BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER No. Order/AN/RG/2024-25/30568

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995; AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005.

In respect of:

Berkeley Securities Limited

(PAN: AADCB787M)

(SEBI Registration No.- INB011355436)

(SEBI Registration No.- INZ000052635)

(SEBI Registration No.- IN-DP-CDSL-0669-2012)

In the matter of Berkeley Securities Limited

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as '**SEBI**') conducted joint inspection of Berkeley Securities Limited (hereinafter also referred to as "**Noticee/ Berkeley/ Member/ TM/ Depository Participant/ DP/ Broker/ Stock Broker"**), with Exchanges and Depository during November 16-22, 2022 for the Inspection period April 01, 2021 to October 31, 2022.

2. Pursuant to the inspection, the findings were communicated to the Noticee by SEBI vide letter dated December 28, 2022 and comments / explanations of the Noticee were sought on the same. Noticee vide its letter dated January 12, 2023, submitted its reply on the observations of SEBI.

3. Based on the findings arising out of its inspection, analysis of replies received and examination in the matter by SEBI, briefly stated, it was inter alia observed by SEBI that Noticee had allegedly violated various provisions of Securities Contracts (Regulation) Act, 1956 ("SCR Act" / "SCRA"/ "SCR Act, 1956"), Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 ("SEBI Stock Broker Regulations" / "SEBI Stock Broker Regulations, 1992"), SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 ("SEBI Certification Regulations" / "SEBI Certification Regulations", 2007), Securities Contracts (Regulations) Rules, 1957 ("SCR Rules" / "SCRR"/ "SCR Rules, 1957") and Circulars issued by SEBI viz.,

I. Section 23D of SC(R) Act, 1956, Clause 1 of SEBI Circular SMD/ SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

II. Clause 12.e. of Annexure-A to SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1.1 & 8.1.4 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Clause 5.1, 5.4 & 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

III. Clause 2.3 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

IV. Clause 6.1.1 (j) & 7.1.2 of SEBI circular Ref no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

V. Clause A.5 of Schedule II to SEBI (Stock Broker) Regulations, 1992 read with Regulation 9(f) of SEBI (Stock Broker) Regulations, 1992 and Clause 15 of Annexure A to NSE circular NSE/INSP/45191 dated July 31, 2020, NSE/ INSP/49929 dated October 12, 2021 and NSE/INSP/53525 dated September 02, 2022.

VI. SEBI Circular no. CIR/ MIRSD/16/2011 dated August 22, 2011, Clause 12 of Annexure A to SEBI Circular No. MIRSD/SE/ Cir-19/2009 dated December 03, 2009 and SEBI Circular CIR/ MIRSD/66/2016 dated July 21, 2016 read with SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016.

VII. Regulation 3(2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, Clause A (5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE circular no. NSE/ MEMB/3574 dated 29-Aug-02, NSE/MEMB /3635 dated 25-Sep-02.

VIII. Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 and Annexure A to NSE Circular NSE/COMP/48895 dated July 10, 2021 and Regulation 9(g) of SEBI (Stock Brokers) Regulations, 1992 read with Clause 1 of Schedule VI to SEBI (Stock Brokers) Regulations, 1992.

IX. Clauses 1.2, 2.2, 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

X. Clause 2 (B) of SEBI Circular No. CIR/ MIRSD/15/2011 dated August 02, 2011.

XI. Clause 18 of Annexure 4 to SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011.

XII. Clause 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/RR/ AML/2/06 dated March 20, 2006.

XIII. Clause 36 and 42 of Annexure-1 to SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 read with SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022.

XIV. Rules 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

Accordingly, SEBI initiated adjudication proceedings against the Noticee under Section 15-I of SEBI Act, 1992 (hereinafter also referred as “SEBI Act”) and under

Section 23-I of the SCR Act, 1956 for the alleged violations of the provisions, as stated.

B. APPOINTMENT OF ADJUDICATING OFFICER

4. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violations by the Noticee, as stated and therefore, in exercise of the powers conferred under Section 19 read with Section 15-I (1) of the SEBI Act, 1992 read and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as 'Adjudication Rules'), and under Section 23 I of the SCR Act, 1956 read with Rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, the Competent Authority appointed Ms. Soma Majumder, General Manager as Adjudicating Officer ("erstwhile AO") vide communique dated July 24, 2023 to inquire into and adjudicate under Section 15HB and Section 15F(c) of the SEBI Act, 1992, and Section 23D and 23H of SCR Act, 1956, the alleged violations by the Noticee. Subsequently, upon transfer of the erstwhile AO, the undersigned was appointed as Adjudicating Officer ("AO") vide Communique dated December 19, 2023.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice No. SEBI/EAD/SM/AS/40327/1/2023 dated September 26, 2023 along with Annexures ("SCN"), was issued by the erstwhile AO and served upon the Noticee under Rule 4 of the Adjudication Rules and under Rule 4 of the SCR Rules, to inter alia show cause as to why an inquiry should not be held and penalty not be imposed upon the Noticee under Section 15HB and Section 15F(c) of the SEBI Act, 1992, and Section 23D and 23H of SCR Act, 1956, for the violations alleged to have been committed by the Noticee.

6. The following was inter alia observed/alleged in the SCN in respect of the Noticees:

"…

4. Misuse of clients funds:

4.1. It was observed that the value of G is negative on 23 out of the 44 sample dates, thereby, indicating that the funds of credit balance clients have been misused by broker for settlement obligations of debit balance clients. The extent of mis-utilization of client funds ranges from Rs 1.97 lakh on 12.09.2022 to Rs 81.83 lakh on July 22, 2021. (Analysis of data for misuse of clients' fund is enclosed as Annexure-4). In view of aforesaid, it is alleged that Noticee has violated provisions of Section 23D of Securities Contracts (Regulation) Act, 1956 ("SCR Act"), Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993, Clause 3 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

5. Monthly / Quarterly Settlement of Funds and Securities:

5.1. On verification of running account settlement of the Noticee, following irregularities were observed: -

a) It was observed that in 19 instances, Noticee had failed to settled the clients funds amounting to Rs 95,12,654/-. (details are enclosed as Annexure B1 of inspection report and Annexure B1 of the reply of the Noticee.)

b) It was observed that there were discrepancies in the retention statement issued to clients in the case of 20 instances pertaining to 18 clients (details are enclosed as Annexure B2 of inspection report).

c) It was observed that Noticee had not issued retention statements to clients in the case of 38 instances pertaining to 31 clients. (details are enclosed as Annexure B3 of inspection report).

d) It was observed that Noticee had not settled funds for Inactive clients.

Quarter/ Month	***Number of inactive clients not settled***	***Amount of non-settlement (In Rs.)***
Apr 21 to June 21	*33*	*1,095,054*
Aug-21	*16*	*919,503*
Sep-21	*19*	*736,795*
Oct-21	*35*	*1,222,634*
Nov-21	*17*	*798,885*
Dec-21	*77*	*4,104,861*
Jan-22	*65*	*7,98,492*
Feb-22	*50*	*304,047*
Mar-22	*22*	*713,873*
Apr-22	*9*	*26,217*
May-22	*2*	*19,722*
Jun-22	*1*	*4,673*
Jul-22	*8*	*32,547*
Aug-22	*2*	*19,101*
Total	***356***	***99,97,912***

(Details are enclosed as Annexure B4 of inspection report)

5.2. In view of above, it is alleged that Noticee has violated provisions of Clause 12.e. of Annexure-A to SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1.1 & 8.1.4 of Annexure to SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016, Clause 5.1, 5.4 & 5.8 of SEBI Circular SEBI/HO/ MIRSD/DOP/P/CIR/ 2021/577 dated June 16, 2021.

6. Nomenclature of bank accounts maintained by the Noticee:

6.1. During verification of bank accounts maintained by Noticee, it was observed that stock broker failed to provide nomenclature of 3 Bank accounts ('13300340000034, '01070340001253 and '30797799759) uploaded as "Client Account". Thus, it is alleged that, Noticee has violated provisions of Clause 2.3 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/2016/95 dated September 26, 2016.

7. Stock reconciliation:

7.1. During verification of securities reported to Exchange as on 31-08-2022, it was observed that the Noticee had wrongly reported demat account wise holding on Exchange portal with actual holding in demat account in 8 ISINs. It was also observed that the Stock Broker has not reconciled clients' securities with actual demat holding with the broker. Details are enclosed as Annexure A of inspection report. Thus, it is alleged that, Noticee has violated provisions of Clause 6.1.1 (j) & 7.1.2 of SEBI circular Ref no. SEBI/HO/MIRSD/ MIRSD2/CIR /P/2016/95 dated September 26, 2016.

8. Reporting and short collection of Margin:

8.1. On verification of penalty levied on Shortfall of Margin collection. It was observed that Noticee has debited the total 1.12 Lakh as penalties levied to 34 clients even (CD-8, CM-20, FO-6) for shortfall of upfront margin in case of 34 instances out of the sample verified (Details are enclosed as Annexure C of inspection report). Thus, It is alleged that, Noticee has violated provisions of Clause A.5 of Schedule II to SEBI (Stock Broker) Regulations, 1992 read with Regulation 9(f) of SEBI (Stock Broker) Regulations, 1992 and Clause 15 of Annexure A to NSE circular NSE/INSP/45191 dated July 31, 2020, NSE/INSP/49929 dated October 12, 2021 and NSE/INSP/53525 dated September 02, 2022.

9. Client Registration Process (KYC and KRA Process):

9.1. During verification of client registration document, following discrepancies were observed (Details are enclosed as Annexure D of inspection report)-

a) it was observed that the stock broker had failed to capture details of action taken against a client by SEBI/other authorities,

b) running account authorization not dated in 10 clients,

c) in 2 instances tariff sheet not signed and

d) preference in running account authorization were not ticked for monthly or quarterly

9.2. It was observed that the stock broker had not done CKYC of 75 clients on CERSAI portal during inspection period. (Details are enclosed as Annexure D-1 of inspection report and Annexure D-1 of reply of Noticee).

9.3. Further, during verification of KYC of clients, it was observed that KRA status of Client code A71A231 was unavailable.

9.4. It was also observed that the stock broker had not provided facility for online closure of trading accounts.

9.5. In view of above, it is alleged that, Noticee has violated provisions of SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011, Clause 12 of Annexure A to SEBI Circular No. MIRSD/ SE /Cir-19/2009 dated December 03, 2009 and SEBI Circular CIR/MIRSD/ 66 /2016 dated July 21, 2016 read with SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016.

10. Terminal Verification & Certification:

10.1. During verification it was observed that the Stock Broker had incorrectly submitted details of office pin code of Location id- 160009901002012, in the name of Mr. Rajesh Kumar. Further, during verification it was observed that the Stock Broker failed to provide NISM certificates of 4 approved users (Details are enclosed as Annexure E of inspection report and Annexure E of reply of Noticee). Thus, it is alleged that, Noticee has violated provisions of Regulation 3(2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, Clause A (5) of Schedule II read with Regulation 9(f) of Stock Brokers Regulations read with NSE circular no. NSE/MEMB/3574 dated 29-Aug-02, NSE/MEMB/3635 dated 25-Sep-02.

11. Net worth Verification:

11.1. On verification of Net worth of Noticee as on 31 Mar 2022, it was observed there was discrepancy in net worth calculation by Noticee and accordingly incorrect net worth was reported to exchange. Noticee had reported Net worth of Rs. 2,25,37,161/- as on March 31, 2022. While verifying Net worth, it was observed that Noticee had not deducted all "Doubtful debts/ advances" of Rs. 2,03,92,388/- and "30% of Marketable securities" of Rs. 1,54,512/-. Thus, Revised Net worth of the Noticee, after deducting said items, is 50,42,839/- which is less than the net worth requirement for the stock broker. (details are enclosed as Annexure F of inspection report)

11.2. In view of above, It is alleged that, Noticee has violated provisions of Clause A(5) of Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Annexure A to NSE Circular NSE/COMP/48895 dated July 10, 2021 and Regulation 9(g) of Stock Brokers Regulations read with Clause 1 of Schedule VI to Stock Brokers Regulations.

12. Analysis of Weekly Enhanced Supervision data:

12.1. During verification of naming and tagging of Demat accounts, it was observed that the stock broker had not correctly uploaded Demat account number of CDSL account number '1207550000027121 on exchange platform, also purpose of CDSL Demat account number '12075500 00001825 uploaded as "CLIENT" account, while as per Demat statement tagging is as "CM PRINCIPAL ACCOUNT".

12.2. Thus, it is alleged that, Noticee has violated provisions of Clauses 1.2, 2.2, 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/ MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

13. Verification of Email ID & Mobile numbers / UCC Verification:

13.1. On verification of UCC database of Exchange and Member back-office records, followings observations were made related to email & mobile no.:

a) Mismatch in Mobile number in UCC & back office: 34 (details are enclosed as Annexure G of inspection report).

b) Mismatch in email id in UCC & back office: 42 (Details are enclosed as Annexure G1 of inspection report)

c) Single email id mapped to multiple clients: 28 email id mapped to 60 clients (details are enclosed as Annexure G2 of inspection report)

d) Single mobile number mapped to multiple clients: 22 mobile no. mapped to 50 clients (details are enclosed as Annexure G3 of inspection report)

e) Since single email id was mapped to multiple clients, prima facie it appears that contract notes have not been issued to ultimate client: 28 email id mapped to 60 clients. (details are enclosed as Annexure G1 of inspection report)

13.2. During verification of UCC records, it was observed that the Stock Broker had not correctly uploaded Email ID of active clients on BSE platform. (details are enclosed as Annexure H of inspection report). In view of aforesaid, it is alleged that, Noticee has violated provisions of Clause 2 (B) of SEBI Circular No. CIR/MIRSD/ 15/2011 dated August 02, 2011.

14. Requirement related to Brokerage:

14.1. During verification of contract notes of sample clients, it was observed that the stock broker had levied brokerage charged in excess of the agreed rates i.e. Rs. 20 per lot, from client code A83A012 (details are enclosed as Annexure I and Annexure I-2 of inspection report). Thus, it is alleged that, Noticee has violated provisions of Clause 18 of Annexure 4 to SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011.

15. Exchange level Internal Alerts generated:

15.1. During verification of clients' Unpaid Securities Account (CUSA) as on October 28, 2022, it was observed that the Stock Broker had failed to transfer securities to the demat account of the respective clients within one working day where payment had made by clients. (Details are enclosed as Annexure J of inspection report).

15.2. During further verification of mechanism to monitor suspicious transaction it is observed that stock broker failed to close 9 transactions alert generated on Exchange E-Boss portal. (Details are enclosed as Annexure K of inspection report).

15.3. In view of above, it is alleged that, Noticee has violated provisions of Clause 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016, SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/RR/ AML/2/06 dated March 20, 2006.

16. Cyber security and cyber resilience:

16.1. Cyber security Audit was conducted for the period October 01, 2021 to March 31, 2022. Observations are as under:

a) STQC not available.

b) VAPT not conducted.

16.2. Thus, it is alleged that, Noticee has violated provisions of Clause 36 and 42 of Annexure-1 to SEBI circular SEBI/HO/MIRSD/ CIR/PB/2018/147 dated December 03, 2018 read with SEBI/HO/ MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022.

17. Advances to Related Parties

17.1. On verification of the Financial Statement and other back-office records of the Noticee, it was observed that Noticee had given loans or advances to related parties during the Inspection period. Thus, it was observed that Noticee is engaged in a business other that of securities. The total amount of such loan as on 31-Mar-2022 was Rs. 3,77,594/- (Berkeley Finance Ltd: Rs. 3,45,335/- & Berkeley Automobile Limited: Rs. 32 259/-). Thus, it is alleged that, Noticee has violated provisions of Rules 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

…"

7. Vide Hearing Notice dated October 12, 2023, the Noticee was provided an opportunity of hearing by erstwhile AO on October 25, 2023 and was allowed time till October 20, 2023 to submit the reply to the SCN.

8. Subsequently, vide email dated October 30, 2023, the Noticee was provided another opportunity of hearing on November 06, 2023 by erstwhile AO and was advised to submit the reply to SCN, if any, before the date of hearing.

9. Vide letter dated November 03, 2023, the Noticee once again sought extension to submit the reply to the SCN. On the rescheduled date of hearing viz., November 06, 2023, the Noticee appeared for hearing before the erstwhile AO and requested for adjournment. Accordingly, the Noticee was provided another opportunity of hearing on November 21, 2023.

10. Vide email dated November 21, 2023, the Noticee sought adjournment of hearing, which was acceded to by the erstwhile AO and the Noticee was allowed time till December 05, 2023 to file the reply to the SCN.

11. Vide letter dated December 03, 2023, the Noticee submitted its reply to the SCN as below:

"…

3. We accordingly offer our submissions to the SCN:

a. Para 1, 2 and 3:

The paras under reference do not call for any comment from us. However, we deny the alleged violations therein.

b. Para 4-Pertaining to Misuse of client Funds:

Violations alleged:
Section 23D of the Securities Contracts (Regulation) Act, 1958

"Penalty for failure to segregate securities or moneys of client or clients.
23D. If any person, who is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) as a stock broker or sub-broker, fails to segregate securities or moneys of the client or

clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be liable to a penalty not exceeding one crore rupees"

Clause 1 of SEBI Circular dated November, 18, 1993

"1. It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account."

Clause 3 of Annexure to SEBI Circular dated September 26, 2016

"3. Monitoring of Clients' Funds lying with the Stock Broker by the Stock Exchanges

Stock Exchanges shall put in place a mechanism for monitoring clients' funds lying with the stock broker to generate alerts on any misuse of clients' funds by stock brokers,"

Our reply:
We hereby reiterate the submission made in the inspection report made on 12.01.2023. It is humbly submitted that in the month of July 2021, during audit NSE observed and we submitted to NSE that we had inadvertently taken full value of bank guarantee from global margin file. After we were apprised of the lapse we immediately rectified our reporting as per requirement and the same was also informed to NSE. A copy of said email dated 02-12-2022 was submitted to the SEBI inspection team and is enclosed herewith for ready reference as Annexure-1. The shortage of Rs.1.97 lakhs was on account of an inadvertent wrong fund transfer entry in the month of September 2022 on 10.09.2022. We submit that the same was identified and rectified by effecting the reverse entry immediately on 13.09.2022 on being brought to our notice. Proof of the rectification entry is annexed hereto as Annexure-2.

We submit that we never intended to misuse client funds and humbly pray that the inadvertent lapse be viewed leniently and condoned since the same was a technical human error and not with any intent of wrong reporting or in defiance of the circulars and guidelines.

c. Para 5: Monthly/Quarterly Settlement of Funds and Securities:

Violations alleged:

Clause 12.e of Annexure -A of SEBI Circular dated December 03, 2009.
"e. 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. While settling the account, the broker shall send to the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any."

Clause 8.1.1 & 8.1.4 of Annexure to SEBI Circular dated September 26, 2016

"8.1.1. There must be a gap of maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.
8.1.4. Statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five days from the date when the account is considered to be settled."

Clause 5.1, 5.4 & 5.8 of SEBI Circular dated June 16, 2021
"5.1. The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of 30 / 90 days between two settlements of running account as per the preference of the client.
5.4. 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.
5.8. Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). TM shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days."

Our Reply:
We reiterate our submissions made in our reply dated 12.01.2023 wherein we have dealt with the observations instance wise. We deny that we had failed to settle the client funds as observed. We state and submit that we have duly settled the client funds for which account settlement details were provided during inspection. In few instances where the account was settled after the recovery of demat charges, those details were also clarified duly provided. Instances wherein payment was made but the amount was returned back as the bank of the client had closed down were also provided to SEBI alongwith proof of email sent to clients. The details are listed out in Annexure B1 of our reply to inspection report. Similarly, for the balance discrepancies and observations, we have duly replied vide our annexure B2, B3 and B4 of the reply to inspection report. The same is re annexed hereto as Annexure 3 ……..for your reference.

Under the circumstances we deny having violated the clauses of the SEBI Circulars as observed.

d. Para 6: Pertaining to nomenclature of bank accounts

Violations alleged:
"2.3
2.3.4. All new bank and demat accounts opened by the stock brokers shall be named as per the above given nomenclature and the details shall be communicated to the Stock Exchanges within one week of the opening of the account."

Our Reply:
We submit that the the screenshot of the nomenclature of account no. 3249002100031977 was submitted alongwith our reply to the inspection report and were iterate our clarifications stated therein.. We reiterate

that that bank account no 01070340001253 was a dormant account and while we had already submitted the request for change of nomenclature ,it was not yet done by the bank. However, the bank accounts have been closed now.
We humbly submit that there is no intent of disregarding any circulars or deliberate violations on our part. The lapse is on account of circumstances beyond our control and therefore the unintentional lapse be please condoned.

e. Para 7: pertaining to stock reconciliation

Violations alleged:
6.1.1.j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

7.1.2. End of day securities balances (as on last trading day of the month) consolidated ISIN wise (i.e., total number of ISINs and number of securities across all ISINs)

Our Reply:
We humbly state and reiterate that on account of technical error in the software the holding was mismatched. However, the technical error has been since rectified with help of software vendor and there is no mismatch of holding as on date.The lapse therefore may kindly be treated as unintentional and not in breach of the provisions of the circular.

f. Para 8: Pertaining to reporting and short collection of margin:

Violations alleged:
Clause A.5 of Schedule II of SEBI (Stock Broker) Regulations, 1992

"A.(5) Compliance with statutory requirements*: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him."*

Regulation 9(f): *he shall at all times abide by the Code of Conduct as specified in Schedule II; and"*

NSE Circulars

Clause 15 of Annexure A of NSE Circular dated July 31, 2020

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

*documents for the same should be provided to the client. *Member cannot pass on the penalty w.r.t. short collection of upfront margin to client."*

NSE Circular dated October 12, 2021

Clarification to Question no. 15 in Annexure A of the Exchange Circular NSE/INSP/45191 dated July 31, 2020, has been partially modified as below: 15. In case of short reporting of margin/margin on consolidated crystallized obligation/MTM, Can member pass on the penalty to the clients? Member shall not pass on the penalty w.r.t short collection of upfront margins to clients under any circumstances. In case of failure (requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of margins other than "upfront margins" such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins), member may pass on the actual penalty to the client, provided he has evidence to demonstrate the failure on part of the client. Wherever penalty for short reporting of margins other than "upfront margins" is being passed on to the client relevant supporting documents for the same should be provided to the client."

NSE Circular dated September 2, 2022

"This has reference to Exchange circular NSE/INSP/45191 dated July 31, 2020 wherein it was clarified that the members cannot pass on the penalty w.r.t short collection of upfront margin to client. Further, it has been reiterated again vide Exchange circular NSE/INSP/49929 dated October 12, 2021 that members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances. However, Exchange has observed that certain members are passing on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins from clients" to respective clients. In view of the above, it is once again reiterated that members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances Further, Members are advised to refund the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to the clients on an immediate basis if same has been passed on to the clients after 11th October, 2021."

Our Reply:

We reiterate our submission made vide Annexure C to our reply to the inspection report wherein it has been detailed out client wise the reason for the purportedly alleged short collection of margin. The Annexure is re annexed hereto for your records which reflects our bonafide that we have not violated any circular or regulation as observed and the lapses are on account of the inadvertent reasons as detailed out in the annexure. We, thereby, deny violation of any circular or regulation as observed.

g. ***Para 9: Pertaining to client registration process (KYC and KRA process)***

Violations alleged:

Provisions of SEBI Circular dated August 22, 2011`

Clause 12 of Annexure A of SEBI Circular dated July 21, 2016 read with SEBI Circular dated November 10, 2016

Our Reply:

We reiterate our submission made vide Annexure D to our reply to the inspection report dealing with the observations point wise. The Annexure is re annexed hereto for your records and rely on reasons as detailed out in the annexure. We, thereby, deny violation of any circulars as observed.

We confirm that as on date we are in compliance of the provisions of SEBI Circular dated August 22, 2011and attach a management declaration to that effect annexed hereto as Annexure ---..

h. Para 10: Pertaining to Terminal verification and certification:

Violations alleged:

Regulation 3(2) of SEBI(Certification of Associated Persons in the Securities Market) Regulations, 2007

(2) An associated person on being employed or engaged by an intermediary on or after the date specified by the Board shall obtain the certificate within one year from the date of being employed or engaged by the intermediary.

Clause A(5) of Schedule II read with Regulation 9(f) of Stock Broker Regulations read with NSE Circular dated 29.08.2002 and NSE Circular dated 25.09.2002.

Our Reply:

We deny the allegations levied upon us for violating the stated regulations and/or circulars and submit that the wrong pin code is actually not in use and has been de activated from the Exchange portal whilst the NISM certificate was duly provided for the 4 approved users (PLS CONFIRM AS THE ANNEXURE E of the Reply to the Inspection report SHOWS ONLY 2). We thereby deny violating any circular or regulations as alleged.

We confirm that as on date we are in compliance of the provisions of Regulation 3(2) of SEBI(Certification of Associated Persons in the Securities Market) Regulations, 2007 read with Clause A(5) of Schedule II read with Regulation 9(f) of Stock Broker Regulations read with NSE Circular dated 29.08.2002 and NSE Circular dated 25.09.2002and attach a management declaration to that effect annexed hereto as Annexure ---..

i. Para 11: pertaining to net Worth verification:

Violations alleged:

Clause A. 5 of Stock Broker Regulations

(5) Compliance with statutory requirements: *A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.*

Read with Regulation9(f) of Stock Broker regulation and Annexure A of NSE Circular dated 10.07.2021 and Regulation 9(g) of Stock Brokers Regulations read with Clause 1 of Schedule VI of the Stock Broker Regulations.

Our Reply:

We state and submit that as stated in our reply to the inspection report, wherein it was detailed out that while carrying forward the closing balances in the next year the software created difference in the opening balance for a few clients amounting to approx. Rs.70 lacs. For the rectification of said balances the differential amount has been transferred to a miscellaneous client ledger account and the vendor of the software has since rectified the glitch. . The difference of Rs. 30 lacs was due to error created by software in margin accounts. The Annexure detailing out our reply debtor wise is re annexed hereto for your records. Thus there in no intent to violate the Clause A. 5 of Stock Broker Regulations Read with Regulation9(f) of Stock Broker regulation and Annexure A of NSE Circular dated 10.07.2021 and Regulation 9(g) of Stock Brokers Regulations read with Clause 1 of Schedule VI of the Stock Broker Regulations.

j. Para 12: Pertaining to analysis of weekly enhanced supervision data:

Violations alleged:

Clauses 1.2, 2.2, 6.1.1 () of Annexure to SEBI Circular SEBI/HO/ MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Our reply:

We state and submit that the demat account No. 1207550000027121 has been already uploaded on exchange platform and the screen shot of the same was attached as DMAT annexure to the reply to the inspection report.

k. Para 13: Verification of email id & Mobile Numbers/UCC Verification

Violations alleged:

Clause 2(B) of SEBI Circular dated August 02, 2011.

2. B. Uploading of mobile number and E-mail address by stock brokers

i. Stock exchanges shall provide a platform to stock brokers to upload the details of their clients, preferably, in sync with the UCC updation module.

ii. Stock brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.

iii. Stock brokers shall ensure that the mobile numbers/E-mail addresses of their employees/sub-brokers/remisiers/authorized persons are not uploaded on behalf of clients.

iv. Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.

Our Reply:

We deny having violated the circular as wrongly observed and submit that barring two instances wherein the lapse has been already rectified no mismatch was observed for any other clients. Similarly, for a single instance of mismatch email id which has been rectified, no other instance has been observed. Moreover, with respect to the observation of single email id being mapped to multiple clients, we state that the accounts are client self accounts and their family accounts for which declaration is already in place and has been taken from them. Also, with respect to same mobile number being alleged to mapped to multiple clients, there are client accounts, family accounts as well as Karta accounts for which declaration has already been taken.

We submit that contract notes have been duly issued to the ultimate clients and neither has any complaint been received for non receipt of the same from any client.

We humbly submit that act of not correctly uploading the email id of active clients on BSE platform is on account of inadvertent clerical lapse and the same has been rectified. Annexure H of the rectification is annexed hereto for your reference.

I. Para No.14: Pertaining to Brokerage:

Violations alleged:

Clause 18 of Annexure 4 to SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011

BROKERAGE

18. The Client shall pay to the stock broker brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that stock broker renders to the Client. The stock broker shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye-laws of the relevant stock exchanges and/or rules and regulations of SEBI.

Our Reply:

m. We humbly state and submit that due to an inadvertent clerical lapse a wrong brokerage slab was mentioned in the software. The difference was identified by the audit team of --------- (Clients to clarify whether NSE or SEBI) during audit in November. 2022 of a single client pertaining to March 2022. The client had not traded after April 2022. The brokerage slab has been rectified in the back office. We deny having violated any circular as alleged and the technical lapse may please be condoned. ***Para No.15: pertaining to exchange level internal alerts generated:***

Violations alleged:

Clause 6.1.1 () of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/RR/AML/2/06 dated March 20, 2006.

Our Reply:

We state and submit that as verified from DP department there is no security pending in Client Unpaid Securities Account (CUSA) as on 28.10.2022. Thus, we deny that we have failed to transfer securities within one day where payment was made by clients as alleged. Secondly, all the transactions alerts closed in exchange E-Boss portal. The Annexure is attached hereto as Annexure "---".

n. Para No.16: pertaining to cyber security and cyber resilience:

Violations alleged:

Clause 36 and 42 of Annexure-1 to SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018

Clause 36:

Certification of off-the-shelf products 36. Stock Brokers / 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) Standardisation 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

Clause 42:

Vulnerability Assessment and Penetration Testing (VAPT)

42. Stock Brokers / 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

Our Reply:

We submit that VAPT report has been submitted on NSE on 22.10.2022 and the screenshot of the same is attached herewith for your reference.

Para No.17: Pertaining to advances to related parties

Violations alleged:
Rules 8(1) (f) and 8(3) (f)of Securities Contracts (Regulation) Rules, 1957

8(1)(f) he is engaged as principal or employee in any business other than that of securities 8 [or commodity derivatives] except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business : 9 [***] 10[Provided that nothing herein shall be applicable to any corporations, bodies corporate, companies or institutions referred to in clauses (a) to (n) of sub-rule (8).]

8(3)(f)
he engages either as principal or employee in any business other than that of securities 14[or commodity derivatives] except as a broker or agent not involving any personal financial liability, provided that—
the governing body may, for reasons, to be recorded in writing, permit a member to engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm, (ii) in the case of those members who were under the rules in force at the time of such application permitted to engage in any such business and were actually so engaged on the date of such application, a period of three years from the date of the grant of recognition shall be allowed for severing their connection with any such business, 15[(iii) nothing herein shall affect members of a recognised stock exchange which are corporations, bodies corporate, companies or institutions referred to in items [(a) to (n) of sub-rule (8)]

Our reply:
We submit that Berkeley Automobiles was never our client. The debit of Rs. 32,259/- was towards repairs of car done by Berkeley Automobiles. Further, Berkeley Finance is an NBFC from whom we had secured loan of Rs. 3,45,335/- which was repaid back by us. The ledger statement depicting the same is attached herewith as Annexure "---".
We thereby deny violating any Rules as alleged.

We state and submit that we have not mis-utilized the funds of our clients in any manner which is apparent from the fact that there have been no or complaints or disputes of any kind. We further submit that all the observations set out in the inspection report have been either on account of inadvertent technical lapses and have already been rectified. In view of the above, we most humbly pray that the no adverse inference be drawn against us and the allegations against us be dropped. Moreover, the lapses, if any, have not translated in to any gains to us and that these never never in defiance of any Rule, Regulation or Circular.

"…

12. Having regard to Principles of Natural Justice, vide Hearing Notice dated February 23, 2024, the Noticee was provided an opportunity of hearing on March 01, 2024. Vide letter dated February 26, 2024, the Noticee sought adjournment of hearing. Subsequently, vide email dated March 01, 2024, the hearing scheduled on March 01, 2024 was deferred.

13. Vide email dated April 23, 2024, the hearing was rescheduled to May 02, 2024. Subsequently, due to administrative exigencies, the hearing was rescheduled to May 21, 2024.

14. On the rescheduled date of hearing i.e. on May 21, 2024, the Noticee availed the hearing opportunity through its Authorized Representative (AR) viz., Ms. Mamta P. Chaoji, wherein the AR inter alia relied upon and reiterated the submissions made by the Noticee vide letter dated December 03, 2023. Further, the ARs also sought time till May 21, 2024 to make additional submissions as its final and complete submissions in the matter, accordingly the same was allowed.

15. Vide letter dated May 21, 2024, the Noticee made additional submissions as follows:

"…

> *We state and submit that we have surrendered our Membership with NSE. The surrender application for F&O and Currency derivatives has been done however, the approval is pending before the stock exchange.*
>
> *We thereby request your good selves to take a considerate and lenient view in the matter as we have closed down the business and penalty, if levied would be burden on us.*
>
> *The screenshot detailing the surrender approval and application for Total surrender is enclosed herewith as Annexure A and Annexure B respectively.*

…"

D. CONSIDERATION OF ISSUES AND FINDINGS

16. The issues that arise for consideration in the instant case are::

Issue No. I:	Whether the Noticee has violated the provisions of SCR Act, 1956, SEBI Stock Broker Regulations, 1992, SEBI Certification Regulations, 2007, SCR Rules, 1957 and SEBI Circulars, as alleged?
Issue No. II:	If yes, whether the violations on the part of the Noticee would attract monetary penalty under Section 15HB and Section 15F(c) of the SEBI Act, 1992, and Section 23D and 23H of SCR Act, 1956?
Issue No. III:	If yes, what should be the monetary penalty that can be imposed upon the Noticee?

Issue No. I: Whether the Noticee has violated the provisions of SCR Act, 1956, SEBI Stock Broker Regulations, 1992, SEBI Certification Regulations, 2007, SCR Rules, 1957 and SEBI Circulars, as alleged?

17. I note from the material available on record that the following was inter alia observed and alleged in respect of the Noticee:

17.1. Finding A: Misuse of clients' funds:

17.1.1. In this regard, it was inter alia observed and alleged that G was negative on 23 out of 44 sample instances, funds of credit balance clients mis-utilized for meeting the obligations of debit balance clients and/or for its own purpose. The average misutilised amount was Rs. 62.71 Lakh. The amount of mis-utilization ranged from Rs.1.97 Lakh to Rs.81.83 Lakh. Accordingly, it was alleged that the Noticee had violated provisions of Section 23D of SCR Act, 1956, Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.1.2. I note from the material available on record that G was alleged to be negative on following 23 instances:

Sr. No.	Date	G value
1	01/07/2021	-67,70,071
2	02/07/2021	-66,40,970
3	05/07/2021	-65,54,492
4	06/07/2021	-79,17,739
5	07/07/2021	-77,07,258
6	08/07/2021	-54,69,424
7	09/07/2021	-52,83,568
8	12/07/2021	-75,90,600
9	13/07/2021	-79,08,478
10	14/07/2021	-53,42,034
11	15/07/2021	-54,53,440
12	16/07/2021	-55,61,656
13	19/07/2021	-77,19,688
14	20/07/2021	-62,54,925
15	21/07/2021	-62,71,565
16	22/07/2021	-81,83,339
17	23/07/2021	-75,20,544
18	26/07/2021	-71,93,417
19	27/07/2021	-58,35,542
20	28/07/2021	-52,05,170
21	29/07/2021	-58,41,350
22	30/07/2021	-58,13,439
23	12/09/2022	-1,97,920

17.1.3. In this regard, I note that Section 23D of SCRA Act, 1956 reads as under:

"...

[121][Penalty for failure to segregate securities or moneys of client or clients

23D. If any person, who is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) as a stock broker or sub-broker, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be [122][liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

..."

17.1.4. Further in this regard, I note that Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 reads as under:

…"

REGULATION OF TRANSACTIONS BETWEEN CLIENTS AND BROKERS

1. It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.

A] Member Broker to keep Accounts: Every member broker shall keep such books of accounts, as will be necessary, to show and distinguish in connection with his business as a member -

i. Moneys received from or on account of each of his clients and, ii. the moneys received and the moneys paid on Member's own account.

B] Obligation to pay money into "clients accounts". Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "clients" shall appear (hereinafter referred to as "clients account"). Member broker may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para D (ii).

C] What moneys to be paid into "clients account". No money shall be paid into clients account other than -

i. money held or received on account of clients;

ii. such money belonging to the Member as may be necessary for the purpose of opening or maintaining the account;

iii. money for replacement of any sum which may by mistake or accident have been drawn from the account in contravention of para D given below;

iv. a cheque or draft received by the Member representing in part money belonging to the client and in part money due to the Member.

D] What moneys to be withdrawn from "clients account". No money shall be drawn from clients account other than -

i. money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;

ii. such money belonging to the Member as may have been paid into the client account under para 1 C [ii] or 1 C [iv] given above;

iii. money which may by mistake or accident have been paid into such account in contravention of para C above.

E] Right to lien, set-off etc., not affected. Nothing in this para 1 shall deprive a Member broker of any recourse or right, whether by way of lien, set-off, counter-claim charge or otherwise against moneys standing to the credit of clients account.

…"

17.1.5. Further in this regard, I note that Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 reads as under:

"…

Monitoring of Clients' Funds lying with the Stock Broker by the Stock Exchanges
3.1.Stock Exchanges shall put in place a mechanism for monitoring clients' funds lying with the stock broker to generate alerts on any misuse of clients' funds by stock brokers, as per the guidelines stipulated in para 3.2 & 3.3 below.
3.2.Stock brokers 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)
E-Aggregate value of proprietary non-cash collaterals i.e. securities which have been deposited with the clearing corporations and/or clearing member (across Stock Exchanges)
F-Aggregate value of Non-funded part of the BG across Stock Exchanges
P-Aggregate value of Proprietary Margin Obligation 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
3.3.Based on the aforesaid information submitted by the stock broker, Stock Exchanges shall put in place a mechanism for monitoring of clients' funds lying with the stock brokers on the principles enumerated below:
3.3.1.Funds of credit balance clients used for settlement obligation of debit clients or for own purpose:
Principle:
The total available funds i.e. cash and cash equivalents with the stock broker and with the clearing corporation/clearing member (A + B) should always be equal to or greater than Clients' funds as per ledger balance (C)
Stock Exchanges shall calculate the difference i.e. G as follows -
G = (A+B)-C
If difference G is negative, then the total available fund is less than the ledger credit balance of clients. The value of G may indicate utilization of clients' funds for other purposes i.e. funds of credit balance clients are being utilized either for settlement obligations of debit balance clients or for the stock brokers' own purposes. The negative value of G acts as an alert to the Stock Exchanges.

…"

17.1.6. In this regard, I note that the Noticee has neither denied nor disputed the alleged violation in this regard. I also note that the Noticee's submissions are in nature of admission, in so far the Noticee has submitted, "…*we had inadvertently taken full value of bank guarantee from global margin file… shortage of Rs.1.97 lakhs was on account of an inadvertent wrong fund transfer entry in the month of September 2022 on 10.09.2022…*" and that "…*After we were apprised of the lapse we immediately rectified our reporting as per requirement and the same was also informed to NSE…".*

17.1.7. In view thereof, I find that the allegation that funds of credit balance clients were mis-utilized for meeting the obligations of debit balance clients and/or for its own purpose, stands established. Therefore, I hold that the Noticee had violated Section 23D of SCR Act, 1956, Clause 1 of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.2. Finding B: Monthly / Quarterly Settlement of Funds and Securities:

17.2.1. In this regard, following was inter alia been observed and alleged:

a) Broker had not settled the funds of active clients in 19 out of 600 instances (value Rs. 95.13 Lakh).
b) Discrepancies in ledger balance and margin amounts in retention statement issued to clients in 20 instances.
c) Broker had not issued retention statements to clients in 38 instances.
d) Broker had not settled the funds of inactive clients in 356 instances (value Rs. 99.98 Lakh).

Accordingly, it was inter alia alleged that the Noticee had violated the provisions of Clause 12.e. of Annexure-A to SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1.1 & 8.1.4 of Annexure to SEBI Circular

SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Clause 5.1, 5.4 & 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

17.2.2. In this regard, the Noticee in its reply as submissions to the SCN has submitted the following:

"…*We reiterate our submissions made in our reply dated 12.01.2023 wherein we have dealt with the observations instance wise. We deny that we had failed to settle the client funds as observed. We state and submit that we have duly settled the client funds for which account settlement details were provided during inspection. In few instances where the account was settled after the recovery of demat charges, those details were also clarified duly provided. Instances wherein payment was made but the amount was returned back as the bank of the client had closed down were also provided to SEBI along with proof of email sent to clients. The details are listed out in Annexure B1 of our reply to inspection report. Similarly, for the balance discrepancies and observations, we have duly replied vide our annexure B2, B3 and B4 of the reply to inspection report…*"

17.2.3. in this regard, I note that Clause 12(e) of Annexure-A to SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 reads as under:

"…

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. While settling the account, the broker shall send to the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.

…"

17.2.4. In this regard, I note that Clause 8.1.1 and 8.1.4 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26,

2016 reads as under:

"…

8.1. In partial modification of circular on running account settlement, the stock broker shall ensure that;

8.1.1. There must be a gap of maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.

…

8.1.4. Statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five days from the date when the account is considered to be settled.

…."

17.2.5. I also note that Clause 5.1, 5.4 and 5.8 of SEBI circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021 reads as under:

"…

5.1. The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of 30 / 90 days between two settlements of running account as per the preference of the client.

…

5.4. 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.

…

5.8. Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). TM shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days.

…"

17.2.6. In this regard, I note from the material available the following:

17.2.6.1. As regards the violation that the broker had not settled the funds of active clients in 19 instances, I note from the material available on record that after considering the Noticee's reply to the findings of inspection, as

per SEBI, the Noticee had not settled the funds of following active clients:

Date of Settlement	Client Code	Client Name	Amount of Non-Settlement (Rs.)
02-Jun-21	A7xx231	Sxxx Cxxxxxxxxxx	57,069
02-Sep-21	A7xx231	Sxxx Cxxxxxxxxxx	820
18-Jun-21	Sxx94	Sxxxx Gxxx	9,149
25-Jun-21	A1xx059	Pxxxx Jxxx	13,065
08-Sep-21	A8xx029	Pxxxxxx Kxxxx	11,901
14-Sep-21	A6xx14	Rxxxxxxx Kxxxx	41,88,254
14-Sep-21	A7xx237	Dxxxx Kxxxx	8,51,627
26-Apr-22	A8xx008	Vxxxxx Sxxxxx	3,35,387
07-Oct-22	A7xx248	Bxxxxx Jxxx Pxxxxxx	40,00,000
19-May-21	27xx001	Pxxxxxxxxx Kxxx	4,213
26-May-21	Rxx7	Nxxxxxxx Sxxxx	935
26-May-21	Rxx0	Rxxx Axxxx	8,994
25-Jun-21	Rxx0	Rxxx Axxxx	556
11-Jun-21	A71xx36	Txxxxx Pxxxxxx Bxxx Kxxxxxxx	1,975
12-Jul-21	27xx08	Txxxx Kxxxx	8,073
19-Jul-21	A7xx236	Txxxxx Pxxxxxx Bxxx Kxxxxxxx	2,556
22-Jul-21	A2xxA05	Hxxxxxxx Mxxxx	1,405
26-Jul-21	27xx001	Pxxxxxxxxx Kxxx	9,610
26-Jul-21	Rxx0	Rxxx Axxxx	7,064

17.2.6.2. As regards the violation that there were discrepancies in ledger balance and margin amounts in retention statement issued to clients in 20 instances, I note the following from the material available on record:

(Amount in Rs.)

Date of Settlement	Client Code	Client Name	Total Funds available	As per retention statement	Diff in ledger balance	Excess of 225% of Margin over Margin Pledge Securities	Margin liability as per retention statement	Diff in Total margin liability
22-Jul-21	119xx106	Jxxxxx	64,992	53,162	11,830	26,618	-	26,618
08-Sep-21	78Axx15	Sxxxxxxxx Kxxx	85,103	85,103	-	80,988	2,89,859	-2,08,871
18-Jun-21	78xx03	Bxxxxx Bxxxxxx	4,80,870	4,80,870	-	1,43,303	1,62,090	-18,788
01-Sep-21	A1xxA08	Nxxxx Rxxx	24,016	24,016	-	-	26,151	-26,151
07-Oct-22	A1xx068	Sxxxxx Vxxxxxxxx	3,04,697	8,07,178	-5,02,480	3,04,199	3,04,199	-
09-Feb-22	A8xx008	Vxxxxx Sxxxxx	4,25,169	4,25,169	-	-	4,93,085	-4,93,085
26-Apr-22	A8xx009	Kxxxxx Rxx	91,050	-1,51,106	2,42,156	-	-	-
08-Sep-21	A8xx029	Pxxxxxx Kxxxx	38,511	38,511	-	-	24,653	-24,653
15-Jul-21	AExx436	Sxxxx Lxx Sxxxxxx Hxxxxxx	94,011	75,605	18,406	38,276	-	38,276

01-Sep-21	AHxx492	Axx Sxxxxxx	86,327	86,327	-	51,029	1,08,450	-57,421
28-Feb-22	AHxx492	Axx Sxxxxxx	743	743	-	-	-	-
26-Jul-21	DExx15	Sxxxxx Gxxxx	933	933	-	66,324	-	66,324
09-Feb-22	Rxx7	Nxxxxxxx Sxxxx	52,699	52,699	-	-	1,08,000	-1,08,000
26-May-21	Rxx0	Rxxx Axxxx	11,655	11,655	-	789	896	-107
13-Aug-21	SCxx01	Dxxxxx Gxxx	16,71,393	10,76,632	5,94,762	14,03,438	11,17,365	2,86,074
13-Aug-21	SCxx02	Sxxxxxx Cxxxx	4,66,871	-6,61,414	11,28,285	19,14,115	-	19,14,115
25-Jun-21	SCxx9	Mxxxx Gxxxx	1,96,483	1,96,483	-	1,59,141	1,63,002	-3,861
18-Jun-21	SCxx4	Sxxxx Gxxx	70,726	70,726	-	18,338	19,949	-1,612
13-Aug-21	Sxx2	Bxxxxx Gxxxx	96,381	79,881	16,500	36,563	-	36,563
01-Dec-21	Sxx2	Bxxxxx Gxxxx	62,997	63,033	-35	28,229	28,229	-

In this regard, I note that the Noticee in its response to the findings of inspection to SEBI and in its reply as submissions to the SCN has inter alia submitted as per annexure B2 that in 8 instances, the differences were due to system error. Therefore, I note that the Noticee has admitted to the allegation levelled against it in respect of 8 instances.

In respect of remaining 12 instances, the Noticee has submitted that the differences were due to incorrect calculations of margins by Inspection team. However, I note that the Noticee has not demonstrated the same with relevant details and documents. Therefore, the Noticee's contention is not acceptable in this regard.

17.2.7. As regards the violation that the Noticee had not issued retention statements to clients in 38 instances, I note the following details from the material available on record:

Date of Settlement	**Client Code**	**Client Name**
28-Jun-21	10xx002	Axxxx Kxxxx Gxxxx
07-Oct-21	10xx002	Axxxx Kxxxx Gxxxx
25-Jun-21	27xxA06	Cxxxxxx Mxxxx Pxxxxx
07-Oct-21	27xx021	Pxxxxx Sxxxx
24-Jan-22	78xx03	Bxxxxx Bxxxxxx
24-Jan-22	A1xxA14	Sxxxxxx Kxxxxxxxx
25-Jun-21	A1xx007	Gxxxxx Bxxxxx
25-Jun-21	A1xx059	Pxxxx Jxxx
25-Jun-21	A1xx064	Gxxxxxx Kxxx
27-Jan-22	A1xx064	Gxxxxxx Kxxx

25-Jun-21	A1xx072	Mxxxxxx Sxxxx
25-Jun-21	A3xx037	Axxxxxx Gxxx
07-Oct-21	A3xx037	Axxxxxx Gxxx
19-Jul-21	A6xx6	Sxxxx Kxxxx Jxxx
27-Jan-22	A6xx6	Sxxxx Kxxxx Jxxx
01-Jul-21	A6xx3	Lxxxxx Rxxx
28-Jan-22	A7xx018	Jxxxxxx Hxxxxxx Mxxxxx
07-Oct-21	A7xx099	Rxxxxxxxxxx Pxxxxxx Jxxxxx
13-Jul-21	A7xx215	Sxxxxx Jxxxxxxxxx Sxxx
27-Jan-22	A7xx215	Sxxxxx Jxxxxxxxxx Sxxx
06-Jan-22	A7xx233	Sxxxxx Axxxxxxx Nxxxxxxxx
28-Jan-22	A7xx234	Mxxxx Mxxxxxx Dxxxxxxxx
10-Mar-22	A7xx234	Mxxxx Mxxxxxx Dxxxxxxxx
19-Jul-21	A7xx236	Txxxxx Pxxxxxx Bxxx Kxxxxxxx
24-Jan-22	A8xx007	Rxxxx Gxxxx
07-Oct-21	AExx436	Sxxxx Lxx Sxxxxxx Hxxxxxx
23-Jun-21	AHxx909	Mxxxx Dxxx
07-Oct-21	Axx3	Mxxxxx Gxxx
25-Jun-21	Cxx09	Sxxxxx
25-Jun-21	DExx15	Sxxxxx Gxxxx
12-Aug-21	DExx50	Vxxxxxxx
07-Oct-21	DExx57	Dxxxxxxxxx Pxxxxxx
07-Oct-21	SCxx01	Dxxxxx Gxxx
27-Jan-22	SCxx01	Dxxxxx Gxxx
06-Jan-22	SCxx02	Sxxxxxx Cxxxx
07-Oct-21	SCxx1	Bxxx Mxxxx Cxxxxx
28-Jun-21	Sxx2	Bxxxxx Gxxxx
25-Jun-21	Sxx4	Sxxxxxxx Kxxxx Gxxx

In this regard, I note that the Noticee in its response to the findings of inspection to SEBI and in its reply as submissions to the SCN has submitted as per annexure B3 that it had sent the retention statements to the clients. However, the Noticee has not demonstrated the same with relevant details and documents. Therefore, the Noticee’s contention is not acceptable in this regard.

17.2.8. As regards the violation that the Noticee had not settled the funds of inactive clients in 356 instances, I note that the Noticee in its response to the findings of inspection to SEBI and in its reply as submissions to the SCN

has submitted as per annexure B4:

- in 119 instances, client is actively trading and they are active clients.
- in 234 instances, client is settled and payout is made.
- In 3 instances, client has nil balance.

However, the Noticee has not demonstrated the same with relevant details and documents. Therefore, the Noticee's submission is not acceptable in this regard.

17.2.9. In view thereof, I find that the allegations that the Noticee had not settled the funds of active clients in 19 instances, discrepancies in ledger balance and margin amounts in retention statement issued to clients in 20 instances, broker had not issued retention statements to clients in 38 instances and that the broker had not settled the funds of inactive clients in 356 instances, stands established. Therefore, I hold that the Noticee has violated Clause 12.e. of Annexure-A to SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 8.1.1 & 8.1.4 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Clause 5.1, 5.4 & 5.8 of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.

17.3. Finding C: Nomenclature of bank accounts maintained by the member

17.3.1. In this regard, I note from the material available on record that it was inter alia observed and alleged that the Noticee had failed to maintain appropriate nomenclature in respect of three Bank accounts. Accordingly, it was alleged that the Notice had violated the provisions of Clause 2.3 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.3.2. During verification of bank accounts maintained by Noticee, it was observed that stock broker failed to maintain nomenclature of 3 Bank

accounts ('13300340000034, '01070340001253 and '30797799759) uploaded as “Client Account”.

17.3.3. In this regard, the Noticee has submitted, “…*bank account no 01070340001253 was a dormant account and while we had already submitted the request for change of nomenclature ,it was not yet done by the bank. However, the bank accounts have been closed now*…”.

17.3.4. In this regard, I note that clause 2.3 of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 reads as under:

“…

2.Reporting of Bank and Demat accounts maintained by Stock Broker:

…

2.3.Stock Exchanges and/or Depositories, as the case may be, shall ensure the following:

…

2.3.1. All existing demat accounts maintained by stock brokers are assigned the appropriate nomenclature as mentioned above, within three months from the date of this circular.

…“

17.3.5. In this regard, I note that Noticee’s submissions as regards bank account no. 01070340001253, are in nature of admission in so far the Noticee has submitted, “*we had already submitted the request for change of nomenclature.”*

17.3.6. Further in this regard, I note that the Noticee has not submitted any response as regards the nomenclature of bank accounts '13300340000034 and '30797799759’. In view thereof, in absence of any response from the Noticee I note that the Noticee has admitted to the allegation levelled against it with respect to the failure to maintain appropriate nomenclature of 2 Bank accounts viz., '13300340000034 and '30797799759’.

17.3.7. In view thereof, I hold that the allegation that the Noticee had failed to maintain appropriate nomenclature of three Bank accounts, stands established. Therefore, I hold that the Noticee had violated clause 2.3 of

SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.4. Finding D: Stock reconciliation

17.4.1. In this regard, I note from the material available on record that it was inter alia observed and alleged that the Noticee had wrongly reported demat account wise holding on Exchange portal compared with actual holding in demat account in 8 ISINs.

17.4.2. In this regard, I note from the material available on record that wrong reporting was observed in the following 8 cases:

DP Account No.	ISIN	AS PER HOLDING UPLOADED	AS PER DP HOLDING
1207550000000010	INE572E01012	10	0
1207550000000010	INE018E01016	25	0
1207550000000010	INE964R01013	22	0
1207550000000010	INE528G01035	605	0
1207550000000010	INE055A01016	171	0
1207550000000010	INE555Z01012	2000	0
1207550000000010	INE213A01029	90	0
IN30096610515719	INE587E01010	100	0

17.4.3. In this regard, I note that Clause 6.1.1 (j) & 7.1.2 of SEBI Circular Ref no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 reads as under:

"…

6.1.1. Monitoring criteria for Stock Brokers

…

j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

…

7.Uploading clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system

…

7.1.2.End of day securities balances (as on last trading day of the month) consolidated ISIN wise

(i.e., total number of ISINs and number of securities across all ISINs)
…"

17.4.4. In this regard, I note that the Noticee has neither denied nor disputed the alleged violation in this regard. Further, I note that Noticee's submissions are in nature of admission, in so far the Noticee has inter alia submitted, "…*on account of technical error in the software the holding was mismatched…*" and that ""…*the technical error has been since rectified with help of software vendor and there is no mismatch of holding as on date*…".

17.4.5. In view thereof, I find that the allegation that had wrongly reported demat account wise holding on Exchange portal compared with actual holding in demat account in 8 ISINs, stands established. Therefore, I hold that the Noticee had violated Clause 6.1.1 (j) & 7.1.2 of SEBI circular Ref no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.5. Finding E: Reporting and short collection of Margin

17.5.1. In this regard, I note form the material available on record that it was inter alia observed and alleged that broker had passed on penalties levied to 34 clients for shortfall of upfront margin in 34 instances (CD-8, CM-20, FO-6) and amount of penalty passed to clients – Rs. 1.12 Lakh. Accordingly, it was alleged that the Noticee had violated provisions of Clause A.5 of Schedule II to SEBI (Stock Broker) Regulations, 1992 read with Regulation 9(f) of SEBI (Stock Broker) Regulations, 1992 and Clause 15 of Annexure A to NSE circular NSE/INSP/45191 dated July 31, 2020, NSE/ INSP/49929 dated October 12, 2021 and NSE/INSP/53525 dated September 02, 2022.

17.5.2. In this regard, I note from the material available on record that in the following 34 instances, the broker had passed on penalties levied to 34 clients for shortfall of upfront margin:

(Amount in Rs.)

Segment	Trade Date	Client Code	Shortfall Amount	Penalty Amount	GST Amount	Total Penalty	Amount Debited in Client Ledger	Debit Date
CD	08/07/2021	91xx17	1,930	19	3	23	19	16/07/2021
CD	17/12/2021	A2xx24	81	0.40	0.07	0.47	0.40	27/12/2021
CD	11/03/2022	Axx96	39,137	196	35	231	196	22/03/2022
CD	26/04/2022	AHxx574	1,321	66	12	78	66	05/05/2022
CD	08/07/2021	AHxx909	61,408	614	111	725	614	16/07/2021
CD	08/09/2022	AHxx911	-	1,812	326	2,138	1,812	16/09/2022
CD	02/09/2022	Rxx2	14,365	718	129	848	718	12/09/2022
CD	08/07/2021	WCxx04	2,249	22	4	27	22	16/07/2021
CM	08/08/2022	A7xx247	-	5,480	986	6,466	5,480	18/08/2022
CM	19/08/2022	A6xx14	-	4,009	722	4,730	4,009	29/08/2022
CM	29/03/2022	Cxx1	3,31,063	3,311	596	3,907	3,311	06/04/2022
CM	28/03/2022	A71xx32	61,945	3,097	558	3,655	3,097	05/04/2022
CM	11/04/2022	A71xx34	2,97,978	2,980	536	3,516	2,980	21/04/2022
CM	17/08/2022	119xx77	-	2,550	459	3,009	2,550	25/08/2022
CM	12/09/2022	119xx95	1,68,214	1,682	303	1,985	1,682	20/09/2022
CM	03/10/2022	A3xx037	1,50,384	1,504	271	1,775	1,504	12/10/2022
CM	11/04/2022	A7xx236	1,36,050	1,361	245	1,605	1,361	21/04/2022
CM	18/05/2022	A128xx119	1,26,207	1,262	227	1,489	1,262	26/05/2022
CM	11/06/2021	DExx43	1,15,891	1,159	209	1,368	1,159	21/06/2021
CM	04/04/2022	A1xx072	1,14,860	1,149	207	1,355	1,149	12/04/2022
CM	24/01/2022	Sxx2	1,11,011	1,110	200	1,310	1,110	02/02/2022
CM	18/02/2022	AHxx981	21,225	1,061	191	1,252	1,061	28/02/2022
CM	19/01/2022	A7xx018	21,130	1,056	190	1,247	1,056	28/01/2022
CM	27/06/2022	27xxK01	20,072	1,004	181	1,184	1,004	05/07/2022
CM	18/05/2022	A12xx38	92,675	927	167	1,094	927	26/05/2022
CM	14/07/2021	27Axx15	86,409	864	156	1,020	864	23/07/2021
CM	23/06/2022	A71xx59	75,246	752	135	888	752	01/07/2022
CM	03/01/2022	AHNxx79	14,770	739	133	871	739	11/01/2022
FO	27/01/2022	A83xx07	9,52,180.14	47,609.01	8,569.62	56,179	47,609	04/02/2022
FO	07/10/2022	Cxx3	-	10,118.35	1,821.30	11,940	10,118	17/10/2022
FO	27/09/2022	A18xx64	1,10,716.54	5,535.83	996.45	6,532	5,536	06/10/2022
FO	28/09/2021	A15xx014	75,882.24	3,794.11	682.94	4,477	3,794	06/10/2021
FO	28/05/2021	A27xx6	2,67,379.79	2,673.80	481.28	3,155	2,674	07/06/2021
FO	17/05/2022	A21xx02	41,621.93	2,081.10	374.60	2,456	2,081	25/05/2022

17.5.3. In this regard, I note that Clause A.5 of Schedule II of Regulation 9(f) of SEBI (Stock Broker) Regulations, 1992 reads as under:

"…

Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II

…

SCHEDULE II

CODE OF CONDUCT FOR STOCK BROKERS

A. General

…

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

…"

17.5.4. In this regard, I also note that Clause 15 to Annexure A of NSE circular NSE/INSP/45191 dated July 31, 2020 reads as under:

"…

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

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

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

…"

17.5.5. Further, in this regard, I note that NSE Circular NSE/ INSP/49929 dated October 12, 2021 reads as under:

"…

This has reference to Exchange Circular NSE/INSP/45191 dated July 31, 2020 with respect to "Guidelines/clarifications on Margin collection & reporting" wherein it was clarified that the members cannot pass on the penalty w.r.t short collection of upfront margin to client. However, Exchange has observed that certain members are passing on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins from clients" to respective clients.

In view of the above, it is reiterated that members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances. Further, clarification to Question no. 15 in Annexure A of the Exchange Circular NSE/INSP/45191 dated July 31, 2020, has been partially modified as below:

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

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

…"

17.5.6. Further, in this regard, I also note that NSE Circular NSE/INSP/53525 dated September 02, 2022 reads as under:

"…

This has reference to Exchange circular NSE/INSP/45191 dated July 31, 2020 wherein it was clarified that the members cannot pass on the penalty w.r.t short collection of upfront margin to client. Further, it has been reiterated again vide Exchange circular NSE/INSP/49929 dated October 12, 2021 that members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances. However, Exchange has observed that certain members are passing on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins from clients" to respective clients.

In view of the above, it is once again reiterated that members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances.

Further, Members are advised to refund the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to the clients on an immediate basis if same has been passed on to the clients after 11th October, 2021.

…"

17.5.7. In this regard, I note that that the Noticee has neither denied nor disputed the alleged violation in this regard. I also note that the Noticee's submissions are in nature of admission in so far the Noticee has submitted

that it had passed on penalties levied for shortfall of upfront margin, due to some system errors, delay in information by client about transfer of funds, short margin from client etc. However, I note that as per extant applicable provisions as applicable, the noticee is not permitted to pass on the penalty levied by clearing corporations on account of “short/non-collection of upfront margins” to clients. Therefore, the Noticee’s submissions are devoid of merit and hence not acceptable in this regard.

17.5.8. In view thereof I find that the allegation that broker had passed on penalties levied to 34 clients for shortfall of upfront margin in 34 instances, stands established. Therefore, I hold that the Noticee had violated Clause A.5 of Schedule II to SEBI (Stock Broker) Regulations, 1992 read with Regulation 9(f) of SEBI (Stock Broker) Regulations, 1992 and Clause 15 of Annexure A to NSE circular NSE/INSP/45191 dated July 31, 2020, NSE/ INSP/49929 dated October 12, 2021 and NSE/INSP/53525 dated September 02, 2022.

17.6. Finding F: Client registration process (KYC, CKYC and KRA process):

17.6.1. In this regard, I note from the material available on record that the following was inter alia observed and alleged:

a) Broker had not done CKYC of 75 clients.
b) Broker had failed to capture details of action taken against a client by SEBI / other authorities, Running account authorization not dated in 10 clients.
c) In 2 instances tariff sheet not signed and preference with respect to running account authorization were not ticked for monthly or quarterly.
d) KRA status of Client code A71A231 was not available.
e) Broker had not provided facility for online closure of trading accounts.

Accordingly, it was alleged that the Noticee had violated the provisions of SEBI Circular No. CIR/ MIRSD/16/2011 dated August 22, 2011, Clause 12

of Annexure A to SEBI Circular No. MIRSD/SE/ Cir-19/2009 dated December 03, 2009 and SEBI Circular CIR/ MIRSD/66/2016 dated July 21, 2016 read with SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016.

17.6.2. In this regard, the Noticee has submitted, "*We reiterate our submission made vide Annexure D to our reply to the inspection report dealing with the observations point wise.*"

17.6.3. In this regard, I note that SEBI Circular No. CIR/ MIRSD/16/2011 dated August 22, 2011 inter alia reads as under:

> "…
> *4. In the account opening process, the stock brokers / trading members would also give the following useful information to the clients: a. A tariff sheet specifying various charges, including brokerage, payable by the client to avoid any disputes at a later date.*
> *…"*

17.6.4. I also note that Clause 12 of Annexure A to SEBI Circular No. MIRSD/SE/ Cir-19/2009 dated December 03, 2009 inter alia reads as under:

> "…
> *Running Account Authorization 12.Unless otherwise specifically agreed to by a Client, the settlement of funds/securities shall be done within 24 hours of the payout. However, a client may specifically authorize the stock broker to maintain a running account subject to the following conditions:*
> *…*
> *e.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. While settling the account, the broker shall send to the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.*
> *…"*

17.6.5. I also note that SEBI Circular No. CIR/ MIRSD/66/2016 dated July 21, 2016 inter alia reads as under:

"…

3.As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005 (the rules), every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the Rules, as per the KYC template for „individuals" finalised by CERSAI.

4.Accordingly, the KYC template finalised by CERSAI shall be used by the registered intermediaries as Part I of AOF for individuals. The KYC template for "individuals" and the "Central KYC Registry Operating Guidelines 2016" for uploading KYC records on CKYCR finalised by CERSAI are enclosed herewith as Annexure 2and Annexure 3for your reference and necessary action. In this regard, it is clarified that the requirement for Permanent Account Number (PAN) would continue to be mandatory for completing the KYC process.

…"

17.6.6. I also note that SEBI Circular No. CIR/MIRSD/120/2016 dated November 10, 2016 inter alia reads as under:

"…

2.Government of India, vide its letter dated October 04, 2016,has directed as follows with regard to KYC details of existing and new individual clients:

a. Registered intermediaries have to update their IT systems as well as register all new accounts of individuals in accordance with the CKYCR template, mandatorily by October 31, 2016

b. Mutual funds and Intermediaries other than mutual funds may follow the following time lines in respect of uploading KYC data of the existing individual clients with CKYCR.

> *i. Mutual funds may ensure 30% completion of uploading of existing KYC data by November 30, 2016, another 30% of KYC data by January 31, 2017 and the rest 40% data by March 31, 2017.*
>
> *ii. Intermediaries other than mutual funds may ensure 50% completion of uploading of existing KYC data by November 30, 2016 and the remaining 50% of KYC data by December 31, 2016.*

…"

17.6.7. In this regard, I note the following:

17.6.6.1. As regards the violation that the Noticee had not done CKYC of 75 clients, I note from Annexure D1 submitted by Noticee to SEBI in its reply to the findings of inspection that the Noticee had not provided the CKYC of 75 clients and had inter alia submitted that it was preparing the list. In this regard, I note that the Noticee has not demonstrated that it had provided the CKYC details of aforesaid 75 clients.

17.6.6.2. As regards the violation that the Noticee had failed to capture details of action taken against a client by SEBI / other authorities, Running account authorization not dated in 10 clients, I note from the material available on record the following details:

CLIENT CODE	NAME	Failure to capture details of action taken against a client by SEBI / other authorities.	Running account authorization not dated
A71xx46	Pxxxxx	NOT FILLED	NOT DATED
A71xx53	Bxxxxxxxx L Mxxxxxx	NOT FILLED	NOT DATED
A71xx62	Rxxxxxxxx Lxx	NOT FILLED	NOT DATED
A71xx31	Sxxx Cxxxxxxxxxx	NOT FILLED	NOT DATED
A71xx59	Axxxxxx Mxxxxxxxxxxxx Pxxxxxx Lxxxxxx	NOT FILLED	NOT DATED
A23xx49	Exxxxxxx Sxxxxxxxx Pxxxxxx Lxxxxxx	NOT FILLED	NOT DATED
A83xx32	Axxxxxxx Sxxxx	NOT FILLED	NOT DATED
Cxx3	Axxxx Kxxxx Gxxxx	NOT FILLED	NOT DATED
Sxx1	Kxxxx Sxxx Gxxx	NOT FILLED	NOT DATED
A3xx037	Axxxxxx Gxxx	NOT FILLED	NOT DATED

In this regard, I note that as per annexure D submitted by Noticee to SEBI earlier as a part of its reply on the findings of inspection, the Noticee had inter alia submitted that there are clerical mistakes and they had rectified the same. Therefore, I note that the Noticee's submissions are in nature of admission with respect to the failure to capture details of action taken against a client by SEBI / other authorities, Running account authorization not dated in 10 clients.

17.6.6.3. As regards the violation that in 2 instances tariff sheet not signed and preference in running account authorization were not ticked for monthly or quarterly, I note from the material available on record the following details:

CLIENT CODE	NAME	Preferences in running account authorization form not taken

A7xx246	Pxxxxx	NOT TICKED
A2xxA49	Exxxxxxx Sxxxxxxxx Pxxxxxx Lxxxxxx	NOT TICKED

CLIENT CODE	NAME	Incomplete brokerage details
A8xx032	Axxxxxxx Sxxxx	TARIFF SHEET NOT SIGNED
Cxx3	Axxxx Kxxxx Gxxxx	TARIFF SHEET NOT SIGNED

In this regard, I note that as per annexure D submitted by Noticee to SEBI earlier as a part of its reply on the findings of inspection, the Noticee had inter alia submitted that there are clerical mistakes and they had rectified the same. Therefore, I note that the Noticee's submissions are in nature of admission with respect to the violation that in 2 instances tariff sheet not signed and preference in running account authorization were not ticked for monthly or quarterly.

17.6.6.4. As regards the violation that KRA status of Client code A71A231 was not available, I note as per annexure D submitted by Noticee to SEBI in its reply to the findings of inspection, the Noticee had submitted, "…*KRA done…*", however, the Noticee did not demonstrated the same with relevant documentary evidence. Therefore, the Noticee's submission is not acceptable.

17.6.6.5. As regards the violation that the broker had not provided facility for online closure of trading accounts, I note that the Noticee has not provided any response to SEBI in its reply to the findings of inspection or in its submissions as reply to the SCN. Therefore, I note that the Noticee has admitted to the allegation levelled against it with respect to not providing facility for online closure of

trading accounts.

17.6.8. In view thereof, I find that the allegations that broker had not done CKYC of 75 clients, broker had failed to capture details of action taken against a client by SEBI / other authorities, Running account authorization not dated in 10 clients, in 2 instances tariff sheet not signed and preference in running account authorization were not ticked for monthly or quarterly, KRA status of Client code A71A231 was not available and that the broker had not provided facility for online closure of trading accounts, stands established. Therefore, I hold that the Noticee had violated SEBI Circular no. CIR/ MIRSD/16/2011 dated August 22, 2011, Clause 12 of Annexure A to SEBI Circular No. MIRSD/SE/ Cir-19/2009 dated December 03, 2009 and SEBI Circular CIR/ MIRSD/66/2016 dated July 21, 2016 read with SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016.

17.7. Finding G: Terminal Verification & Certification

17.7.1. In this regard, I note from the material available on record that it was inter alia observed and alleged that the broker had submitted incorrect details of office pin code of a terminal and that the broker had failed to provide NISM certificates of 4 approved users. Accordingly, it was inter alia alleged that the Noticee had violated the provisions of Regulation 3(2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, Clause A (5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE circular no. NSE/ MEMB/3574 dated 29-Aug-02, NSE/MEMB /3635 dated 25-Sep-02.

17.7.2. In this regard, I note that Regulation 3(2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 reads as under:

"…

Obligation to obtain certificate

(2) An associated person on being employed or engaged by an intermediary on or after the date

specified by the Board shall obtain the certificate within one year from the date of being employed or engaged by the intermediary.

…"

17.7.3. I also note that Clause A (5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 reads as under:

"…

Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

(f) he shall at all times abide by the Code of Conduct as specifies in Schedule II;

…

SCHEDULE II

CODE OF CONDUCT FOR STOCK BROKERS

A. General

..

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him

…"

17.7.4. In this regard, I note that as regards the violation that the broker had submitted incorrect details of office pin code of a terminal the Noticee has submitted, "…*the wrong pin code is actually not in use and has been de activated from the Exchange portal*…". However, the Noticee has not demonstrated the same with relevant details and documents. Therefore, the Noticee's submission is not acceptable.

17.7.5. Further in this regard, I note that the details of 4 approved users for whom broker had failed to provide NISM certificates are as follows:

TERMINAL	LOGIN	NAME OF OPERATING TERMINAL
BOLTPLUS	ADMIN	SALIM KHAN
NEST PRO	33327	SUMESH KUMAR
NEST PRO	27912	PANKAJ SHARMA
NEST PRO	34952	MANOJ KUMAR

17.7.6. In this regard, the Noticee in its reply as submissions to the SCN has submitted, "…*the NISM certificate was duly provided for the 4 approved users…".* Also, the Noticee as part of Annexure E in its response to findings of inspection to SEBI had submitted, "*New Employee will be cleared in with in year."* However, the Noticee has not demonstrated with relevant details and documents that that the aforesaid employees had been working for less than 1 year. Therefore, the Noticee's contention is devoid of merit and hence not acceptable.

17.7.7. In view thereof, I find that the allegation that the broker had submitted incorrect details of office pin code of a terminal and that the broker had failed to provide NISM certificates of 4 approved users, stand established. Therefore, I hold that the Noticee has violated Regulation 3(2) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, Clause A (5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 read with NSE circular no. NSE/ MEMB/3574 dated 29-Aug-02, NSE/MEMB /3635 dated 25-Sep-02.

17.8. Finding H: Net worth Verification

17.8.1. In this regard, it was inter alia observed that there was discrepancy in the computation of Networth submitted to the Exchange; total value of Net worth overstated is Rs. 1.75 Crore and revised networth was Rs.50.43 Lakh, which was below the minimum networth requirement of Rs. 1 Crore.

Accordingly, it was inter alia alleged that the Noticee had violated the provisions of Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 and Annexure A to NSE Circular NSE/COMP/48895 dated July 10, 2021, Regulation 9(g) of SEBI (Stock Brokers) Regulations, 1992 read with Clause 1 of Schedule VI to SEBI (Stock Brokers) Regulations, 1992.

17.8.2. In this regard, as per SEBI:

- TM had reported Net worth of Rs. 2,25,37,161/- as on 31 Mar 2022.
- While verifying Net worth, it was observed that Trading member had not deducted all “Doubtful debts/ advances” of Rs. 2,03,92,388/- and “30% of Marketable securities” of Rs. 1,54,512/-
- Revised Net worth after deducting said items was 50,42,839/-

17.8.3. In this regard, I note that Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 reads as under:

“…

Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

(f) he shall at all times abide by the Code of Conduct as specifies in Schedule II;

…

SCHEDULE II

CODE OF CONDUCT FOR STOCK BROKERS

A. General

..

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him

…”

17.8.4. I also note that Regulation 9(g) read with Clause 1 of Schedule VI of SEBI (Stock Brokers) Regulations, 1992 reads as under:

“…

Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

(g) he shall at all times maintain the minimum networth as specified in Schedule VI;

…

[135][SCHEDULE VI

NETWORTH AND DEPOSIT REQUIREMENTS FOR STOCK BROKERS/ CLEARING MEMBERS/ SELF-CLEARING MEMBERS

[136][1. The stock broker shall have such networth and shall deposit with the stock exchange such sum as may be specified by the Board/stock exchange from time to time.]

…

17.8.5. In this regard, the Noticee in its reply as submissions to the SCN has submitted, "…*We state and submit that as stated in our reply to the inspection report, wherein it was detailed out that while carrying forward the closing balances in the next year the software created difference in the opening balance for a few clients amounting to approx. Rs.70 lacs. For the rectification of said balances the differential amount has been transferred to a miscellaneous client ledger account and the vendor of the software has since rectified the glitch. The difference of Rs. 30 lacs was due to error created by software in margin accounts. The Annexure detailing out our reply debtor wise is re annexed hereto for your records.*"

17.8.6. In this regard, I note from the Noticee's reply to findings of inspection to SEBI and its submissions as reply to the SCN that with respect to Misc. clients (Rs. 1,00,15,934.21), the Noticee has replied that "…*while carrying forward the closing balances in the next year the software created difference in the opening balance for a few clients amounting to approx. Rs.70 lacs*…", however the Noticee has not submitted any relevant details and documents in support of its contention. Therefore, the Noticee's contention is devoid of merit and hence not acceptable.

Further, as regards the entry of Rxxxx Mxxxxx (Rs. 69,46,281), the Noticee has submitted, "*The net ledger balance is Rs. -2789281.49 as on 31.03.22, the entry of Rs. 4157000/- has not been passed by the account department as the same has been considered in Audited Balance Sheet",* however, the Noticee has not submitted any relevant details and documents to support its contention. Therefore, the Noticee's contention is devoid of merit and hence not acceptable.

As regards deduction of 30% of Marketable Securities, the Noticee has submitted that they pertain to shares held in proprietary account, however, I note that the Noticee has not demonstrated with relevant details and documents if any exemption for shares held in proprietary account is given

in this regard.

17.8.7. Further in this regard, I note that as the Noticee was dealing in Currency Derivatives segment, as per SEBI (Stock Brokers) Regulations, 1992, the Noticee should have maintained the minimum networth of Rs. 1 crore. However, the revised net worth of the Noticee was Rs. 50.43 Lac.

17.8.8. In view thereof, I find that the allegation that there was discrepancy in the computation of Networth submitted to the Exchange and that networth was below the minimum networth requirement of Rs. 1 Crore, stands established. Therefore, I hold that the Noticee has violated Clause A(5) of Schedule II read with Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992 and Annexure A to NSE Circular NSE/COMP/48895 dated July 10, 2021, Regulation 9(g) of SEBI (Stock Brokers) Regulations, 1992 read with Clause 1 of Schedule VI to SEBI (Stock Brokers) Regulations, 1992.

17.9. Finding I: Analysis of Weekly Enhanced Supervision data

17.9.1. In this regard, I note from the material available on record that it was inter alia observed and alleged that broker had not correctly uploaded Demat account number of 1 demat account and tag of 1 demat account on exchange platform. Accordingly, it was alleged that the Noticee had violated the provisions of Clauses 1.2, 2.2, 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.9.2. In this regard, it was observed that the broker had not correctly uploaded Demat account number of CDSL account number '1207550000027121 on exchange platform, also purpose of CDSL Demat account number '12075500 00001825 was uploaded as “CLIENT” account, while as per Demat statement tagging was as “CM PRINCIPAL ACCOUNT”.

17.9.3. In this regard, I note that Clauses 1.2, 2.2, 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26,

2016 reads as under:

"…

1.2.The nomenclature for bank accounts and demat accounts to be followed is given as under:

1.2.1.Bank account(s) which hold clients funds shall be named as "Name of Stock Broker -Client Account".

1.2.2.Bank account(s) which hold own funds of the stock broker shall be named as "Name of Stock Broker -Proprietary Account".

1.2.3.Demat account(s)which hold clients' securities shall be named as "Name of Stock Broker-Client Account".

1.2.4.Demat account(s), which hold own securities of the stock broker, shall be named as "Name of Stock Broker-Proprietary Account".

1.2.5.Demat account(s), maintained by the stock broker for depositing securities collateral with the clearing corporation, shall be named as "Name of Stock Broker-Collateral Account".

…

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

Name of DP	*Account Number/ Client ID*	*DP ID*	*Name of Account Holder*	*PAN*	*Sub-type/ tag of Demat Account (Proprietary/ Client/ Pool/ Collateral)*	*Date of Opening*

…

6.1.As per existing norms, Stock Exchanges/Depositories are required to monitor their members/depository participants. It has been decided that the Stock Exchanges and Depositories shall frame various event based monitoring criteria based on market dynamics and market intelligence. An illustrative list of such monitoring criterias are given below:

6.1.1. Monitoring criteria for Stock Brokers

…

j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

…"

17.9.4. In this regard, I note that the Noticee's reply to the findings of inspection to SEBI were in nature of admission in so far the Noticee had submitted that, "…*We state and submit that the demat account No. 1207550000027121 has been already uploaded on exchange platform*…"

In this regard, SEBI inter alia observed that, “Member has submitted that they have updated the details of demat accounts with the exchange and submitted supportings for the same.”

In this regard, I note that it does not absolve the Noticee of the liability of non-compliance that existed during the inspection period.

17.9.5. In view thereof, I find that the allegation that the broker had not correctly uploaded Demat account number of 1 demat account and tag of 1 demat account on exchange platform, stands established. Therefore, I hold that the Noticee had violated Clauses 1.2, 2.2, 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.10. Finding J: Verification of Email ID & Mobile numbers / UCC Verification

17.10.1. In this regard, I note from the material available on record that the following was inter alia observed and alleged:

- Mismatch in Mobile number in UCC & back office – 34 instances
- Mismatch in email ID in UCC & back office – 42 instances
- Single email id mapped to multiple clients: 28 email id mapped to 60 clients.

  Thus, contract notes have not been issued to ultimate client.
- Single mobile number mapped to multiple clients: 22 numbers mapped to 50 clients
- Broker had not correctly uploaded Email ID of active clients on Exchange platform – 13 instances

Accordingly, it was alleged that the Noticee had violated the provisions of Clause 2 (B) of SEBI Circular No. CIR/ MIRSD/15/2011 dated August 02, 2011.

17.10.2. In this regard, I note that Clause 2 (B) of SEBI Circular No. CIR/ MIRSD/15/2011 dated August 02, 2011 reads as under:

"…

2. As an additional measure, it has now been decided in consultation with the major stock exchanges and market participants that the stock exchanges shall send details of the transactions to the investors, by the end of trading day, through SMS and E-mail alerts. This would be subject to the following guidelines:

…

B. Uploading of mobile number and E-mail address by stock brokers

i. Stock exchanges shall provide a platform to stock brokers to upload the details of their clients, preferably, in sync with the UCC updation module.

ii. Stock brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.

iii. Stock brokers shall ensure that the mobile numbers/E-mail addresses of their employees/sub-brokers/remisiers/authorized persons are not uploaded on behalf of clients.

iv. Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.

…"

17.10.3. In this regard, the Noticee in its submissions as reply to the SCN has submitted the following:

"…*barring two instances wherein the lapse has been already rectified no mismatch was observed for any other clients. Similarly, for a single instance of mismatch email id which has been rectified, no other instance has been observed. Moreover, with respect to the observation of single email id being mapped to multiple clients, we state that the accounts are client self accounts and their family accounts for which declaration is already in place and has been taken from them. Also, with respect to same mobile number being alleged to mapped to multiple clients, there are client accounts, family*

accounts as well as Karta accounts for which declaration has already been taken.

We submit that contract notes have been duly issued to the ultimate clients and neither has any complaint been received for non receipt of the same from any client…".

I note that the Noticee's reply in this regard is in nature of mere statements as the Noticee has not demonstrated the same with relevant details and documents. Therefore, the Noticee's contention is not acceptable in this regard.

17.10.4. Further in this regard, I note that the Noticee's submission is in nature of admission in so far as the Noticee has submitted, "*barring two instances wherein the lapse has been already rectified…that act of not correctly uploading the email id of active clients on BSE platform is on account of inadvertent clerical lapse and the same has been rectified…*".

17.10.5. In view thereof, I find that the allegations that there was mismatch in Mobile number in UCC & back office on 34 instances, mismatch in email ID in UCC & back office on 42 instances, single email id mapped to multiple clients, single mobile number mapped to multiple clients, not correctly uploading Email ID of active clients on Exchange platform on 13 instances, stands established. Therefore, I hold that the Noticee had violated Clause 3.2 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

17.11. Finding K: Requirement related to Brokerage

17.11.1. In this regard, I note from the material available on record that it was inter alia observed that the broker had levied brokerage in excess of the agreed rates from client code A8xx012 (excess Brokerage charged – Rs. 4,899).

Accordingly, it was alleged that the Noticee had violated the provisions of Clause 18 of Annexure 4 to SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011.

17.11.2. In this regard, I note from the material available on record that the stock broker had levied brokerage in excess of the agreed rates i.e. Rs. 20 per lot as per the table below:

CLIENT CODE	NAME	Trade date	Brokerage as per KYC-consent given for option		Total brokerage to be charged	Brokerage charged as per contract note	Excess brokerage charged
			LOT	RATE PER LOT			
A8xx012	Nxxxxx Pxxxxxx Hxxxxx Hxx	15/03/2022	16	20	320	5219.47	4899.47

17.11.3. In this regard, I note that Clause 18 of Annexure 4 to SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 reads as under:

"…

BROKERAGE

18. The Client shall pay to the stock broker brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that stock broker renders to the Client. The stock broker shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye-laws of the relevant stock exchanges and/or rules and regulations of SEBI.

…"

17.11.4. In this regard, I note that the Noticee has neither denied nor disputed the alleged violation in this regard. I also note that the submission of the Noticee is in nature of admission, in so far as the Noticee has submitted, "…*due to an inadvertent clerical lapse a wrong brokerage slab was mentioned in the software...*"

Therefore, I note that the Noticee's submission is in nature of admission and that the broker had levied brokerage in excess of the agreed rates from

client code A83A012.

17.11.5. In view thereof, I find that the allegation that the the broker had levied brokerage in excess of the agreed rates from client code A83A012, stands established. Therefore, I hold that the Noticee has violated Clause 18 of Annexure 4 to SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011.

17.12. Finding L: Exchange level Internal Alerts generated:

17.12.1. In this regard, the following was inter alia observed and alleged:

- Broker had submitted incorrect data pertaining to Client Unpaid Securities Account to Exchange.
- Broker had failed to close 9 suspicious transaction alerts generated in BSE E-Boss Portal.

Accordingly, it was alleged that the Noticee had violated the provisions of Clause 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/RR/ AML/2/06 dated March 20, 2006.

17.12.2. In this regard, it was observed that the Stock Broker had failed to transfer securities to the demat account of the respective clients within one working day where payment had been made by clients.

17.12.3. In this regard, I note from the material available on record that in following instances the Broker had failed to transfer securities to the demat account of the respective clients within one working day where payment had been made by clients:

HOLDING DATE	CLIENTCODE	CLIENT NAME	TOTAL ISIN	TOTAL QTY	TOTAL VALUE (IN Rs.)	MINIMUM LEDGER FOR

						LAST 7 WORKING DAYS
2022-10-28	27Axx06	Cxxxxxx Mxxxx Pxxxxx	1	50	8,527.50	1,746.96
2022-10-28	A12xx60	Ixxxx Jxx Sxxxx	1	25	20,273.75	841.61
2022-10-28	A23xx03	Gxxxxx Txxxxx	1	250	3,912.50	29,886.23
2022-10-28	Sxx1	Kxxxx Sxxx Gxxx	1	35	547.75	8,73,000.37

17.12.4. In this regard, I note that that the Noticee in its response to the findings of inspection to SEBI and in its submissions as reply to the SCN has submitted, "…*As verified from DP department there is no security pending in Client Unpaid Securities Account (CUSA) as on 28.10.2022*…".

I note form the material available on record that the Noticee had given similar response to the findings of inspection to SEBI in this regard. SEBI sought clarification from BSE, wherein as per BSE incorrect reporting had been made by the Noticee.

In this regard, I also note that the Noticee's submission are in nature of mere statements as neither relevant details nor any documentary evidence has been provided by the Noticee in support of its contentions. Therefore, the Noticee's contention is not acceptable.

17.12.5. In this regard, I note that Clause 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 reads as under:

"…

6.1.1. Monitoring criteria for Stock Brokers

…

j. In case stock broker shares incomplete/wrong data or fails to submit data on time.

…"

17.12.6. Further, as regards the violation that the Noticee has failed to close 9 suspicious transaction alerts generated in BSE E-Boss Portal, I note the

following from the material available on record:

Sr. No.	Date	Alert Id	Status	Member ID	Member Name	Scrip Code	Client
1	11/01/2022	49891324	Open	6245	BERKELEY SECURITIES LTD.	540175	A23xx32
2	13/01/2022	49920392	Open	6245	BERKELEY SECURITIES LTD.	531173	SPxx2
3	31/01/2022	50135694	Open	6245	BERKELEY SECURITIES LTD.	538647	A24xx03
4	31/01/2022	50135695	Open	6245	BERKELEY SECURITIES LTD.	538918	A23xx36
5	25/04/2022	51407897	Open	6245	BERKELEY SECURITIES LTD.	542666	A71xx47
6	31/07/2022	52703148	Open	6245	BERKELEY SECURITIES LTD.	538928	A71xx59
7	31/07/2022	52703149	Open	6245	BERKELEY SECURITIES LTD.	541799	A71xx59
8	15/09/2022	53216087	Open	6245	BERKELEY SECURITIES LTD.	532173	109xx47
9	17/10/2022	53810948	Open	6245	BERKELEY SECURITIES LTD.	517214	A20xx04

17.12.7. In this regard, I note that SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 reads as under:

"…

2. As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include :

- *All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.*
- *All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.*
- *All suspicious transactions whether or not made in cash.*

…"

17.12.8. In this regard, I note that SEBI Circular ISD/CIR/RR/ AML/2/06 dated March 20, 2006 reads as under:

"…

(b) The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a

conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

…"

17.12.9. In this regard, I note that the Noticee in its submissions as reply to the SCN has submitted, "…*all the transactions alerts closed in exchange E-Boss portal*." In this regard, the Noticee has submitted Annexure 9 where the Noticee has mentioned the alert status as "Verified & Closed" for 5 alerts.

Further in this regard, I note that as per SEBI, "Pertaining to transaction alerts, BSE has confirmed that the Member has closed 5 alerts post inspection. Thus, violation persists at the time of Inspection. Other 4 alerts are still open."

Therefore, I note that the Noticee had not closed all the 9 suspicious transaction alerts generated in BSE E-Boss Portal.

17.12.10. In view thereof, I find that the allegation that the Noticee had submitted incorrect data pertaining to Client Unpaid Securities Account to Exchange and that the Noticee had failed to close 9 suspicious transaction alerts generated in BSE E-Boss Portal, stand established. Therefore, I hold that the Noticee has violated Clause 6.1.1 (j) of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/RR/ AML/2/06 dated March 20, 2006.

17.13. Finding M: Cyber security and cyber resilience

17.13.1. In this regard, cyber security audit was conducted for the period October 01, 2021 to March 31, 2022, and the following was observed and alleged:

i. STQC (Standardisation Testing and Quality Certification) not available.
ii. VAPT (Vulnerability Assessment and Penetration Testing) not conducted.

Accordingly, it was alleged that the Noticee had violated the provisions of Clause 36 and 42 of Annexure-1 to SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 read with SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022.

17.13.2. In this regard, I note that Clause 36 and 42 of Annexure-1 to SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 reads as under:

"…

Certification of off-the-shelf products

36.Stock Brokers / 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) Standardisation 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.

…

42.Stock Brokers / 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.

…"

17.13.3. In also note that SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022 reads as under:

"…

2. In partial modification to Annexure -1 of SEBI circular dated December 03, 2018, the paragraph-11, 41, 42 and 44 shall be read as under:

…

42.Stock Brokers / Depository Participants shall conduct VAPT at least once in a financial year.

All Stock Brokers / Depository Participants are required to engage only CERT-In empaneled organizations for conducting VAPT. The final report on said VAPT shall be submitted to the Stock Exchanges/Depositories after approval from Technology Committee of respective Stock Brokers / Depository Participants, within 1 month of completion of VAPT activity. In addition, Stock Brokers / Depository Participants shall perform vulnerability scanning and conduct penetration testing prior to the commissioning of a new system which is a critical system or part of an existing critical system.

…"

17.13.4. In this regard, I note that the Noticee has not submitted any response in its submission as reply to the SCN, with respect to the allegation that STQC (Standardisation Testing and Quality Certification) was not available. Therefore, I note that the Noticee has admitted to the allegation levelled against it with respect to the allegation that STQC (Standardisation Testing and Quality Certification) was not available.

17.13.5. As regards the alleged violation pertaining to VAPT, I note that the Noticee as part of its submissions as reply to the SCN has submitted, "…*We submit that VAPT report has been submitted on NSE on 22.10.2022… and the screenshot of the same is attached herewith for your reference.*"

In this regard, I note that the Noticee has submitted the screenshots with respect to the VAPT report submitted to the exchanges for FY2022-23. However, the allegation is with respect to VAPT not conducted for the period October 01, 2021 to March 31, 2022. Therefore, the Noticee's submission is out of context and hence is not acceptable.

17.13.6. In view thereof, I find that the allegation that the STQC (Standardisation Testing and Quality Certification) was not available and VAPT (Vulnerability Assessment and Penetration Testing) was not conducted, stands established. Therefore, I hold that the Noticee had violated Clause 36 and 42 of Annexure-1 to SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 read with SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022.

17.14. Finding N: In this regard, it was inter alia observed and alleged that the broker had given loans to 2 related parties amounting to Rs. 3.78 Lakh as follows:

- Berkeley Finance Ltd: Rs. 3,45,335/-
- Berkeley Automobile Limited: Rs. 32,259/-

Thus, it was inter alia alleged that Noticee was engaged in a business other that of securities.

17.14.1. In this regard, the Noticee has submitted the following:

"We submit that Berkeley Automobiles was never our client. The debit of Rs. 32,259/- was towards repairs of car done by Berkeley Automobiles. Further, Berkeley Finance is an NBFC from whom we had secured loan of Rs. 3,45,335/- which was repaid back by us."

17.14.2. In this regard, I note that Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 reads as under:

"…

Qualifications for membership of a recognised stock exchange.

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

(1)No person shall be eligible to be elected as a member if—

…

(f)he is engaged as principal or employee in any business other than that of securities [9][or commodity derivatives] except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business :

…

(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 [15][or commodity derivatives] except as a broker or agent not involving any personal financial liability, provided that—

(i)the governing body may, for reasons, to be recorded in writing, permit a member to

engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm,

(ii)in the case of those members who were under the rules in force at the time of such application permitted to engage in any such business and were actually so engaged on the date of such application, a period of three years from the date of the grant of recognition shall be allowed for severing their connection with any such business,

[16][(iii)nothing herein shall affect members of a recognised stock exchange which are corporations, bodies corporate, companies or institutions referred to in items [(a) to (n)of sub-rule (8)][17]

…"

17.14.3. In this regard, I note from the material available on record that the Noticee had given loans to Berkeley Finance Ltd. and Berkeley Automobile Limited.

I note from the material available on record that vide email dated January 05, 2023, SEBI sought Noticee's reply on the extant finding. However, the Noticee did not provide any response to SEBI.

Further, the Noticee has not demonstrated with relevant details and documents if the loans provided to Berkeley Finance Ltd. and Berkeley Automobile Limited were related to business of securities.

17.14.4. In view thereof, I find that the allegation that the Noticee had given loans to related parties during the Inspection period and that the Noticee was engaged in a business other that of securities, stands established. Therefore, I hold that the Noticee has violated Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15HB and Section 15F(c) of the SEBI Act, 1992, and Section 23D and 23H of SCR Act, 1956?

18. It has been established in the foregoing paragraphs that Noticee had violated stated provisions of SCR Act, 1956, SEBI Stock Broker Regulations, 1992, SEBI Certification Regulations, 2007, SCR Rules, 1957 and SEBI Circulars, as brought out and dealt with in the foregoing.

19. In this regard, it is noted that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

> *" ... In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established .... "*

20. Therefore, for the above violations, as dealt with and brought out in the foregoing paragraphs, I find that the Noticee is liable for monetary penalty under Section 23D and 23H of SCRA Act, 1956, and Section 15HB and 15F(c) of SEBI Act, 1992 which read as under:

"…

SEBI Act, 1992

15F: Penalty for default in case of stock brokers.

If any person, who is registered as a stock broker under this Act,—

…

(c) charges an amount of brokerage which is in excess of the brokerage specified in the regulations, he shall be liable to [96][a penalty [97][which shall not be less than one lakh rupees but which may extend to five times the amount of brokerage]] charged in excess of the specified brokerage, whichever is higher.

15HB: Penalty for contravention where no separate penalty has been provided

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be [104][liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

…"

SCR Act, 1956

23D: [121][Penalty for failure to segregate securities or moneys of client or clients

If any person, who is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) as a stock broker or sub-broker, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any

other client, he shall be [122][liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

23H: [132][Penalty for contravention where no separate penalty has been provided

Whoever fails to comply with any provision of this Act, the rules or articles or bye- laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be [133][liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

…"

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

21. While determining the quantum of penalty under Section 23D and 23H of SCRA Act, 1956; and Section 15HB and 15F(c) of SEBI Act, it is important to consider the factors as stipulated in Section 23J of the SCR Act, 1956 and Section 15J of SEBI Act, 1992 respectively, which reads as under: -

SCR Act, 1956

"………..

Factors to be taken into account while adjudging quantum of penalty.

23J. While adjudging the quantum of penalty under [138][section 12A or section 23-I], the [139][the Securities and Exchange Board of India or the adjudicating officer] shall have due regard to the following factors, namely:—

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 23A to 23C shall be and shall always be deemed to have exercised under the provisions of this section

…………..."

SEBI Act, 1992

"………..

Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15- or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:—

a. the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

b. the amount of loss caused to an investor or group of investors as a result of the default;

c. the repetitive nature of the default.

Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

…………..."

22. In the instant case, I note that the material available on record does not quantify any disproportionate gain or unfair advantage or consequent loss caused to an investor or group of investors as a result of the violations committed by the Noticee. There is nothing on record to show that the violations committed by the Noticee are repetitive in nature. However, I note that the Noticee being a SEBI registered Stock Broker was required to comply with the applicable provisions of securities law, which it failed to, as dealt with and brought out in the foregoing and which SEBI is duty bound to enforce compliance of. Such non-compliance accordingly needs to be dealt with suitably.

E. ORDER

23. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 r/w Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and section 23-I of the SCR Act, 1956 r/w Rule 5 of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, I hereby impose a penalty of Rs. 9,00,000/- (Rupees Nine Lakhs Only), as per Table below, on the Noticee, for the aforementioned violations, as discussed in this order. In my view, the said penalty will be commensurate with the violations committed by the Noticee in this case:

Name of the Notice	Penalty under Section	Penalty (in Rs.)
Berkeley Securities Limited	Section 23D of SCRA Act, 1956	2,00,000/- (Rupees Two Lakhs only)
	Section 23H of SCRA Act, 1956	1,00,000/- (Rupees One Lakh only
	Section 15HB of SEBI Act	5,00,000/- (Rupees Five Lakhs only
	Section 15F(c) of SEBI Act	1,00,000/- (Rupees One Lakh only)

24. The Noticee shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

25. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 and Section 23JB of the SCR Act, 1956 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

26. In terms of the provisions of Rule 6 of the Adjudication Rules and Rule 6 of the SCR Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

DATE: July 10, 2024
PLACE: MUMBAI

AMAR NAVLANI
ADJUDICATING OFFICER