

8.1.6 The reversal transactions between these two clients constituted in the range of 14.7% - 57.71% of the total traded quantity in the market in that scrip on respective days.

8.1.7 The reversal traded value to total traded value on the respective days were 99.64% and 88.8% respectively for Dhanyakumar Hukmichand Chordia and M/s World Foods LLP.

8.1.8 99.44% of the traded quantity in the first leg of the transaction was reversed with the same counter party in the second leg.

8.1.9 As per the response of the Noticee in Paragraph 3.1.4 hereinabove, the Noticee was aware that the reversal trades were being executed and the purpose was to convert positions from non MTF to MTF. The Exchange platform is not meant for being used for this purpose and hence the transactions are non-genuine in nature. The trading system of the Exchange cannot be a medium for executing Trade Reversals for any purpose including the so called "for availing the benefit of the MTF". The Committee observed that *the above act tantamount to creating a false or misleading appearance with respect to the market* (Regulation 4.5.4(c)(i)) and also *tantamount to artificial appearance of activity in such security thereby violating the Exchange Regulation 4.6.1.*

8.1.10 The Committee also observed that the acts of the Noticee's clients was akin to entering any order or orders for the purchase of such security with knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered thus violated the Exchange Regulation 4.6.2.

8.1.11 *The above act also involves abnormal/ non-genuine transactions (*NSE/INVG/2020/46662 dated December 16, 2020*)*

8.1.12 The Noticee by executing such trades has violated the provisions of Regulation 4.5.4(c)(i) and Regulation 4.6. of NSEIL Regulations (CM Segment). Further, the transactions executed are non-genuine transactions as per Exchange Circular Nos. NSE/INVG/39647 dated December 13, 2018, NSE/INVG/2019/40175 dated February 07, 2019, and NSE/INVG/2020/46662 dated December 16, 2020. 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. As the close out difference is Rs. 14,03,264/-, since the Noticee is on both sides of the transaction, the amount of 100% penalty amounts to Rs. 28,06,528.

MCSGFC DECISION

9. Accordingly, a penalty of Rs. 28,06,528 rounded off to **Rs. 28,06,500** (Twenty-Eight Lakhs Six Thousand Five Hundred) (being 100% of profit earned / loss incurred for both profit and loss making abnormal / non-genuine transactions) is levied on the Noticee in terms of the Exchange circular no. *NSE/INVG/2020/46662 dated December 16, 2020*.

10. The Noticee is also directed to take adequate measures / put in place effective systems and controls to comply with the provisions of the Exchange Regulation 4.5.4(c)(i) and Regulation 4.6. of NSEIL Regulations (CM 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/-	Sd/-	Sd/-
Mona Bhide	K Narasimha Murthy	Ranganayakulu Jagarlamudi
(Chairperson)	(Committee Member)	(Committee Member)

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

Date: August 04, 2023.

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 January 23, 2023

In the matter of M/s. Bajaj Financial Securities Limited

CORAM:

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

ALSO PRESENT:

Ms. Priya Subbaraman	- Chief Regulatory Officer
Dr. Dinesh Kumar Soni	- Sr. Vice President - Regulatory
Mr. Suresh Nair	- Vice President - Enforcement
Mr. Bireshwar Chatterjee	- Vice President – Investigation
Mr. Manish Deo	- Associate Vice President – Investigation
Mr. Ashish Tiwari	- Senior Manager – Investigation

CORRIGENDUM TO MCSGFC ORDER DATED AUGUST 04, 2023

1. MCSGFC has passed an order bearing reference no. NSE/INVG/MCSGFC-85/21-22/ACT/90177-1/111754 dated August 04, 2023, in the matter of M/s. Bajaj Financial Securities Limited **(the Order).**

2. In paragraph no. 8.1.9 of the Order, in the first line the reference to paragraph number has been inadvertently written as 3.1.4 instead of 5.4.

3. Accordingly, the first line as appearing in paragraph No.8.1.9 in the Order shall be read as *"As per the response of the Noticee in Paragraph 5.4 hereinabove"* instead of *"As per the response of the Noticee in Paragraph 3.1.4 hereinabove".*

4. The Order shall always be read along with this Corrigendum.

5. A copy of this Corrigendum shall be sent to the Noticee, along with a copy of the Order.

Sd/-	Sd/-	Sd/-
Mona Bhide	K Narasimha Murthy	Ranganayakulu Jagarlamudi
(Chairperson)	(Committee Member)	(Committee Member)

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

Date: August 08, 2023.