ANNEXURE 1

Member and Core Settlement Guarantee Fund Committee
("MCSGFC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
held on September 21, 2023

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

CORAM:

Mr K Narasimha Murthy	- Committee Member
Mr Ashishkumar Chauhan	- Committee Member

ALSO PRESENT:

Mr Piyush Chourasia	- Chief Regulatory Officer
Dr Dinesh Kumar Soni	- Senior Vice President – Regulatory
Ms Renu Bhandari	- Vice President – Inspection
Mr Janardhan Gujaran	- Vice President – Enforcement
Mr Shailesh Adukia	- Vice President – Enforcement

BACKGROUND

1. **M/s Bajaj Financial Securities Limited ("Bajaj")** is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**") segment, and Futures & Options ("**F&O**") segments since July 2019 and Currency Derivatives ("**CD**") segment since November 2022.

2. The Securities and Exchange Board of India ("**SEBI**") along with other stock exchanges conducted a comprehensive joint inspection of the books and records of Bajaj covering the period April 1, 2021, to November 30, 2022, in January 2023. Post-inspection, SEBI issued a letter of findings ("**LoF**") dated February 24, 2023, to Bajaj. Bajaj, vide its letters dated March 10, 2023, and September 14, 2023, replied to the LoF.

3. In the 39th Joint Committee Meeting held on July 3, 2023, SEBI decided to allocate the case to the Exchange for post-inspection enforcement action in accordance with the provisions of the Rules, Byelaws, and Regulations of the Exchange. Accordingly, SEBI, vide its letter dated July 7, 2023, communicated the decision to the Exchange.

4. The Exchange, vide its email dated July 13, 2023, forwarded the Exchange letter dated July 12, 2023, informing Bajaj regarding the case allocation.

INSPECTION OBSERVATIONS/VIOLATIONS

5. The observations/violations alleged in the LoF are summarized hereunder:

5.1 Incorrect data uploaded in the weekly holding statement in 11 instances involving Rs.4.56 crores as of as of June 30, 2022, July 30, 2022, August 31, 2022, and September 30, 2022

5.2 Non-reporting of bank account to the Exchange in case of 1 bank account

5.3 Incorrect reporting of margin collected from the clients in case of 5 instances pertaining to 5 clients out of 150 instances pertaining to 150 clients selected for sample scrutiny (3.33 % of the total sample instances) involving Rs.6.27 crores

5.4 Observations pertaining to clients' registration process

5.5 Observations pertaining to PMLA/AML provisions

5.6 Observation pertaining to review of Authorised Person (AP) related policy and Branch inspection

5.7 Discrepancy in computation of net worth as of September 30, 2022

5.8 Excess pay-outs made to the clients in 9 out of 150 client ledgers selected for sample scrutiny

5.9 Incorrect data reported towards weekly monitoring of clients' funds in 7 areas as of November 4, 2021, November 8, 2021, October 25, 2022, October 28, 2022, and November 25, 2022

5.10 Incorrect data reported in the weekly client-level cash and cash equivalent and bank account balances

5.11 Incorrect data reported in risk based supervision data

5.12 Transfer of securities of credit balance clients to "client unpaid securities account" in 145 clients involving Rs.1.74 crores.

5.13 Observation pertaining to Margin Trading Facility(MTF)

a. Adequate margin has not been collected by the member involving Rs.16.16 crores in case of 7 clients

b. Maximum allowable exposures to any single client limit are breached - 1 client instance and amount of excess exposure Rs.14.95 crores

5.14 Observation pertaining to Cyber security and cyber resilience

5.15 Non-settlement of clients' funds

a. Non-settlement of clients' funds - Rs.33.38 lakhs in case of 95 inactive clients.

b. Failed to provide the efforts taken to trace the 164 untraceable clients involving Rs 65,452/-

c. Failed to park funds of untraceable clients in separate bank account as of November 30, 2022 - Rs.44.43 lakhs

5.16 Observation pertaining to Exchange level alerts

REGULATORY PROVISIONS

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

6.1. **Incorrect data uploaded in the weekly holding statement**

a. Exchange Circular No. NSE/INSP/39855 dated January 3, 2019

All Members were advised to comply with the requirement and upload the holding statement data electronically for all calendar days of the reporting week on or before the next four trading days of the subsequent week through the Inspection module in the Member portal. The procedure for submission of the data was given in Annexure-1 of this circular.

b. Exchange Circular No. NSE/INSP/46960 dated January 8, 2021

Exchange has provided certain additional clarifications in the revised format of cash & cash equivalent Balances and Holding Statement enclosed as Annexure-A and Annexure-B of this circular.

Members will have to submit the data for all calendar days of the week except Sunday on or before the next four trading days of subsequent week.

6.2. **Non-reporting of bank account to the Exchange**

Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

Reporting of Bank and Demat accounts maintained by Stock Broker:

2.1. The stock brokers shall inform the Stock Exchanges of existing and new bank account(s) in the following format:

Name and address of Bank	*Name of the Branch*	*Account Number*	*IFSC Code*	*Name of Account*	*Purpose of Account (Own/Client/ Settlement)*	*Date of Opening*

2.3.3. Details of all existing bank and demat accounts shall be communicated to Stock Exchanges by the stock brokers in the format specified above within one month from the date of this circular.

6.3. **Incorrect reporting of margin collected from the clients**

a. Regulation 3.9 of NSEIL Regulations (CM and F&O Segment)

The Trading Members must demand from its constituents the margin deposit which the Member has to provide under these Trading Regulations in respect of the business done by the Members for such constituents.

b. Exchange Circular No. NSE/INSP/43069 dated December 31, 2019

Exchange issued the clarification in the form of frequently asked questions on margin collection and reporting.

1. What margins are required to be collected by Trading Members from clients in the Capital & Derivatives Segment?

CM Segment

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. Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed from time to time, shall be collected within 'T+2' working days from their clients. It must be ensured that VaR margins and ELM are collected in advance of trade and other margins are collected/paid as soon as margin calls are made by the

Stock Exchanges.

F&O segment

In the F&O segment, it is mandatory for Trading Members to collect initial margin, net buy premium, delivery margin & exposure margin from respective clients on an upfront basis. It must be ensured that all upfront margins are collected in advance of the trade. Mark-to-market losses (MTM) shall be collected from clients by T+1 day.

16. What does false reporting of margin/MTM (non-compliance) mean?

Where the margins, including upfront margins / 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.

6.4. **Observation pertaining to client registration process**

a. Exchange Circular No. NSE/INSP/18677 dated August 27, 2011

SEBI has devised the uniform documentation to be followed by all the stockbrokers / trading members. A copy thereof to be provided to the clients. The details of such documents are listed below:

i. Index of documents giving details of various documents for client account opening process - Annexure-1

6.5. **Observations pertaining to PMLA/AML provisions**

SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019

2.2.5 Client identification procedure:

Intermediaries shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

(a) All registered intermediaries shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the

commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in clause 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP

6.6. **Observation pertaining to review of AP related policy and Branch inspection**

a. Exchange Circular No. NSE/MEM/13429 dated November 9, 2009

7. Obligations of Stock Broker

a. The stock broker shall be responsible for all acts of omission and commission of his AP(s) and/or their employees, including liabilities arising there from.

e. Stock broker shall conduct periodic inspection of branches assigned to APs and records of the operations carried out by them.

g. On noticing irregularities, if any, in the operations of AP, stock broker shall seek withdrawal of approval, withhold all moneys due to AP till resolution of investor problems, alert investors in the location where authorised person operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.

b. SEBI Circular No. Cir/MIRSD/9/2010 dated November 4, 2010

Trading Members must display more prominently:

1. its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers in its portal /website, if any, notice / display boards, advertisements, publications, know your client forms, and member client agreements

2. its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers, the name of the compliance officer, his telephone number and e-mail address in contract notes, statement of funds and securities, and correspondences with the clients.

c. Exchange Circular No. NSE/COMP/48536 dated June 9, 2021

An AP can only act as a facilitator and provide administrative assistance to the clients of the Member in accessing the trading platform of the Stock Exchange, failing which the AP and its Directors/partners shall be liable for appropriate disciplinary actions including cancellation of their registration, debarment from the securities market etc.

Members are required to exercise adequate control and due diligence over the activities & transactions of their APs. Member shall conduct periodic inspection of their APs and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as "Disciplinary action" along with providing the necessary details.

Members should ensure that their APs are engaging only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any schemes of unauthorized collective investments/portfolio management, promising indicative/guaranteed/fixed returns etc. It is, hereby, reiterated that all the acts of omission and commission of the AP and/or their
Directors/Partners, employees etc., shall be deemed to be those of the Member and the Member shall be responsible for all such acts of its AP(s) and/or their Directors/Partners, employees etc., including liabilities arising there from.

6.7. **Discrepancy in computation of net worth**

Exchange Circular No. NSE/COMP/53905 dated October 4, 2022

Net worth Requirement & Method of Computation

Trading Members/Clearing Members of the Exchange/NCL are required to maintain net worth as prescribed by the Exchange at all points in time as per the continuing membership norms of the Exchange.

Method of computation applicable is Dr L. C. Gupta as prescribed by Schedule VI of Securities and Exchange Board of India (Stock Brokers) (Second Amendment) Regulations, 2013.

Schedule VI of Securities and Exchange Board of India (Stockbrokers) (Second Amendment) Regulations, 2013

The stockbroker shall have such net worth and shall deposit with the stock exchange such sum as may be specified by the Board/Stock Exchange for the relevant segment from time to time.

Explanation.- For the purposes of this Schedule, 'net worth' shall mean paid-up capital, free reserves and other securities approved by the Board from time to time but shall not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, doubtful debts and advances (debts or advances overdue for more than three months or debts or advances given to the associate persons of the member), prepaid expenses, losses, intangible assets and 30% value of marketable securities.

6.8. **Excess pay-outs made to the clients**

Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957

8. The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:

(3) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if

(f) he engages either as principal or employee in any business other than that of securities [or commodity derivatives] except as a broker or agent not involving any personal financial liability.

6.9. **Incorrect data reported in the weekly monitoring of clients' funds**

a. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

3.2. Stockbrokers shall submit the following data as on last trading day of every week to the Stock Exchanges on or before the next trading day:

A- Aggregate of fund balances available in all Client Bank Accounts, including the Settlement Account, maintained by the stock broker across stock exchanges

B- Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of Cash and Cash Equivalents (Fixed deposit (FD), Bank guarantee (BG), etc.) (across Stock

Exchanges). Only funded portion of the BG, i. e. the amount deposited by stock broker with the bank to obtain the BG, shall be considered as part of B.

C- Aggregate value of Credit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations)

D- Aggregate value of Debit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients, uncleared cheques issued to clients and the margin obligations)

F- Aggregate value of Non-funded part of the BG across Stock Exchanges

MC - Aggregate value of Margin utilized for positions of Credit Balance Clients across Stock Exchanges

MF- Aggregate value of Unutilized collateral lying with the clearing corporations and/or clearing member across Stock Exchanges

b. Exchange Circular No. NSE/INSP/37395 dated April 2, 2018

All Trading Members are requested to note that w.e.f. April 2018 data towards monitoring of clients' funds is required to be submitted on weekly basis. Members will have to submit the data as on last trading day of every week on or before the next three trading days.

6.10. **Incorrect data reported in the weekly client-level cash and cash equivalent and bank account balances**

a. Exchange Circular No. NSE/INSP/43926 dated March 23, 2020

Member's attention is drawn to Exchange circular NSE/INSP/43486 dated February 10, 2020, regarding proposed submission of the following data /details:

1. *Day-wise upload of client level cash & cash equivalent balances on a weekly basis for all calendar days of that week except Sunday (i.e., Monday to Saturday).*

2. *…..*

The aforesaid data/details shall be required to be submitted on or before the next four trading days of the subsequent week.

b. Exchange Circular No. NSE/INSP/46960 dated January 8, 2021

Exchange has provided certain additional clarifications in the revised format of cash & cash equivalent Balances and Holding Statement enclosed as Annexure-A and Annexure-B of this circular.

Members will have to submit the data for all calendar days of the week except Sunday on or before the next four trading days of subsequent week.

6.11. **Incorrect data reported in risk-based supervision**

Exchange Circular No. NSE/INSP/54034 dated October 13, 2022

Members are requested to submit the Information / data towards the Risk Based Assessment for the period April 01, 2022 – September 30, 2022, to the Exchange. The particulars of such information / data sought in this regard is enclosed as Annexure-A and the same has to be submitted to the Exchange electronically through the Inspection module in the Member portal latest by November 30, 2022.

It is to be noted that the submission of RBS data is mandatory for all active Members of the Exchange (i.e. those who have executed/cleared even a single trade during the aforementioned period i.e. April 01, 2022 –September 30, 2022). Further, the data collated from the Members/Exchange towards RBS is shared with SEBI and in case of any non- submission/delayed submission by a member, disciplinary action as prescribed in Annexure- C will be initiated.

6.12. **Transfer of securities of credit balance clients to "client unpaid securities account"**

Exchange Circular No. NSE/INSP/41359 dated June 20, 2019

4.2 With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – "client unpaid securities account" shall be opened by the TM/CM. Unpaid securities shall be transferred to such "client unpaid securities account" from the pool account of the concerned TM/CM.

4.3 The securities kept in the 'client unpaid securities account' shall either be

transferred to the demat account of the respective client upon fulfilment of client's funds obligation or shall be disposed off in the market by TM/CM within five trading days after the pay-out. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

6.13. **Observation pertaining to Margin Trading Facility**

a. Exchange Circular No. NSE/COMP/35125 dated June 15, 2017

4. In order to avail margin trading facility, initial margin required shall be as under: -

Category of Stock	Applicable Margin
Group I stock available for trading in the F&O Segment	VaR + 3 times of applicable ELM*
Group I stock other than F&O stocks	VaR + 5 times of applicable ELM*

**For aforesaid purpose the applicable VaR and ELM shall be as in the cash segment for a particular stock.*

7. Stockbrokers shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading facility is being availed by the client. In case of short fall, stockbroker shall make necessary margin calls

17. The maximum allowable exposure of the broker towards the margin trading facility shall be within the self-imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his "net worth".

18. While providing the margin trading facility, the broker shall ensure that:

a) exposure to any single client at any point of time shall not exceed 10% of the broker's maximum allowable exposure, as specified in para 17 above.

6.14. **Observation pertaining to Cyber security and cyber resilience**

a. SEBI Circular No. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 3, 2018

2. Since stockbrokers and depository participants perform significant functions in providing services to holders of securities, it is desirable that these entities have robust cyber security and cyber resilience framework in order to provide essential facilities and perform systemically critical functions relating to securities market.

3. Accordingly, after discussions with Exchanges, Depositories and Stockbrokers' and Depository Participants' associations, a framework on cyber security and cyber resilience has been designed, which is placed at Annexure 1. The framework would be required to be complied by all Stockbrokers and Depository Participants registered with SEBI.

Annexure 1

Certification of off-the-shelf products

36. Stockbrokers/Depository Participants should ensure that off the shelf products being used for core business functionality (such as back-office applications) should bear Indian Common criteria certification of Evaluation Assurance Level 4. The Common criteria certification in India is being provided by (STQC) Standardization Testing and Quality Certification (Ministry of Electronics and Information Technology). Custom developed / in-house software and components need not obtain the certification, but have to undergo intensive regression testing, configuration testing etc. The scope of tests should include business logic and security controls.

Vulnerability Assessment and Penetration Testing (VAPT)

41. Stockbrokers/Depository Participants should regularly conduct vulnerability assessment to detect security vulnerabilities in their IT environments exposed to the internet.

42. Stockbrokers / Depository Participants with systems publicly available over the internet should also carry out penetration tests, at-least once a year, in order to conduct an in-depth evaluation of the security posture of the system through simulations of actual attacks on its systems and networks that are exposed to the internet.

In addition, Stockbrokers / Depository Participants should perform vulnerability scanning and conduct penetration testing prior to the commissioning of a new system that is accessible over the internet.

43. *In case of vulnerabilities discovered in off-the-shelf products (used for core business) or applications provided by exchange empaneled vendors, Stockbrokers / Depository Participants should report them to the vendors and the exchanges in a timely manner.*

44. *Remedial actions should be immediately taken to address gaps that are identified during vulnerability assessment and penetration testing.*

6.15. **Non-settlement of clients' funds**

a. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009

Unless otherwise specifically agreed to by a client, the settlement of funds/securities shall be done within 24 hours of the pay-out. However, a client may specifically authorize the stockbroker to maintain a running account subject to inter alia the following condition:

The actual settlement of funds and securities shall be done by the broker at least once in a calendar quarter or month, depending on the preference of the client.

b. Exchange Circular No. NSE/INSP/43488 dated February 10, 2020

1. *Definition of Inactive Trading accounts: In case of trading account, the term inactive account refers to such account wherein no trades have been carried out since last 12 (Twelve) months across all Exchanges*

2. *Transaction in Inactive Trading accounts: The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by the Trading Member in UCC database of all the respective Exchanges.*
…….
Appropriate disciplinary actions may be initiated in case of any trades are executed in any account flagged as 'Inactive'.

Further in cases where Members are unable to trace such clients in spite of all efforts taken, members are directed to take the following steps:

i. *Open one separate Client Bank/Client collateral Demat account and immediately set aside the funds and securities of these clients in such account.*

ii. *Maintain audit trail of UCC wise client funds transferred to/from such bank account and UCC wise / BO ID wise securities transferred to/from such demat account (as the case may be).*

iii. *Submit UCC wise/BO ID wise and fund/securities information of such account to the Exchange on quarterly basis. The mechanism and the format of the same will be shared in due course.*

iv. *In case of receipt of any claims from such clients, members are advised to settle the accounts immediately and ensure that the payment/delivery is made to the respective clients only.*

c. Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

1.4. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.

6.16. **Observation pertaining to Exchange level alerts**

a. BSE Notice No. 20130220-23 dated February 20, 2013

The trading members of the Exchange are hereby informed that in order to facilitate effective surveillance mechanisms at the Member level, the Exchange has derived following transactional alerts that would be downloaded to the trading members. This will facilitate the trading members to effectively monitor the trading activity of their clients.

List of Transactional Alerts provided by BSE in Beta Version:

Sr. No.	*Transactional Alerts*	*Segment*
1	*Significantly increase in client activity*	*Cash*
2	*Sudden trading activity in dormant account*	*Cash*
3	*Clients/Group of Client(s), deal in common scrips*	*Cash*
4	*Client(s)/Group of Client(s) is concentrated in a few illiquid scrips*	*Cash*
5	*Client(s)/Group of Client(s) dealing in scrip in minimum lot size*	*Cash*

6	*Client / Group of Client(s) Concentration in a scrip*	*Cash*
7	*Circular Trading*	*Cash*
8	*Pump and Dump*	*Cash*
9	*Wash Sales of Trades*	*Cash & Derivatives*
10	*Reversal of Trades*	*Cash & Derivatives*
11	*Front Running*	*Cash*
12	*Concentrated position in the Open Interest / High Turnover concentration*	*Derivatives*
13	*Order book spoofing i.e. large orders away from market*	*Cash*

b. BSE Notice No. 20130307-21 dated March 7, 2013

This is in continuation to Exchange notice no. 20130220-23 dated February 20, 2013, informing trading members regarding release of Beta Version of e-BOSS (Member Surveillance System) for downloading the following Transactional Alerts to the trading members of the Exchange.

The trading members are hereby further informed that the aforementioned transactional alerts are indicative in nature and the trading members can derive their own alerts in addition to the said transactional alerts as per their surveillance policy.

Trading Members are required to carry out the Due Diligence of its client(s) on a continuous basis. Further, Trading Members shall ensure that key KYC parameters are updated on a continuous basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. Based on this information the Trading Member shall establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

Analysis:

In order to analyse the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, the Trading Members are required to:

a. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.

b. Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself.

ii. In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of securities, demat account statements of the Client(s)/Group of Client(s) from which securities pay-in has been met, to be sought.

iii. The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

c. After analysing the documentary evidence, the Trading Member shall record its observations for such identified transactions or Client(s)/Group of Client(s). In case adverse observations are recorded, the Trading Member shall report all such instances to the Exchange within 45 days of the alert generation. The Trading Member may seek extension of the time period from the Exchange, wherever required.

PRESENT MCSGFC REFERENCE

7. The Exchange, vide its email dated September 14, 2023, provided Bajaj with an opportunity for a personal hearing before the Committee. Mr. Anik Shah – COO, Ms. Roanna Cecilia Lewis – Vice President, Compliance, and Ms. Kanti Pal -Compliance Officer on behalf of Bajaj, appeared before the Committee and reiterated its written submissions dated March 10, 2023, and September 14, 2023.

CONSIDERATION & FINDINGS

8. The observations/violations, the reply of the Bajaj and the findings of the Committee are as under:

8.1. **Incorrect data uploaded in the weekly holding statement**

8.1.1. Upon verification of weekly submission of holding statement, register of securities and demat holding statements, it is observed that, Bajaj has uploaded incorrect data towards weekly holding statement in case of 11 instances involving Rs.4.56 crores as of June 30, 2022, July 30, 2022, August 31, 2022, and September 30, 2022.

8.1.2. In reply to the LoF, Bajaj submitted as under:

a. Bajaj practices maintenance of client-wise and scrip-wise holding for all the accounts where Bajaj is holding client securities. The reconciliation of back- office holdings with the client/beneficiary demat holding is already in place.

b. Bajaj provided client-wise explanation for the observed mismatch as under:

i. In 1 instance - As the securities received in corporate action (stock spilt) were held in client unpaid securities account due to ledger debit, the same was not considered in Exchange's computation. However, there was no mismatch in the holding.

ii. In 4 instance - Due to clerical error, the security "YES Bank" ISIN was reported as INF528G01035 instead of INE528G01035 wherein one alphabet of Yes banks ISIN got reported as F instead of E.

iii. In 1 instance - Due to the UCC mapping issue in the software, there was effect of double quantity of the holding lying in "Prop" demat account.

iv. In 5 instances - There was no mismatch in the holding however the quantity of Early Pay-In (EPI) was not considered in the Exchange's computation resulting in mismatch.

8.1.3. The Committee finds as under:

a. Bajaj accepted the inspection violation and attributed the alleged observation/violation to various reasons such as non-consideration of effect of corporate action, clerical error, software issue, and non-consideration of EPI value in the weekly holding submission resulting in mismatch.

b. However, it is noted that Bajaj has subsequently rectified the error. However, post-inspection compliance does not absolve the Trading Member for the violation previously committed. Thus, the violation persists.

c. As per Exchange Circular No. NSE/INSP/39855 dated January 3, 2019, all the Trading Members are advised to comply with the requirement and upload the holding statement data electronically for all calendar days of the reporting week on or before the next four trading days of the subsequent week through the inspection module in the member portal. Thus, Bajaj violated the regulatory provisions mentioned above by incorrectly reporting the data in the weekly holding statement to the Exchange.

8.1.4. Given the findings mentioned above, the Committee decided to advise Bajaj to ensure non-recurrence of the observed violation.

8.2. **Non-reporting of bank account to the Exchange**

8.2.1. Upon verification of the bank accounts maintained by Bajaj vis-à-vis the bank statements, it is observed that Bajaj failed to report 1 bank account to the Exchange. The details are as under:

Sr. No.	Bank Name	Account Number	Current Status/Account Closed	Remarks
1	HDFC Bank Ltd	00070340001803	Active	Own Account

8.2.2. In reply to the LoF, Bajaj submitted as under:

a. Bajaj has reported all the bank account to the Exchange as required in the SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.The account of HDFC Bank (A/c No.00070340001803) was opened on October 21, 2010, and was used for the business activities of Bajaj.

b. Since the initiation of business operations from August 2019, the said bank account was used only for the purpose of the business expense such as for making vendor payments, employee salary etc. the same can be verified with the transactions reflecting in the bank statement.

c. SEBI circular envisaged the naming of bank account as client account, settlement account and proprietary account however none of the client level transaction was carried out from the bank account. Bajaj started the proprietary business from June 1, 2022, but it did not execute any proprietary related transaction from the said bank account.

d. Since the bank account was used other than the specified purpose, the same was not reported to the exchange. Bajaj have updated the details of said bank account on the Exchange portal as per guidelines received by the Exchange.

8.2.3. The Committee finds as under:

a. Bajaj contended that the said bank account was used only for the purpose of the business expense such as for making vendor payments, employee salary etc. and no client level transaction was carried out from the bank account. The contention of the Bajaj is not acceptable as Trading Member is required to report all bank and demat accounts including proprietary accounts to the Exchange.

b. As per Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, requires the Trading Members to report existing and new bank account to the Exchange in the specified format within one month from the date of this circular.

8.2.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.5,000/- and warned and directed Bajaj to report such details to the Exchange in terms of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.3. **Incorrect reporting of margin collected from the clients**

8.3.1. Upon verification of the margin requirement of the clients vis-à-vis the funds and securities balances as per the register of securities, client ledgers, demat transaction statements, bank statements, and records pertaining to the margin required and margin reported etc., it is observed that Bajaj incorrectly reported the margins collected from its clients in the CM and F&O segments in case of 5 instances pertaining to 5 clients out of 150 instances pertaining to 150 clients selected for sample scrutiny (3.33 % of the total instances verified) involving Rs.6.27 crores during the period October 6, 2021 to May 12, 2022.

8.3.2. In reply to the LoF, Bajaj submitted as under:

a. Client Code: PUN111, MUM1085, AHM34, PUN598 - Bajaj is using the Class Plus software of the vendor viz. 'Market Place' which is BSE Technology-a wholly owned subsidiary of BSE Ltd formerly known as Bombay Stock Exchange Limited.

b. The margin-reported files are generated from the back-office software and uploaded to the Exchange. Earlier the Exchange used to consider the shares lying in Power of Attorney (POA) against the margin requirements and when the margin reporting system changed in September 2020 (i.e., disallowing the

reporting of securities lying in POA against the margin), the required changes were carried out by our back-office vendor and due verification was carried out to check the correctness of the files generated from the software.

c. However, during any further change, the POA flag got changed in the case of the reported clients, and value of POA stocks got included in the reported value. The system had considered the POA stock as collateral for margin reporting for that day. Thus, while reporting the margin, the value of POA stock was reported to the Exchange as collateral. Upon discovering the issue, Bajaj engaged the back-office vendor to investigate and resolve the issue with the highest priority. The software vendor acknowledged the anomaly as a system bug.

d. Further, Bajaj verified margin reporting for these clients for other periods too and found no such deviation except in the case reported by the Exchange. Even in these cases, the margin of clients is sufficient considering the shares lying in POA, which eventually got pledged on the following working day. There is no shortfall in any case after considering the client's securities.

e. Client Code: MUM10- Mukesh Champaklal Babu - There is an actual shortage amount of (-ve) Rs.9,098/-. There has been a misunderstanding on the inspection official's part, as they incorrectly calculated a shortage amount of Rs. 2,18,181.40/- instead of actual amount of Rs.9,098/-. The shortage was on account of peak margin only.

f. It provided (i) Margin calculation working (ii)Script wise client wise collateral valuation (Post haircut) (iii)Demat statements extracted from C-DAS for verification.

8.3.3. The Committee finds as under:

a. Upon verification of Bajaj submission, it is observed that Bajaj had considered securities lying in the POA Demat account in the case of 3 instances related to 3 clients (Client code - PUN111, MUM1085 and AHM34) and not 4 clients, while reporting margin to the Exchange. Bajaj's contention that it had considered securities lying in the POA Demat account is not acceptable since Bajaj is required to collect the collateral from its clients in the form of securities only by way of margin pledge created in the depository system and rather than considering the securities lying in POA Demat account as a means of margin collection. Thus, the violation persists.

b. However, considering the securities were pledged immediately on next day, the Committee has decided not to impose monetary penalty. The details are as follows:

Date	Client Code	Client Name	EOD minimum margin across segment (Rs.)	Ledger balance (Rs.)	POA stock (Rs.)	Pledged securities	Total available funds (Rs.)	Date of pledge creation
06/10/2021	PUN111	VISA CAPITAL PARTNERS	1,86,24,414	-	7,40,70,269	-	7,40,70,269	07/10/2021
21/10/2021	MUM1085	PRITI HARISH ADNANI	50,20,128	-1,26,01,950	2,18,31,014	-	92,29,065	22/10/2021
17/05/2021	AHM34	INDRESH WAGHJIBHAI SHAH	35,99,835	-3,47,76,359	4,08,72,161	-	60,95,803	18/05/2021

c. As per Exchange Circular Nos. NSE/INSP/43653 dated February 25, 2020, and NCL/CMPL/45180 dated July 30, 2020, Trading Members/Clearing Members shall, *inter alia*, accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the depository system. In case a client has given a POA in favour of Trading Member/Clearing Member, holding of such POA shall not be considered as equivalent to the collection of margins by the Trading Member/Clearing Member in respect of securities held in the demat account of the client, with effect from August 1, 2020.

d. With respect to the remaining 2 instances pertains to 2 clients (Client code PUN598 and MUM10) – upon verification of Demat statements and documents submitted by Bajaj, it is observed that Bajaj has correctly reported the margin to the Exchange. Thus, no violation persists.

8.3.4. Given the findings as mentioned above, the Committee decided to warn Bajaj to ensure non-recurrence of the observed violation and directed to implement SEBI/Exchange circulars on Margin obligations to be given by way of Pledge / Re-pledge in the Depository System.

8.4. **Observation pertaining to client registration process**

8.4.1. Upon verification of client registration documents, it is observed that index of documents is not found in the account opening form in case of 12 clients' KYC forms.

8.4.2. In reply to the LoF, Bajaj submitted as under:

a. Bajaj follows both offline and online mechanism for onboarding of new clients. It maintained complete set of KYC form for opening trading and demat account as per SEBI prescribed guidelines, which mainly has the below contents:

i. Index of documents giving details of various documents for client account opening process

ii. Know Your Client (KYC) form capturing the basic information about the client and instruction/check list to fill up the form

iii. Document capturing additional information about the client related to trading account

iv. Document stating the rights and obligations of stockbroker, sub-broker and client for trading on Exchanges (including additional rights and obligations in case of internet / wireless technology-based trading)

v. Uniform Risk Disclosure Documents (for all segments / exchanges)

vi. Guidance Note detailing Do's and Don'ts for trading on Exchanges

vii. A tariff sheet specifying various charges, brokerage, payable by the client

viii. Information on contact details of senior officials within the stock broking firm and investor grievance cell in the stock Exchange.

b. Bajaj have same set of KYCs for the client's onboarding through digital platform, however in few instances due to issue in downloading the KYC form the index page is missing. Bajaj submitted the copy of KYC form for verification.

8.4.3. The Committee finds as under:

a. Bajaj contended that due to downloading issue, the index page was not downloaded in the KYC of 12 clients.

Upon verification of copies of account opening forms provided by Bajaj, it is observed that index page is appearing in account opening forms. Thus, no violation persists.

8.4.4. Given the findings mentioned above, the Committee decided that no action is warranted against Bajaj for the observed violation.

8.5. **Observations pertaining to PMLA/AML provisions**

8.5.1. Upon verification of Anti Money Laundering (AML) policies and procedures, client due diligence, risk categorization, maintenance of records, suspicious transactions reporting, appointment, and reporting to Financial Intelligence Unit (FIU) of Principal Officer and Designated Director, the following is observed:

a. Policy is not reviewed post July 22, 2019. As per requirement the same is to be reviewed every year.
b. Policy with respect to employees training and investor education not adhered to, as mentioned in the policy.
c. Re-KYC clause with regards to high, medium and low category clients is not mentioned in the policy.
d. During inspection it was observed that for 52 sample clients turnover was not in commensurate with the income declared and for 15 of these clients no alerts were generated at members internal alert mechanism.

8.5.2. In reply to the LoF, Bajaj submitted as under:

a. Clarification on PMLA policy review:

i. Bajaj adhered to the SEBI / FIU guidelines issued on AML and CFT regulation from time to time. Bajaj is in compliance with PMLA guidelines and its senior management has established required policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements.

ii. As mentioned in “PMLA Policy”, the policy may be reviewed on yearly basis or in case of any new circular issued by SEBI or relative Exchanges. Based on same, Bajaj regularly reviews the policies and procedures on the prevention of ML and CFT to ensure the effectiveness. In order to ensure the effectiveness of policies and procedures, the Board has provided approval to the Principal Officer & Designated Director to review these policies on periodic basis & in case of

any change in any new circulars issued by the SEBI or relative Exchanges, bring same into the notice of the Board. The circular having reference number SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 4, 2018, SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/ 113 dated October 15, 2019 and BSE notice No. 20110104-6 dated January 4, 2011 states to regularly review the policy and procedures on the prevention of the ML and TF to ensure the effectiveness. Further the person doing such review shall be different from one who has framed such policies and procedures. Bajaj follows the process wherein the Designated Director and the CEO of the company reviews the policy on regular basis and in case of major changes or amendments in the policy the same is placed before the Board for update.

b. Clarification on Employees Training and Investor Education:

i. Adequate screening procedures are in place to ensure high standards when employees are hired. Bajaj identifies such key positions in organization structure having regard to the risk of money laundering and terrorist financing considering the size of the business and ensure the employees taking up such key positions are suitable and competent to perform their duties. The employees who are hired are from the same industry of the broking fraternity with same experience and expertise which is required to perform/discharge their task effectively under various regulatory provisions.

ii. Bajaj conducts induction program for all the new employees who join on various role in the organisation and are imparted the training on the organisation culture as well as the regulatory aspect of PMLA guidelines.

iii. There are some ongoing employee training programs, so that the staff are adequately trained in AML and CFT procedures. The training requirements have specific focuses for KYC, back office, compliance, risk management and staff dealing with new clients. It ensures that all the respective department heads fully understand the rationale behind the PMLA directives and implement them consistently in the system. Bajaj has submitted the proof of the training conducted at its Pune office for the staff based out of Pune. The training programs are conducted through teams for all other employees who are based at other location.

iv. Further to the above, the emails on regulatory changes that happens either on the trading side or the PMLA side are circulated to all the employees of the company.

v. For clients/investors, Bajaj adheres to the highest standard of the regulatory compliance as envisaged under the regulations. As a part of AML/CFT measure it obtains information from the investors as per the PMLA policies and follow the requirements as per the PMLA policies or as per the regulatory requirement as envisaged under the SEBI circular on simplification and rationalization of KYC or as envisaged under clarification on KYC process and use of technology.

vi. Similar process is followed, in case if the client is inactive and requested for the re-activation, updated financials proofs wherein client is trading volume exceeds over & above of the income declaration. Further, it sends various email communication to update the 6 KYC attributes, income slabs, to ensure that client name, PAN, client category, mobile number, email id, complete address, PIN code and income details are updated in the system.

vii. It is to be noted here that, Bajaj runs various educational emailers to clients/investors wherever:

1. There are any new regulatory update;
2. Multiple emails are run to caution clients while dealing in options;
3. Campaign relating not to engage in any non-permitted activities such as providing assured/guaranteed return schemes, un-authorised portfolio management & investment schemes;
4. Cautioning on unregistered intermediary providing non permitted activities;
5. Cautioning investors on phishing;
6. Cautioning investors on cyber security and awareness

viii. Further, as apart of awareness under Anti Money Laundering (AML) & Combating of Financing of Terrorism guidelines (CFT), Bajaj has also sent literature documents to al the clients on email dated March 4, 2023.

c. Clarification on Re-KYC clause in policy: Bajaj has defined policy with respect to the risk categorization of the client basis on income, profession, client's background, geographic location etc. In case of any client opting for reactivation, it has dormant account policy

in place wherein new KYC documents with updated financials, income declaration etc are obtained form the clients. The details of new KYC are uploaded on KRA & CKYC portal. Post all due diligence, such accounts are activated on trading platform. In PMLA policy various parameters for detecting suspicious transactions and sudden activity in dormant account are defined, which clearly gives indication of the due diligence. It is pertinent to note here that for all the clients who are activated in the derivatives segment it collects the financial proof on regular basis as enumerated in the guidelines.

d. Client turnover doesn't commensurate with income:

i. Bajaj uses services of TSS consultancy for surveillance software which helps in screening and transaction monitoring of the clients on the daily basis. In this surveillance software there are various scenarios of alerts generated based on the client transaction.

ii. The data asked by the inspecting officials for surveillance alerts was specifically for the delivery turnover, wherein Bajaj provided the highest purchase/sell value of turnover during FY 21-22. It explained the officials about the said turnover, i.e. it is not limited to purchase value but also include sell value and hence comparing the client income against buy turnover will not help in deriving the conclusion that the client turnover does not commensurate with income. There would be scenarios wherein client has transferred the shares through off market & sold the same on BFSL platform, which will always show the excess selling when compared with the buying transaction. Such type of transaction will fall into depository surveillance alerts and not in delivery transactions. Further, Bajaj provides MTF facility to the client wherein it ensures to get upfront margin as per MTF guidelines & remaining value is funded by BFSL under MTF facility. In the said instances the turnover created by the client also includes purchase/sell done under MTF facility. Also, in few cases client has updated their income/net worth. There are various scenarios placed in the software wherein client income/net worth is considered as a parameter for identifying the nature of transactions which mainly includes alert like delivery turnover, high turnover in a single day, intraday turnover, net money in and net money out etc. which throw the alerts based on the threshold (income* multiplier +net worth*multiplier) set in the system. Bajaj checks client transaction on a daily basis since every day the trade files are uploaded in surveillance software (TSS), which

validates the transaction with the various scenarios as per defined threshold in the system.

iii. For the said 52 instances, the alerts generated for the said client is amicably closed after proper due diligence either by obtaining the latest income/financials from the client or by checking whether sufficient margin apart from income is available/placed by the client at the time of trade execution.

iv. Further, for 15 clients where Exchange official observed that no alert was generated is incorrect as for the said client's alerts were already generated for delivery turnover, intraday turnover, net payout in 30 days and high turnover in 1 day. Bajaj has provided respective documents for reference.

8.5.3. The Committee finds as under:

a. Clarification on PMLA policy review: Bajaj has confirmed of reviewing all the policies including the PMLA policies in the forthcoming board meeting of the Company. However, it failed to provide the supporting documents, viz., latest reviewed policy document. In absence of any supporting documents, the violation persists.

b. Clarification on Employees Training and Investor Education: Bajaj has confirmed that they have proper induction and orientation programme for the new joinees in place. However, it failed to provide the supporting documents, viz. details of training program conducted. In absence of any supporting documents, the violation persists.

c. Clarification on Re-KYC clause in policy: Bajaj contended that they have proper policies in place with respect to income, profession, client's background, geographic location etc. for the onboarded clients. However, it failed to provide the supporting documents, viz policy document. In absence of any supporting documents, the violation persists.

d. Client turnover doesn't commensurate with income: In case of 15 instances, it is observed that alerts were generated and the same has been verified from alert file. Thus, the contention of Bajaj is found to be correct, and no violation persists.

8.5.4. Given the findings mentioned above, the Committee decided to warn Bajaj to ensure non-recurrence of the said observed violation.

8.6. **Observation pertaining to review of AP related policy and Branch inspection**

8.6.1. Upon verification of the inspection reports of authorised person and branches provided by Bajaj, it is observed that as under:

a. Bajaj made incorrect submissions with regard to availability of voice recording, display of notice board, maintenance of visitor registers and NISM/NCFM certificate as per Exchange's requirement.

b. During inspection of 2 AP's office, the door of office was closed, and no notice boards were displayed.

c. During onsite surprise visit to AP Bharti Investment on February 2, 2023, inspection official collected few handwritten trade summaries, for which no corresponding trades were found in the trade register or as per the call recordings of that date

8.6.2. In reply to the LoF, Bajaj submitted as under:

a. With respect to the observation pertaining to incorrect submissions regarding availability of voice recording, display of notice board, maintenance of visitor registers and NISM/NCFM certificate as per Exchange's requirement, Bajaj submitted that, there is difference in the format of inspection report format in BSE and NSE, due to which Bajaj has mistakenly put the wrong input against the queries raised in the BSE. This was a clerical mistake.

b. With respect to the observation pertaining to inspection of 2 AP's office where the door of office was closed and no notice boards were displayed Bajaj submitted as under:

i. Both the AP's i.e., Ms. Henrietta D Rozario and Ms. Rashi Rahul Korlekar are individuals who had taken the AP registration on March 31, 2021, and September 8, 2021, respectively. They had provided their residential address as place of discharge of AP activities. All the clients of above two AP does internet-based trading and no one visit the AP office. Ms. Henrietta D Rozario was also not using any trading terminal, and no client visit her office for the purpose of trading. All the trading were done through online mode by the clients themselves. The notice board and other documents were placed inside the premises of the AP. On the day of inspection, the AP was not in the office cum

resident, due to some personal work.

ii. In case of Ms. Rashi Rahul Korlekar, no trade has been put through the trading terminal since October 2022 by the AP. All the trades of AP clients have been done by the clients themselves. It provided the terminal login report showing no order has been placed after October 2022. Ms. Rashi Rahul Korlekar had also informed Bajaj that due to some personal commitments, she was not available at her residential place. As the person is residing in the co- operative societies, the notice board which contains the AP registration certificates, NISM certificate and other mandatory documents were placed in the house.

c. With respect to the observation pertaining to onsite surprise visit to AP Bharti Investment on February 2, 2023, inspection official collected few handwritten trade summary, for which no corresponding trades were found in the trade register or as per the call recordings of that date

The inspection official provided snaps for which details are as under:

i. Pictures of handwritten amounts: One set of pictures contained the details of handwritten amount which the AP official wrote on his notepad. Bajaj asked the AP to provide the clarification on the figures that were written over the notepad. The AP i.e., Bharti Investments via their response dated February 15, 2023, has informed Bajaj that the amount written on the notepad is the margin amount which was referred/noted from the trading terminal on various dates for the purpose of checking the individual client trading limit. The margin available for trading at various intervals was written on the notepad and it was mostly related to the AP and his family accounts. This was done for reference purpose only which helped the AP officials to inform the clients about the limits available to them for trading.

ii. Pictures of handwritten trade details: Bombay Stock Exchange (BSE) officials via email dated February 17, 2023, has provided the pictures of handwritten trade details for reference and action. Basis of information shared, Bajaj has cross checked the details with trade summary and found that all the trades which were written on the notepad is fully matched with trade summary files of different dates. All the trades were perfectly matched with the trade summary and

contracts notes issued for the dates in question.

Basis this observation, Bajaj deactivated the terminal of said AP till investigation and submission of explanation by the AP. Post-verification and explanation, the terminal of the AP were re-enabled.

8.6.3. The Committee finds as under:

a. Regarding the observation pertaining to incorrect submissions of voice recording, display of notice boards, maintenance of visitor registers and NISM/NCFM certificate as per Exchange's requirement, Bajaj accepted the observation. Bajaj attributed these discrepancies to difference in the format of inspection reports of BSE and NSE, which resulted in inadvertent wrong input against the queries raised by BSE.

b. Regarding, the door of 2 Authorised Persons office was closed, and no notice boards were displayed.

Bajaj contended that both APs were working as individuals from their residence, the notice boards were displayed inside the premises. Upon verification of snapshots of the notice boards for both the AP's offices submitted by Bajaj, the contention of Bajaj is found to be correct. Thus, no violation persists.

c. Regarding handwritten trade summary, for which no corresponding trades were found in the trade register or as per the call recordings of that date, Bajaj deactivated the terminal of said AP for further investigation and post completing the verification, re-enabled the AP's terminal. Bajaj submitted that the amount mentioned in the notepad is the margin amount and was done for reference purpose only which helped the AP officials to inform the clients about the limits available to them for trading. However, Bajaj failed to provide the necessary documents, including investigation report for verification. Thus, the violation persists.

d. As per Exchange Circular No. NSE/COMP/48536 dated June 9, 2021, Members are required to exercise adequate control and due diligence over the activities and transactions of their Authorised persons. Thus, Bajaj violated the regulatory provisions mentioned above by failing to exercise adequate control over its Authorized Persons.

8.6.4. Given the findings mentioned above, the Committee decided to warn Bajaj to ensure non-recurrence of the observed violation pertaining to (a) incorrect submissions with regard to availability of voice recording, display of notice board, maintenance of visitor registers and NISM/NCFM certificate as per Exchange's requirement and (b) proof order placement by Authorized Persons in terms of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022. Further, the Committee decided that no action is warranted for violation pertaining to failure to display notice.

8.7. **Discrepancy in computation of net worth**

8.7.1. Upon verification of the net worth certificate submitted by Bajaj, as of September 30, 2022, vis-à-vis balance sheet, it is observed that Bajaj failed to consider the value of share capital and reserves and considered incorrect value of the non-allowable assets viz. doubtful debts and advances while computing the net worth. After considering the correct value of share capital and reserves and non-allowable asset, the net worth is reduced from Rs.662.2 lakhs to Rs.658.3 lakhs as of September 30, 2022.

8.7.2. In reply to the LoF, Bajaj submitted as under:

a. The security deposit given to landlords as well as advances to suppliers cannot be construed as doubtful debts and advances overdue via clarification provided through Exchange Circular NSE/COMP/48895 dated July 10, 2021, whereas it is clarified that debts and advances overdue for more than 3 months is to be deducted from the net worth.

i. Doubtful Debts – The amount of security deposit to landlords cannot be construed as overdue debt or overdue advances. If an amount is not due for receivable than the question of considering the same as overdue is not possible. The amount of security deposit becomes due after the tenant vacant the premises and handover the same to the landlord, an according to agreed terms and conditions the landlord pay back the amount of security deposit to the tenant on vacation of premises/agreed date. If the amount of security deposit is not paid within 3 months from the date it was due for payment, thereafter it should be considered as overdue, but this is not the case over here as the premises are currently occupied and no such amount is due to be received from any of the landlords.

ii. Advances – Advances to suppliers in the normal business parlance cannot be included in the calculation of doubtful debts and advances overdue for more than 3 months as advances given to suppliers for procurement or goods/services or any other business transaction where the supplier is to provide the service / goods is pending. Mostly in business one of the two of the below mentioned scenarios can exists.

Fulfilment of Order: Purchaser paid certain advance amount to the seller for the delivery of goods/services which is executed, and the advance is adjusted against the total value under consideration. These types of agreement made for a certain period under which the services need to be performed and if the same is not performed within the time frame, then the balance/excess amount paid for the services needs to be recovered from the supplier, if the supplier don't pay within 3 months, then it becomes part of doubtful debts. As Bajaj did not face any such scenarios and so there is no need of deducting advance amount from the net worth.

b. In the above-mentioned Circular it is clearly mentioned that debts mean trading debtors, so both the amount of security deposit to landlord and advances to suppliers does not comes under the category of debts and advances overdue for more than 3 months, so the same should not be subtracted from the net worth as the amount is not due.

c. Therefore, Rs.1,96,15,988.09/- of security deposit and Rs.1,93,53,094.81 of advances to suppliers cannot be deducted from the value of net worth.

d. Bajaj have given Rs.62,448/- as advance to its sister concern for insurance and the same is also deducted at the time of calculation of net worth but the same is not considered by the Exchange officials.

8.7.3. The Committee finds as under:

a. Bajaj contended that the inspection officials considered security deposit given to landlords and advances paid to suppliers as a doubtful debts and advances and reduced the amount while computing the net worth.

b. As per the Exchange Circular NSE/COMP/48895 dated July 10, 2021, it is specified that doubtful debts and advances encompass debts and advances that are overdue for more than 3 months, as well as any amounts provided in the form of loans, advances, inter-corporate deposits extended to associates, including subsidiaries / group companies of the Trading Member. Accordingly, the sum of the security deposit provided to landlords and advances to suppliers must be factored into the computation of net worth. Thus, the contention of Bajaj is not acceptable, and violation persists.

c. As per Exchange Circular No. NSE/COMP/53905 dated October 4, 2022, Trading Members are required to compute the net worth as per Dr. L.C. Gupta's net worth computation method. Thus, Bajaj violated the regulatory provisions mentioned above by incorrectly reporting the net worth.

8.7.4. Considering that the net worth of Bajaj is above the minimum prescribed net worth, the Committee decided to warn Bajaj to henceforth compute the net worth strictly as per Dr L.C. Gupta's net worth computation method.

8.8. **Excess pay-outs made to the clients**

8.8.1. Upon verification of client ledgers, it is observed that Bajaj made pay-out of funds to the clients in excess of their ledger balances in 9 out of 150 client ledgers selected for sample scrutiny. The details are as under:

Sr. No.	Reasons for Excess Payout	No. of clients	Client Code	Range of Excess Payout
1.	System bug as stated by member	3	MUM482	Rs.31.94 crores
			PUN1112	Rs.3.88 crores
			PUN111	Rs.3.61 crores
2.	Early payout of funds done by the Bajaj basis early pay in of shares	5	MUM482	Rs.76.11 crores
			MUM385	Rs.16.84 crores
			AHM34	Rs.17.06 lakhs
			AHM372	Rs.8.18 lakhs
			PUN650	Rs.2.76 crores
3.	Debit balance pertaining to DP charges is not recovered from client which is a	1	PUN2	Rs.12.50 crores

	holding company of trading member.			

8.8.2. In reply to the LoF, Bajaj submitted as under:

Reason 1: System bug – 3 clients

a. Client code: MUM482- Plutus Wealth Management LLP and Client code: PUN1112- Ketan Hasmukhlal Doshi

The excess pay out was done inadvertently without any ill intention and was due to system bug. Post receiving of notice, the software vendor fixed the bug and the system got updated. Bajaj requested the client to make the refund of excess payout. The client sold the stock and did the early pay-in of the stock on June 16, 2021, and on July 24, 2021, for the same. So, the excess payment was recovered from the client.

b. Client code: PUN111- Visa Capital Partners

The payment was made against the reversal of MTF credit, lying in the MTF book, and no excess payout was made to the client. The client had an adequate balance in trading account. Due to system error, it was not possible to pass the journal entries from MTF to non-MTF ledger on the same day resulting in non-MTF ledger balances reflecting in debit. If the journal voucher entries were triggered by the system on the same day, the above observation would not have been generated. Further, no trading was done by the client during the period in which the above-mentioned journal voucher entry was not triggered by the system. Bajaj made pay-outs within the funds available with the clients. It provided client ledgers for verification.

Reason 2: Early payout of funds done by the Bajaj basis early pay in of shares – 5 clients

c. Client code- MUM482, MUM385, PUN650, AHM34 and AHM372

The said clients requested for payout of the sale obligation over the phone after completing the early pay-in of securities on the same day. The request was made on exceptional basis and due to some indispensable work. On the basis of client's request and the fact that the early pay-in of securities has been successfully completed, Bajaj released the payout to the client. These were an

exceptional scenario where the payout was made from the own funds. After releasing the payouts, there was no violation any principle of Enhanced Supervision of Stockbrokers as no client's funds were used for the payout made to the client and sufficient funds were available with Bajaj. It provided working for reference.

Reason 3: Debit balance pertaining to DP charges not recovered from client which is a holding company of Bajaj – 1 client

d. Client code – PUN2 – Bajaj Finance Limited

Bajaj Finance Limited is our holding company. Bajaj follows bill to bill settlement for the client and no excess payout was made to the client. The charges debited in the ledger are DP transaction charges which were recovered from the client in the month of July 2021. No further exposure was extended to the client against the debit balance. No purchase transactions were done by the clients and only sales transaction was executed. The payout was made against that specific bills and no excess payout were made. It provided client's ledger for reference.

8.8.3. The Committee finds as under:

System bug – 3 clients

a. Client code: MUM482- Plutus Wealth Management LLP and Client code: PUN1112- Ketan Hasmukhlal Doshi – Bajaj attributed the inspection observation/violation to system bug.

b. Client code: PUN111- Visa Capital Partners – Bajaj contended that the payment was made against the reversal of MTF credit, lying in the MTF book, and no excess payout was made to the client. The client had an adequate balance in trading account but due to system error, it was not possible to pass the journal entries from MTF to non-MTF ledger on the same day resulting in non-MTF ledger balances reflecting in debit. Upon verification of the ledgers provided by Bajaj, it is observed that Bajaj had not made excess pay-out to clients however, due to system error the journal entries were not passed in the ledger. Considering that no excess pay-out was made, no violation persists in a case of 1 instance.

Early payout of funds done by the Bajaj basis early pay in of shares – 5 clients

c. Client code- MUM482, MUM385, PUN650, AHM34 and AHM372

Bajaj contended that the clients requested for payout of the sale obligation over the phone after completing the early pay-in of securities on the same day. On the basis of client's request and the fact that the early pay-in of securities has been successfully completed, it released the payout to the client.

Upon verification of ledgers provided by Bajaj, it is observed that Bajaj has released the excess-payout before the settlement of securities on the basis of client's request which is not acceptable as Trading Member can release the amount on the date of settlement. Thus, the violation persists.

Debit balance pertaining to DP charges not recovered from client which is a holding company of Bajaj – 1 client

d. Client code - PUN2 – Bajaj Finance Limited

Bajaj contended that it follows process of bill-to-bill settlement for the said client and no excess payout was made to the client. The charges debited in the ledger are DP transaction charges which were recovered from the client in the month of July 2021.

Upon verification of clients' ledgers provided by Bajaj, it is observed that Bajaj did not recover complete DP charges for the month of July 2021, as debit balances are being reflected in the ledgers. If the process of bill-to-bill settlement is followed then, no debit balance should be reflected in the client ledger. Hence, the contention of Bajaj is not acceptable, and violation persists.

e. After considering the above-mentioned, the revised violation stands in 8 out of 150 clients.

8.8.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.25,000/- for the observed violation in terms of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.9. **Incorrect data reported in the weekly monitoring of clients' funds**

8.9.1. Upon verification of the data reported by Bajaj in the weekly monitoring of clients' funds under the Enhanced Supervision of Stockbrokers as of November 4, 2021, November 8, 2021, October 25, 2022, October 28, 2022, and November 25, 2022 vis-à-vis the trial balance, client (clear) ledgers, bank account statements, the records of the Exchange/Clearing Corporation (CC) /Clearing Member (CM) pertaining to margin requirements and collaterals maintained by Bajaj,

it is observed that Bajaj submitted incorrect data to the Exchange in the following areas and the differential amounts ranged from Rs.2,240/- to Rs.671.79 crores:

Sr.	Particulars
A	Total of day-end balance in all client and settlement bank accounts
B	Collateral deposited with Clearing Corporation/Clearing Member in the form of cash and cash equivalents
C	Credit balances of all clients
D	Debit balances of all clients
F	Value of non-funded portion of bank guarantee
MC	Margin utilized for positions of credit balance clients
MF	Free/unblocked collateral deposited with Clearing Corporation/Clearing Member

8.9.2. In reply to the LoF, Bajaj submitted as under:

<u>For November 4, 2021</u>

a. A - Total of day-end balance in all client and settlement bank accounts

i. The said difference in the client bank account is that of Exchange dues account. Bajaj inadvertently considered the funds lying in Exchange dues account of Rs.10,000/- for the calculation of end of the day client bank account, which is not required to be considered as per Enhanced Supervision guidelines.

<u>For November 4, 2021, and November 8, 2021</u>

b. B - Collateral deposited with Clearing Corporation/Clearing Member in the form of cash and cash equivalents

i. The said difference calculated by Exchange official was due to the consideration of the value of securities cash component worth Rs.89.39 lakhs and Rs.89.39 lakhs for trade date November 4, 2021, and November 8, 2021, respectively, from the holding statement file for CM segment provide by the CC. The said securities belonged to the clients and hence, Bajaj did not consider the effect of the securities cash component belonging to the client while calculating the value of column B.

Further, the Exchange official has not considered the full value of funded portion of BG, i.e. Rs.182.25 crores and also deducted the value of Minimum Liquid Networth (MLN) from the funded portion of BG by Rs.25 lakhs.

ii. The difference of above values i.e., securities cash component subtracted by MLN comes to Rs.64,39,805/- andRs.64,39,617.97/- is incorrect as the same is not considered while computing the value of B as the securities cash component given by the client. In that case the difference remain is that of MLN which were reported in excess by Rs.25 lakhs which is merely 0.04% of the total collateral deposited with exchange in form of cash and cash equivalent.

c. C - Total credit balance of all clients

i. The said mismatch in reporting of total creditors for trade date November 4, 2021, was only -0.27 of total creditors. The Exchange official did not consider the value of funds lying in suspense account. Even if the said value of Rs. 64,30,771.05/- is considered, the total value of “G” is observed to be in surplus by Rs.441.09 crores.

ii. For trade date November 8, 2021, being Monday, was not due for the reporting of enhanced submission. In the Exchange calculation of total creditors, it did not consider the fixed deposit (FD) of Rs.6 lakhs against client IDR50 and did not consider the funds of Rs.19.43 lakhs lying in suspense account. The said difference of “Funds lying in suspense – FD balance” arrives to Rs. 13.68 lakhs, which in actual if considered will match with the exchange calculation.

d. D - Total debit balance of all clients

i. The mismatch observed by the Exchange official is inadvertent as they missed to consider the debit balance of the MTF clients for trade date November 4, 2021. The error was operational in the nature as the data is extracted from TB manually. This is only the reporting discrepancy.

e. F- Value of Non funded portion of the Bank Guarantee

i. As mentioned above in point no. B, the Exchange has deducted the value of MLN from the actual BG value. The said difference is that of MLN which were reported in excess by

Rs.25 lakhs which is merely 0.11% in excess of the total value of non-funded portion of the BG.

f. MC- Margin utilized for positions of Credit Balance Clients

i. The difference in said margin is on account of margin considered by Exchange official in CM segment based on parameters of Var, ELM, MTM & Additional, however Bajaj considered the end of the day margin in CM segment for the calculation of the margin. Prior to the Exchange Circular No. NSE/INSP/50012 and 20211019-40 dated October 19, 2021, Bajaj used to consider end of the day margin for the calculation of minimum creditors margin. In previous circular, Exchange has not provided the reference of the margin to be derived for the CM segment and hence end of the day margin blocked by CC was considered to derive the value of MC.

g. MF - Free/unblocked Collateral deposited with Clearing corporation

i. Indian Clearing Corporation Ltd (ICCL) is the CC of Bajaj and it follows guidelines as per BSE circular 20200526-37 for the Enhanced Supervision submission. As per the Circular, the amount under the head MF can be obtained from the following files:

a. For CM Segment -MP file from ICCL Collateral module - (Reserved Capital + Balance Liquid Asset Available)

b. For Derivative Segment - ICCL is providing collateral and utilized margin files for member for EDX and CDX. The unutilized collateral figure shall be arrived by subtracting the margin figure from the available collateral deposit. Collateral details are available in ICCL CLASS collateral module (holding statement) and utilized margin files are available on extranet on daily basis.

ii. Bajaj derived the value of “Free/unblocked Collateral deposited with CC” from the said files. The Exchange official have considered the value of total available collateral for FO segment subtracted by margin figure while computing. However, Bajaj considered the value of available collateral i.e., the value of amount reported under column “B” above subtracted by the margin figure, resulting in the difference.

For October 28, 2022, October 25, 2022, and November 25, 2022

h. B - Collateral deposited with Clearing Corporation/Clearing Member in the form of cash and cash equivalents

i. Bajaj failed to consider the value of initial security deposit of Rs.25 lakhs in CM segment and Rs.45 lakh in FO segment considering the guidelines issued by the regulators that no margin limit should be available to the trading member on the value of Initial deposit.

ii. Rs.50 lakh of minimum liquid net worth (MLN) was included in the value of bank guarantee (BG) in FO segment, out of which funded portion of Rs. 25 Lakh is not deducted by us while calculating the value of "Collateral deposited with exchanges in form of Cash and Cash Equivalents" as the value of Rs. 70 Lakh of initial deposit is already not taken into consideration while arriving the value as per head B. Going by above, the esteemed officials can verify that there was no incorrect reporting made against the head B, as the amount of initial deposit is not required to be added in the value of Collateral deposited with exchanges in form of Cash and Cash Equivalents as no margin limit is provided on the same to trading member by clearing corporation. Bajaj explained the same to SEBI officials at the time of inspection to which they agreed to its calculation/explanation. However, after considering that value none of the principle is getting impacted/breached.

i. C - Total Credit Balance of all clients

i. The difference in the value of creditors were on account of balance lying in the suspense account. The Exchange officials considered the value while computing but due to oversight the same was not considered by Bajaj. The value lying in the suspense account were Rs.10.46 lakhs, Rs.7.57 lakhs and Rs. 10.60 lakhs as of October 28, 2022, October 25, 2022, and November 25, 2021, respectively.

ii. The percentage (%) of suspense value which was not taken into consideration is merely 0.03 %, 0.02% and 0.03% of the total creditors value. After considering the said values, the value of "G" of the above-mentioned dates were positive by more than Rs.444.47 crores, Rs. 348.41 crores and Rs.351.28 crores.

iii. The Exchange officials included the value of proprietary balance in the calculation of creditors for members submission for dated October 25, 2022. Bajaj did not made any enhanced supervision submission on October 25, 2022, as it was Tuesday not the Friday. Bajaj have reported the value of creditors in the cash & cash equivalent submission for week October 25, 2022, where the value of creditors was reported excluding the proprietary amount as this value is of trading member and not of any creditors. Therefore, the value of Rs.56.95 lakhs represent the proprietary balance and it is not required to be added in the creditors.

j. F - Value of Non funded portion of the Bank Guarantee

i. As mentioned in under head B, Bajaj did not consider the value of initial security deposit of Rs.25 lakhs in CM segment and Rs.45 lakhs in F&O segment considering the guidelines issued by the regulators that no margin limit should be available to the trading member on the value of initial deposit. Thus, non-consideration of the initial deposit of Rs.70 lakhs and deducting the value of non-funded portion of Rs.25 lakh of minimum liquid net worth (MLN) which is included in the value of Bank Guarantee (BG) of F&O segment from calculation will make the impact twice. Henceforth, the same was not deducted while computing the value of non-funded portion of Bank Guarantee.

k. MC - Margin utilized for positions of Credit Balance Clients

i. The enhanced supervision submission was made as per Exchange Circular No. NSE/INSP/50012 dated October 19, 2021, wherein the margin utilized for positions of credit balance clients (MC) is to be calculated as below:

ii. “Margin utilized (Minimum of Credit Balance of clients & Margin Obligation of such clients after deducting the value of securities/commodities repledged with CC/CM after appropriate haircut for the purpose of margin) for positions of credit balance clients across all Clearing Corporation.”

iii. Bajaj calculated the margin utilised for positions of credit balance clients by considering the minimum of credit balance clients & margin obligation of such clients after deducting the value of securities repledged (after haircut) with CC/CM for positions of credit balance clients across all clearing corporation. As the comparison is between the value of creditors and margin utilised for positions of credit balance

clients across all clearing corporation which is calculated as below:

1. Value of credit balance of client: The credit balance of client across all segments

2. Margin obligation of client: The margin obligation of clients was calculated by the taking the obligation of all Exchanges into consideration and deducting the value of securities repledged, after that it arrived at the value of net margin obligation.

8.9.3. The Committee finds as under:

For November 4, 2021

a. A - Total of day-end balance in all client and settlement bank accounts

Bajaj accepted the observation/violation and attributed the same to inadvertent consideration of Exchange due account while computing the total of day-end balance in all client and settlement bank accounts.

For November 4, 2021, and November 8, 2021

b. B - Collateral deposited with Clearing Corporation/Clearing Member in the form of cash and cash equivalents

Bajaj contended that it did not consider the value of securities cash component worth Rs.89.39 lakhs each for trade date November 4, 2021, and November 8, 2021. The said securities belonged to the clients and hence, Bajaj did not consider the effect of the securities cash component belonging to the client. Further, the Exchange has not considered the full value of funded portion of BG, i.e., Rs.182.25 crores and also deducted the value of MLN from the funded portion of BG by Rs.25 lakhs. Upon verification of collateral file, contention of the Bajaj is not acceptable as the deposits with the stock exchanges in the form of MLN cannot to be considered as collateral and the same is required to be deducted. Hence, the violation persists.

c. C - Total credit balance of all clients

i. Bajaj contended that the Exchange officials did not consider the value of funds lying in suspense account as

of November 4, 2021, and November 8, 2021. Even if the said value of Rs. 64,30,771.05/- is considered, the total value of "G" is observed to be in surplus by Rs.441.09 crores. Further, it contended that in the Exchange calculation of total creditors, the fixed deposit (FD) of Rs.6 lakhs against client IDR50 and the funds of Rs.19.43 lakhs lying in suspense account is not considered.

ii. With respect to FD of Rs.6 lakhs, Bajaj has failed to provide any supporting document to substantiate its claim. Thus, the violation persists.

iii. The contention of Bajaj regarding consideration of funds lying in suspense account is not acceptable since the value of funds lying in the suspense account are observed as third-party payments and the same are not recorded as creditors in ledger statement.

d. D - Total debit balance of all clients

Bajaj accepted the observation/violation and attributed the same to manual error.

e. F- Value of Non funded portion of the Bank Guarantee

Bajaj contended that the Exchange deducted the value of MLN from the actual BG value. Upon verification of collateral file, it has observed that Exchange correctly considered the value of BG. Therefore, the contention of Bajaj is not acceptable, and the violation persists.

f. MC- Margin utilized for positions of Credit Balance Clients

i. Bajaj contended that the difference in said margin is on account of margin considered by Exchange official in CM segment based on parameters of VAR, ELM, MTM and additional margin. However, Bajaj considered the end of the day margin in CM segment for the calculation of the margin.

ii. As per Exchange Circular No. NSE/INSP/50012 dated October 19, 2021, stipulates that Margin utilized (Minimum of credit balance of clients and margin obligation of such clients after deducting the value of securities/commodities repledged with CC/CM after appropriate haircut for the purpose of margin) for positions of credit balance clients across all CC

shall be considered for reporting. Thus, the contention of Bajaj is incorrect as it should consider parameters of VAR, ELM, MTM and additional margin, while computing the margin.

g. MF- Free/unblocked Collateral deposited with Clearing corporation

i. Bajaj contended that for computing the free/unblocked collateral deposited with CC, it considered the value of collateral deposited with the Exchange in form of cash and cash equivalents and deducting the margin amount. Upon verification it is observed that Bajaj incorrectly reported the value of collateral deposited with the Exchange in form of cash and cash equivalents, leading to an incorrect computation of column MF.

<u>For October 28, 2022, October 25, 2022, and November 25, 2022</u>

h. B - Collateral deposited with Clearing Corporation/Clearing Member in the form of cash and cash equivalents

Bajaj contended that it did not consider the value of initial security deposit of Rs.25 lakhs in CM segment and Rs.45 lakhs in F&O segment and the Exchange official deducted the value of MLN from the funded portion of BG. Upon verification of collateral file, contention of the Bajaj is not acceptable as the deposits with the stock exchanges in the form of MLN cannot to be considered as collateral since no exposure was granted against the said deposits. Hence, the violation persists.

i. C - Total Credit Balance of all clients

Bajaj has rightly not considered the balances lying in suspense account. Thus, no violation persists.

j. F - Value of Non funded portion of the Bank Guarantee

Bajaj contended that the Exchange official deducted the value of MLN from the actual BG value. Upon verification of collateral file, it is observed that Exchange official has correctly considered the value of BG. Hence, the contention of Bajaj is not acceptable, and violation persist.

k. MC - Margin utilized for positions of Credit Balance Clients

Bajaj contended that the difference is because it considered net

margin obligation across the segment. Upon verification of documents viz., daily margin statements, collateral files, client ledgers, margin file (MG13), it is observed that Exchange has correctly considered the value of margin obligation. Hence, the contention of Bajaj is not acceptable, and violation persist.

l. As per Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, the Stock Exchanges have put in place a mechanism for monitoring clients' funds lying with the stockbroker to generate alerts on any misuse of clients' funds by stockbrokers. The Trading Members should ensure to verify the data before submission to the Exchange. Thus, Bajaj violated the regulatory provisions mentioned above by reporting incorrect data for weekly monitoring of clients' funds to the Exchange.

8.9.4. Given the findings mentioned above, the Committee decided to advise Bajaj to ensure non-recurrence of the observed violation.

8.10. **Incorrect data reported in the weekly client-level cash and cash equivalent and bank account balances**

8.10.1. Upon verification of the data submitted by Bajaj in the weekly client-level cash and cash equivalent balances vis-à-vis the trial balance as of November 30, 2022, it is observed as under:

a. Incorrect reporting towards client ledger balances -

i. Short reporting of ledger balances in case of 4 clients / 4 instances involving Rs.3.47 lakhs
iii. Excess reporting of ledger balances in case of 7 clients / 7 instances involving Rs. 11.82 lakhs

b. Bajaj has not reported client having Nil balance and traded during last 12 months from the reporting date in cash and cash equivalent submission in case of 1 client Mr. Bharatbhai Patel.

c. Differences in debtors and creditors as per trial balance provided by Bajaj and as per cash and cash equivalent submission on two dates viz. November 4, 2021, and November 8, 2021.

Date	No of clients and instances	Amount
04-Nov-21	11 clients, 11 instances	Short reported-Rs. 9,62,830.72/- Excess reported- Rs. 6,02,240
08-Nov-21	3 clients, 3 instances	Short reported- Rs. 25,000/- Excess reported- Rs. 6,02,240

d. Amount of Rs.17,25,99,898/- of debtors has been incorrectly reported by Bajaj to the Exchange in cash and cash equivalent submissions as funds of untraceable clients as on November 30, 2022.

8.10.2. In reply to the LoF, Bajaj submitted as under:

a. Incorrect reporting towards client ledger balances:

Client Code: BHU284, BHU612, BPC138, MUM1700, MUM51, PAT026, PAT049, ROU53, VIJ054, VIJ116, PUN2621 - The difference in trial balance and client level cash and cash equivalents report was due to an error that occurred in the back-office software leading to the occurrence of this anomaly. Due to this, double auction entry was posted in the client ledger. The said issue was raised with the vendor and asked them to rectify the same on priority. Thus, the difference in the value of two reports were due to a software error along with oversight error.

b. Bajaj has not reported client having NIL balance and traded during last 12 months from the reporting date in cash and cash equivalent submission in case of 1 client Mr. Bharatbhai Patel:

The client Mr. Bharatbhai Gendalal Patel (Client code ONL28594) has regularly traded till July 2022 and the details of client was duly reported in cash and cash equivalent submissions also, but due to a system error the client code was not captured in the above-mentioned period observation. The client was having NIL balance, and the same was not reported in cash and cash equivalent submissions, there was no impact of the same in any of the value whether it is debtors or creditors.

c. The amount of Rs 17.25 crores of debtors reported in the cash and cash equivalent submission as of November 30, 2022, was due to reason of capturing unclaimed/unsettled client funds as 'Yes' in cash and cash equivalent submission of November 30, 2022, under column 22. The mentioned negative balance is that of MTF ledger.

8.10.3. The Committee finds as under:

a. With respect to incorrect reporting towards client ledger balances and non-reporting of client having NIL balance, Bajaj attributed the observation/violation to software error in back-office resulting into double auction entry being posted in the client ledger and non-capturing of client code in cash and cash equivalent submission. Thus, the violation persists.

b. With respect to differences in debtors and creditors balances, Bajaj has failed to file any reply. Thus, the violation persists.

c. With respect to observation pertaining to debtors has been incorrectly reported, Bajaj accepted the inspection observation and stated that mistakenly "Unsettled/Unclaimed" column was flagged as "YES" in cash and cash equivalent reporting.

d. As per Exchange Circular No. NSE/INSP/43926 dated March 23, 2020, the Trading Members must upload day-wise client-level cash and cash equivalent balances on a weekly basis for all calendar days of that week except Sunday (i.e., Monday to Saturday). The Trading Members must verify the data before submission to the Exchange. Thus, Bajaj violated the regulatory provisions by submitting incorrect data in the weekly client-level cash and cash equivalent and bank account balances.

8.10.4. Given the findings mentioned above, the Committee decided to advise Bajaj to ensure non-recurrence of the observed violation.

8.11. **Incorrect data submission in Risk based Supervision**

8.11.1. Upon verification of the risk-based supervision data submitted by Bajaj as of September 30, 2022, vis-à-vis the client ledgers, collaterals, loan ledgers, it is observed that Bajaj failed to consider the value of collaterals pledged by debtors for margin obligation resulting in incorrect reporting of data towards risk-based supervision. The details are as under:

Particulars	As uploaded by Bajaj (Rs)	As per Exchange working (Rs)	Difference (Rs)
Value of collaterals from the debit balance clients	1,12,16,08,617	20,21,51,44,747	-19,09,35,36,129

8.11.2. In reply to the LoF, Bajaj submitted as under:

a. The Exchange's calculation of free collateral and un-encumbered collaterals includes the value of collaterals which are margin pledge by the debtors against which there could be margin obligations and positions taken by the debtors. So, the collaterals on which there is margin obligations and exposures are taken by the debtors can't be construed as free and un-encumbered as asked by the Exchange.

b. As per Exchange guidelines, Tarding Member must provide the details of total available collaterals which are free and un-encumbered from debit balance clients. Therefore, the value of margin pledge collaterals shouldn't be included in the collateral calculation. If the Exchange had asked to provide the total available collateral from debtors, then Bajaj must have included the value of collateral which are margin pledged by the debtors. The calculation was made as per Annexure -A of Exchange Circular no. NSE/INSP/54034 dated October 13, 2022, which clearly ask for the details of collateral which are free and un-encumbered.

8.11.3. The Committee finds as under:

a. Bajaj contended that as per Exchange Circular No. NSE/INSP/54034 dated October 13, 2022, Trading Member must provide the details of total available collaterals which are free and un-encumbered from debit balance clients. Further, the value of collaterals which are pledged for margin obligations and exposures are taken by the debtors cannot be construed as free and un-encumbered.

b. The contention of Bajaj is not acceptable as the value of collaterals which are pledged for margin obligations and not utilised towards the margin/exposure shall be considered as free

and un-encumbered for Trading Members hence the same is required to be included while, computing the total available collaterals. Thus, the violation persists.

c. As per Exchange Circular No. NSE/INSP/54034 dated October 13, 2022, Trading Members are requested to submit the information / data towards the Risk Based Assessment for the period April 01, 2022–September 30, 2022, to the Exchange. The particulars of such information / data sought in this regard is enclosed as Annexure-A and the same has to be submitted to the Exchange electronically through the Inspection module in the Member portal latest by November 30, 2022. Thus, Bajaj violated the regulatory provisions mentioned above by reporting incorrect data towards risk-based supervision.

8.11.4. Given the findings mentioned above, the Committee decided to warn Bajaj to ensure non-recurrence of the said observed violation.

8.12. **Transfer of securities of credit balance clients to "client unpaid securities account"**

8.12.1. Upon verification of holdings reported in "client unpaid securities account" ("CUSA") vis-à-vis the client ledgers and trial balance as of November 30, 2022, it is observed that Bajaj transferred securities of credit balance clients to "client unpaid securities account" in 145 clients involving Rs.1.74 crores.

8.12.2. In reply to the LoF, Bajaj submitted as under:

a. The actual value of the securities in the CUSA account on November 30, 2022, is Rs.1.75 crores and not Rs.29.08 crores as reported by Exchange officials, and the number of clients is 147 instead of 576 clients.

b. On November 30, 2022, it received a late payout from the Clearing Corporation on that day, and the margin obligation file was also received late at 10:30 p.m. The cut-off time for completing the CUSA process is 10:30 p.m. but for this day CDSL has extended the time till 11:00 p.m.

c. For the CUSA process, it is required to prepare the batches and then do the processing for the transfer of securities. Bajaj started the process before 11:00 p.m. and some batches were processed completely in which securities amounting to Rs.25.31 crores were

transferred from CUSA to client beneficiary however some failed due to the timeline being exceeded. The remaining batches of securities amounting to Rs.1.75 crores were run on the next day and all the securities were transferred to the respective clients. It provided the communication with CDSL pertaining to extension of timeline and the details of processed batch file for reference.

8.12.3. The Committee finds as under:

a. The contention of Bajaj that due to extension of processing time for transfer of securities on November 30, 2022, by Clearing Corporation, some of the securities were processed on the next day is not acceptable as Trading Member is required to transfer the securities within five trading days after pay-out.

b. As per Exchange Circular No. NSE/INSP/41359 dated June 20, 2019, a separate client account titled – "client unpaid securities account" shall be opened by the TM/CM for the unpaid securities. The securities kept in the CUSA shall either be transferred to the demat account of the respective client upon fulfilment of the client's funds obligation or shall be disposed of in the market by TM/CM within five trading days after the pay-out. Thus, Bajaj violated the regulatory provisions mentioned above by transferring the securities belonging to the credit balance clients to CUSA.

8.12.4. Given the findings mentioned above, the Committee decided to warn Bajaj to ensure non-recurrence of the observed violation and provide a certificate of compliance within 15 days from the date of this order certifying that there are no securities of clients with credit balance lying in CUSA.

8.13. **Observation pertaining to Margin Trading Facility (MTF)**

8.13.1. Upon verification of the margin requirement of the clients under the margin trading facility vis-à-vis margin collected in the approved modes in the form of cash and cash equivalents and Group 1 securities with appropriate haircut, it is observed that Bajaj as under:

a. Adequate margin has not been collected by the member involving Rs.16.16 crores in case of 7 clients

b. Maximum allowable exposures to any single client limit are breached - 1 client instance and amount of excess exposure Rs.14.95 crores

8.13.2. In reply to the LoF, Bajaj submitted as under:

a. Adequate margin has not been collected by the Bajaj involving Rs.16.16 crores in case of 7 clients

i. Client Code: PUN1667 (Rakesh Radheyshyam Jhunjhunwala): The client had adequate collateral to fulfil margin requirement for day end on April 29, 2022, i.e. the client had 6,00,000 quantities of securities amounting to Rs.130.80 crores are margin pledge securities. The collateral value shown in margin statement is against 1,35,802 securities of titan only, but the client also has additional quantity 4,64,198 securities of titan in the margin pledge account. The remaining value of margin pledge securities were about 100 crores against which the client had no obligation in non-MTF trades. It provided the margin pledge letter and statement as for reference.

ii. Client Code: PUN64 (Rare Enterprises): The client had adequate collateral to fulfil margin requirement for the day ending on December 31, 2021. The client had pledged 5,00,000 quantities of Aurobindo Pharma and 1500000 quantities of India Bulls Housing Finance, both having the value of Rs. 53.87 crores as collateral. The value of collateral shown in margin statement is for 382813 shares of Aurobindo Pharma only from the total pledged securities. The remaining value of margin pledge securities were about Rs.30.34 crores against which the client had no obligation in non-MTF trades. The client had provided adequate value of collateral through margin pledging which can be considered for the purpose of margin fulfilment. It provided the margin pledge letter and statement as for reference.

iii. Client Code: PUN111 (Visa Capital Partners): For the trade date November 29, 2021, the client was holding sufficient collateral to meet the margin obligation and the client didn't create any fresh position in MTF. Margin derived for trade date November 29, 2021, was based on the previous exposure which was taken on November 26, 2021. For MTF position created on November 26, 2021, client was having sufficient collateral of worth Rs.24 crores to meet the margin obligation. Further on November 30, 2021, the client reduced the MTF position by Rs.7.85 crores. The margin requirement

was on the basis of old position for which it asked the client to fulfil the same and client regularised the same. In addition to this client also transferred Rs.2.14 crores on December 2, 2021, thus making the requirement in positive. It provided the margin pledge letter and statement as for reference.

b. Maximum allowable exposures to any single client limit are breached - 1 client instance and amount of excess exposure Rs.14.95 crores

i. Client Code: PUN153 (Rajasthan Global Securities Private Limited): The exposure is within the limit of 10%. The client had a clear fund of Rs. 17.91 crores as of February 25, 2022, end of the day. The fund was to be transferred to MTF account but due to the system bug the same was not transferred for this client. As a general market practice, Bajaj charged the MTF interest on MTF ledger minus NON MTF ledger balance i.e. net exposure which provided to the client. The client has an adequate balance in the account.

8.13.3. The Committee finds as under:

a. Adequate margin has not been collected by the Bajaj involving Rs.16.16 crores in case of 7 clients

i. Client Code: PUN1667 (Rakesh Radheyshyam Jhunjhunwala) and Client Code: PUN64 (Rare Enterprises) : Bajaj contended that the securities were pledged by the clients and had provided adequate value of collateral through margin pledging which can be considered for the purpose of margin fulfilment.

Upon verification of the transaction statement provided by the client, the contention of Bajaj is found to be correct. Thus, no violation persists.

ii. Client Code: PUN111 (Visa Capital Partners): Bajaj contended that for the trade date November 29, 2021, the client was holding sufficient collateral to meet the margin obligation and the client did not create any fresh position in MTF. Margin derived for trade date November 29, 2021, was based on the previous exposure which was taken on November 26, 2021. Further, on November 30, 2021, the client reduced the MTF position by Rs.7.85 crores.

Upon verification of margin file (MG13 file), the contention of Bajaj is found to be correct. The client immediately reduced the MTF position on next day, resulting in no MTM margin requirement. Therefore, MTM is collected on T+ 1 day. Excluding the MTM in T Day, there is sufficient margin available. Thus, no violation persists.

b. Maximum allowable exposures to any single client limit are breached - 1 client 1 instance and amount of excess exposure Rs.14.95 crores

i. Client Code: PUN153 (Rajasthan Global Securities Private Limited): Bajaj contended that the exposure is within the limit of 10%. The client has a clear fund of Rs.17.91 crores as of February 25, 2022, end of the day. The fund was to be transferred to MTF account but due to the system bug the same was not transferred for this client.

Upon verification it is observed that the client had sufficient ledger balance. However, excess exposure cannot be provided even if there is sufficient ledger balance. Thus, the contention of Bajaj is not acceptable, and the violation persist.

c. As per Exchange Circular No. NSE/COMP/35125 dated June 15, 2017, the stockbrokers shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading facility is being availed by the client. In case of short fall, stockbroker shall make necessary margin calls. The maximum allowable exposure of the broker towards the margin trading facility shall be within the self-imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his “net worth”. Thus, Bajaj violated the regulatory provisions mentioned above by failing to collect adequate margin from clients.

8.13.4. Given the findings mentioned above, the Committee decided to (a) levy a monetary penalty of Rs.10,000/- for violation pertaining to maximum allowable exposures to any single client limit the in terms of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and (b) no action no action is warranted for violation pertaining to adequate margin has not been collected by the Bajaj.

8.14. **Observation pertaining to Cyber security and cyber resilience**

8.14.1. Upon verification of the cyber audit report for the financial year 2021-22, and VPAT report dated December 26, 2022, it is observed that

there were some vulnerabilities identified in the VPAT report, which are under consideration for rectification by Bajaj.

8.14.2. In reply to the LoF, Bajaj submitted as under:

The VAPT report was submitted by the cert in auditor appointed by the Exchanges on December 26, 2022, with discussion with Bajaj, hence vulnerabilities were observed. However, Bajaj have closed majority of the vulnerabilities. The status of the report was discussed with the Exchange official (on February 20, 2023, it provided the status of the report dated March 8, 2023, for reference.

8.14.3. The Committee finds as under:

Bajaj contended that the vulnerabilities in the VPAT report were not discussed with them. However, post-inspection, Bajaj closed majority of the vulnerabilities observed in the report. Thus, the violation persists.

8.14.4. Given the findings mentioned as above, the Committee decided to warn Bajaj to ensure non-recurrence of the said observed violation.

8.15. **Non-settlement of clients' funds and securities**

8.15.1. Upon verification of the client ledgers, bank books, weekly client- level cash and cash equivalent submission and trade data along with margin and obligation data from Clearing Corporations, it is observed as under:

a. Non-settlement of clients' funds - Rs.33.38 lakhs in case of 95 inactive clients.

b. Failed to provide the efforts taken to trace the 164 untraceable clients involving Rs 65,452/-

c. Failed to park funds of untraceable clients in separate bank account as of November 30, 2022 - Rs.44.43 lakhs

8.15.2. In reply to the LoF, Bajaj submitted as under:

a. Non-settlement of clients' funds - Rs.33.38 lakhs in case of 95 inactive clients.

i. Bajaj adheres to the guidelines stated in SEBI circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, and SEBI/HO/MIRSD/DoP/P/CIR/2022/101 dated July 27, 2022, regarding settlement of running account of client's funds lying with Trading Member. As per guidelines prescribed in the said circular, Bajaj had settled the client at least once within a gap of 30 / 90 days between two settlements of running account as per the preference of the client and also settled all the clients who have not done any transaction in the 30 calendar days since the last transaction, the credit balance of such clients is returned to the client bank account.

ii. In case of said 95 clients, Bajaj had settled the clients' account by virtue of the pay-out. The instance-wise reply is as under –

1. In 8 instances - The clients are continuously trading hence were not settled in monthly pay-out cycle.
2. In 82 instances - The clients were settled after the date of observation.
3. In 4 instances - The ledger balance of clients was zero during observation period.
4. In 1 instance - Bajaj has not provided any reply.

b. Failed to provide the efforts taken to trace the 164 untraceable clients involving Rs 65,452/-

i. Bajaj had set process to settle the client as and when client falls into the monthly/quarterly cycle as per preference given by the client. For said 164 clients, it released the funds on October 7, 2022, however same got rejected due to the various reason like bank account is closed, account number doesn't exist, no such account type, invalid account, account does not exist etc. The said pay-out instruction got returned from the bank. Due to the reasons of rejection provided by the bank, Bajaj parked this amount in the untraceable account.

ii. The value of funds i.e. Rs. 65,452/- is less than 1% of the funds wherein Bajaj have done quarterly settlement of pay out to the clients. Bajaj ensures that all client accounts are settled on monthly or quarterly basis (as per the client preferences) in the manner prescribed from time to time. As stated in circular No. BSE-20200210-47 & NSE/INSP/43488 date for the treatment of inactive account wherein Exchange has prescribed the guidelines on "Return of Clients assets" in case

of trading member is unable to settle the client accounts due to non-availability of client's bank account and non-traceability of client.

c. Failed to park funds of untraceable clients in separate bank account as of November 30, 2022 - Rs.44.43 lakhs

i. The total funds lying in untraceable account no. 000505033993 as on November 30, 2022, was Rs. 88.04 crores and total value of ledger was Rs.88.48 crores for the instance wherein it submitted unclaimed/unsettled client funds as yes in cash and cash equivalent submission of November 30, 2022, resulting in the difference of Rs. 44.43 lakhs.

ii. The details of total funds lying in untraceable account no. 000505033993 as of November 30, 2022, is Rs.88.04 crores are as under:

a. Based on income tax order having reference no. ITBA/COM/F/17/2021-22/1039827425(1) dated February 16, 2022, wherein based on the direction received in the IT order, Bajaj parked the funds of Rs.87.88 crores to the untraceable account & remaining funds of Rs.15.72 lakhs was held for the accounts wherein it couldn't settle the amount in bank due to the various rejection received from bank.

b. Exchange officials has considered the funds of Rs. 41.60 lakhs belonging to one of the client MUM389 of ARC group in their working as untraced funds. However, in case of client MUM389, the part of ARC group, the name and PAN number was not in the list of IT order and therefore Bajaj did not park the funds of the client in the untraceable account. Out of the difference amount of Rs.44.43 lakhs mentioned above, Rs. 41.60 lakhs belong to the client MUM389 only.

c. For balance difference in amount of Rs.2.83 lakhs, the said difference of Rs.2.83 lakhs, is due to rise in creditors for the clients whose funds were parked earlier in the untraceable account.

8.15.3. The Committee finds as under:

a. Non-settlement of clients' funds - Rs.33.38 lakhs in case of 95 inactive clients.

   i. In 8 instances - The clients are engaged in continuous trading and, therefore, were not settled within the monthly pay-out cycle. Upon verification of ledger, Bajaj's contention was found to be correct. Thus, no violation persists.

   ii. In 82 instances - The clients were settled after the date of observation. However, post-inspection compliance does not absolve the Trading Member from the violation already committed. Thus, the violation persists.

   iii. In 4 instances - The ledger balance of clients was zero during observation period and the same is also verified with ledger. Thus, no violation persists.

   iv. In 1 instance - Bajaj has not provided any reply.

b. Failed to provide the efforts taken to trace the 164 untraceable clients involving Rs 65,452/-

   i. For said 164 clients, Bajaj contended that the funds were rejected due to the various reason like bank account is closed, account number does not exist, no such account type, invalid account, account does not exist etc. The said pay-out instruction got returned from the bank. Due to the reasons of rejection provided by the bank, Bajaj parked this amount in the untraceable account. However, Bajaj failed to demonstrate efforts taken by Bajaj to trace the clients. Thus, the violation persists.

c. Failed to park funds of untraceable clients in separate bank account as of November 30, 2022 - Rs.44.43 lakhs

   i. Bajaj contended that Exchange officials considered the funds of Rs. 41,60,185.81/- which belongs to one of the client, MUM389 of ARC group in the working as untraceable funds. Upon verification, it is observed that the client MUM389 is part of ARC group, but the name and PAN number was not in the list of IT order and therefore Bajaj did not park the funds of client MUM389 in the untraceable account.

ii. However, for the observed client, Bajaj reported "yes" in cash and cash equivalent and is required to transfer funds in separate bank account.

iii. For the balance amount of Rs.2.83 lakhs, Bajaj stated that, the fund of creditors for the clients whose funds were parked earlier in the untraceable account has increased. However, the contention of Bajaj is not acceptable, and violation persist.

d. The concept of monthly or quarterly running settlement of clients' accounts by the Trading Member as per client preference is incorporated in Exchange Circular No. NSE/INSP/13606 and NSE/INSP/33276 dated December 3, 2009, and September 26, 2016, respectively, to instil greater transparency and discipline in the dealings between the clients and the stockbrokers. Non-settlement of clients' accounts is prejudicial to the investors' interests. Thus, Bajaj violated the regulatory provisions mentioned above by failing to settle the clients' accounts.

e. The observation/violation stands revised to 247 out of 2,55,244 instances selected for sample scrutiny (0.09% of total sample instances) involving Rs.23.70 lakhs.

8.15.4. Considering the observed violations are less than 2% of total number of instances verified, the Committee decided to advise Bajaj to ensure non-recurrence of the observed violation in terms of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

8.16. **Observation pertaining to Exchange level alerts**

8.16.1. Upon verification of the alert generated at the stock Exchange level, it is observed as under:

a. Securities Reconciliation - 1 alert pertaining to reconciliation of client's securities reported under weekly submission vis-à-vis holding in demat Statement.

b. Client Margin verification - 5 alerts pertaining to collection and reporting of margin to the Exchange.

c. Availability of unclaimed funds - 1 alert pertaining to reconciliation of aggregated ledger balance reported in column "Ledger Balance B" for untraceable clients (i.e. clients where unclaimed/unsettled is reported as "yes") in weekly cash and

cash equivalent submission with bank balances reported for the designated bank account in weekly bank balance submission made to Exchange.

d. Dormant Account Activation - 1 alert pertaining to call recordings for order placed by clients and reactivation letters received from clients.

e. Inactive Client Alert - 7 alerts pertaining to settlement of inactive client funds.

f. Non settlement of client funds - 2 alerts pertaining to non-settlement of active client funds.

g. Online G alert - 1 alert pertaining to shortfall of funds and collateral against credit balance of clients

h. Online G alerts - 2 alerts pertaining to utilization of clients' funds for other purposes involving Rs.4.62 crores.

i. Stock mismatch - 27 alerts pertaining to stock mismatch involving Rs.15.06 crores has been generated during the inspection period.

8.16.2. In reply to the LoF, Bajaj submitted as under:

The reply of above-mentioned alerts was provided by Bajaj and the same is pending with the Exchange for closure/further course of action. Currently, no alert is pending which is to be submitted to the Exchange.

8.16.3. The Committee finds as under:
Considering that these alerts are separately monitored at the Exchange and accordingly the Exchange is levying the penalty, no separate action is required.

8.16.4. Given the findings above, the Committee decided that no separate action is warranted for the observed violation.

DECISION

9. In view of the above, the Committee levies the following penalties as indicated against each of the violations:

Sr. No.	Committee's Findings	Prescribed penalty as per NSE/INSP/53530 dated September 2, 2022	Penalty Levied
a.	Bajaj submitted incorrect data in the weekly holding statement in 11 instances involving Rs.4.56 crores as of as of June 30, 2022, July 30, 2022, August 31, 2022, and September 30, 2022	Rs.1,00,000/-	Advise (Reasons enumerated above)
b.	Bajaj failed to report 1 bank account to the Exchange	Rs.5,000/- per annum plus warn and direct Bajaj to report such details to the Exchange	Rs.5,000/- plus warn and direct Bajaj to report such details to the Exchange
c.	Observations pertaining to PMLA/AML provisions	No prescribed penalty	Warning
d.	Observation pertaining to review of AP related policy & Branch inspection a. Bajaj made incorrect submissions with regard to availability of voice recording, display of notice board, maintenance of visitor registers and NISM/NCFM certificate as per Exchange's requirement. b. During inspection of 2 AP's office, the door of office was closed, and no notice boards were displayed	 No prescribed penalty Rs.10,000/-	 Warning No action (reasons enumerated above)

	c. During onsite surprise visit to AP Bharti Investment on February 2, 2023, inspection official collected few handwritten trade summary, for which no corresponding trades were found in the trade register or as per the call recordings of that date	No prescribed penalty	Warning
e.	Bajaj failed to compute the net worth as per Dr L.C. Gupta's net worth computation method.	No prescribed penalty	Warning
f.	Excess pay-outs made to the clients in 9 out of 150 client ledgers selected for sample scrutiny	Rs.25,000/-	Rs.25,000/-
g.	Bajaj reported incorrect data in the weekly monitoring of clients' funds in 7 areas as of November 4, 2021, November 8, 2021, October 25, 2022, October 28, 2022	Rs.1,00,000/-	Advise (Reasons enumerated above)
h.	Bajaj reported incorrect data in the weekly client-level cash and cash equivalent and bank account balances	Rs.1,00,000/-	Advise (Reasons enumerated above)
i.	Bajaj submitted incorrect data in risk-based supervision	No prescribed penalty	Warning

j.	Bajaj transferred securities of credit balance clients to "client unpaid securities account" in 145 clients involving Rs.1.74 crores	No prescribed penalty	Warning and provide a certificate of compliance within 15 days from the date of this order certifying that there are no securities of clients with credit balance lying in CUSA
k.	Observation pertaining to margin trading facility i. Adequate margin has not been collected by the Bajaj involving Rs.16.16 crores in case of 7 clients ii. Maximum allowable exposures to any single client limit are breached - 1 client instance and amount of excess exposure Rs.14.95 crores	No prescribed penalty Rs.10,000/-	No action Rs.10,000/-
l.	Observation pertaining to Cyber security and cyber resilience	No prescribed penalty	Warning
m.	Bajaj failed to settle clients' funds and securities a. Non-settlement of clients' funds - Rs.33.38 lakhs in case of 95 inactive clients. b. Failed to provide the efforts taken to trace the 164 untraceable clients involving Rs 65,452/-	Up to 2% of number of instances:- Advise	Advise

	c. Failed to park funds of untraceable clients in separate bank account as of November 30, 2022 - Rs.44.43 lakhs		
Total			**Rs.40,000/-**

10. Bajaj is directed as under: -

a. To pay a monetary penalty of Rs.40,000/- (Rupees Forty thousand only).

b. To note the non-monetary penalties mentioned above and ensure non-recurrence of the observed violations.

c. To submit a certificate duly certified by a Chartered Accountant within 15 days from the date of this order certifying the compliance of the aforesaid directions of the Committee. Failure to submit the said certificate within prescribed timeline shall be construed as non-compliance and appropriate disciplinary proceedings for non-adherence to the directions of the Committee shall be independently initiated.

Sd/-

K Narasimha Murthy
(Chairperson)

Sd/-

Ashishkumar Chauhan
(Committee Member)

Date: November 16, 2023

ANNEXURE 2

You are advised to pay/deposit the penalty amount along with applicable GST in your Exchange Dues Account as and when Bill for the same is raised by the Exchange.

1. In case of late payment, interest @18% p.a. calculated on a daily basis will be levied from the due date for the delayed period i.e., till the date of payment. Late payment may also attract withdrawal of trading facility pursuant to Circular no. NSE/F&A/2571 dated May 29, 2001.

2. In addition to the mentioned penalty amount, tax @ 18% under Section 15 of Central Goods and Services Tax Act, 2017 will be levied on the penalty amount as well as on the interest in case of late payment.