

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO. Order/BM/RK/2024-25/30669]**

**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**

**In respect of**

<b>Name of the Entity</b>	<b>Registration Number</b>	<b>PAN</b>
LKP Securities Limited	INZ000216033	AAACL0963A

In the matter of

**Inspection of LKP Securities Limited**

**Background**

- 1) Securities and Exchange Board of India (hereinafter referred to as '**SEBI**'), Bombay Stock Exchange ("**BSE**"), National Stock Exchange of India Limited ("**NSE**") and Multi Commodity Exchange of India Limited ("**MCX**") had conducted a thematic inspection of books of accounts of LKP Securities Limited (hereinafter referred to as the "**LKP/Noticee**"), a SEBI-registered Stock Broker, having SEBI registration number as INZ000216033, to ascertain possible violation(s) of the provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**"), SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as the "**Stock Brokers Regulations**") and various SEBI Circulars by the Noticee. The said inspection was conducted from December 14 to December 18, 2023. The period covered in the inspection was from April 01, 2022 to October 31, 2023 (hereinafter referred to as "**Inspection Period/IP**").
- 2) The inspection findings were communicated to the Noticee vide SEBI letter dated February 09, 2024 and February 16, 2024. After examining the reply submitted by

the Noticee vide letter dated February 23, 2024 and March 07, 2024, received by SEBI on March 11, 2024, it had been alleged that the Noticee contravened various provisions of the securities law in respect of the activities carried out by it. The summary of the violation alleged to have been committed by the Noticee and corresponding provision of the securities law is given in the table 1 below:-

**Table 1:**

<b>Sr No.</b>	<b>Alleged Violations (Summarized)</b>	<b>Regulatory Provisions</b>
1	Non maintenance of evidence/pre trade authorization/confirmation in respect of orders placed by clients	Para III and IV of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with SEBI Master Circular dated May 17, 2023 for stock brokers.

3) In view of the above, adjudication proceedings was initiated against the Noticee.

#### **APPOINTMENT OF ADJUDICATING OFFICER**

4) SEBI, vide order dated May 21, 2024, communicated vide communiqué dated May 22, 2024, appointed undersigned as the Adjudicating Officer (AO) under Section 19 of the SEBI Act read with Sub-Section (1) of Section 15I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**SEBI Adjudication Rules**') to inquire into and adjudge under the provisions of Section 15HB of the SEBI for the aforesaid violation alleged to have been committed by the Noticee.

## **SHOW CAUSE NOTICE, REPLY AND HEARING**

- 5) A Show Cause Notice (“**SCN**”) No SEBI/HO/EAD/EAD3/P/OW/2024/000018189/1 and a Supplementary Show Cause Notice (SSCN) dated May 31, 2024 and July 19, 2024 respectively was issued to the Noticee in terms Rule 4(1) of SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against it and why penalty, if any, be not imposed upon it under Section 15HB of the SEBI Act for the aforesaid violation alleged to have been committed by it.
- 6) The said SCN and SSCN was sent to the Noticee through Speed Post AD and via digitally signed email dated May 31, 2024 and July 19, 2024, which was duly delivered on the same day. The proof of service is on record. Noticee vide email dated June 21, 2024 submitted its reply to the SCN in the matter. In the interest of natural justice and in order to conduct inquiry in terms of Rule 4(3) of the SEBI Adjudication Rules, an opportunity of hearing was granted to the Noticee on July 19, 2024 vide hearing Notice dated June 24, 2024. Subsequent to issuance of hearing Notice, additional instances of non-compliances was communicated to the Noticee vide SSCN. Noticee vide email dated July 26, 2024 sought more time to reply to the SSCN, which was granted to the Noticee vide email dated July 27, 2024 wherein it was advised to submit its reply to the SSCN latest by July 31, 2024. Noticee submitted its reply to the SSCN vide email dated July 31, 2024. Noticee was granted an opportunity of hearing in the matter on August 14, 2024 vide hearing notice dated August 02, 2024. The said hearing was attended to by the Authorized Representatives (ARs) of the Noticee who reiterated the submissions made by it vide its letter dated June 21, 2024, July 31, 2024 and additional submission dated July 31, 2024. The Noticee also made post hearing submissions in the matter vide email dated August 16, 2024.
- 7) The Noticee’s reply vide its letter dated June 21, 2024, July 31, 2024, additional submission dated July 31, 2024 and post hearing submission dated August 16, 2024 are summarized as under:

## **Reply of the Noticee**

7.1 Noticee submitted that the total no of unique instances were not 103 as alleged in the SCN rather there were 53 unique clients wherein 24, 26 and 3 clients pertained to BSE, NSE and MCX respectively. The details are mentioned herein below:

*BSE: 24 Clients (with 3 duplicates, resulting in 24 unique clients)*

*NSE: 26 Clients (all unique)*

*MCX: 50 Clients (with 47 duplicates, resulting in 3 unique clients)*

7.2 It submitted that erroneously its team mentioned regarding the delivery of contract notes in Annexure 11, which was relevant to Annexure 7 and now has provided all the 53 unique instances in a revised Annexure.

7.3 That approx. 40% to 50% trades are executed online via IBT and STWT terminals and the same percentage of clients use its call and trade facility, with all recordings stored in its system.

7.4 That very few clients place order offline by visiting its office wherein they are required to sign an order deal sheet maintained by the dealers as per its standard procedure for offline placements.

7.5 That due to its corporate office and most of its branch office relocation, it was initially unable to retrieve and present those physical copies to the inspection team. It further submitted that it had retrieved all deal sheets and confirmed that all data is properly maintained as per regulatory requirements.

7.6 That for 1 instance there was no trade for the client code: 16140233 on the date March 17, 2023 against as alleged in the SCN.

7.7 It submitted call recordings, signed copy of deal sheet and email confirmation from clients in 3, 34 and 33 instances respectively.

- 7.8 It submitted that it had asked its dealer to provide the pre order deal sheet signed by remaining 15 clients and due to office relocation, the dealer is taking time to extract deal sheet and submitted that it would submit the deal sheets at the earliest.
- 7.9 It submitted that it has provided a sample visitor register as evidence of clients visiting the office for order placement.
- 7.10 It submitted that all the deal sheets were duly signed before placement of the client's orders as per its offline process and upon receiving SEBI's letter it had sought email confirmation from the concerned clients which validates that orders were executed by the dealer as per their instructions.
- 7.11 That 33 clients have confirmed the authenticity of the trade details, thereby validating the genuineness of the deal sheets/ order instruction maintained by its dealers.
- 7.12 It submitted that it is awaiting reponse from other clients, who are currently on vacation or leave and its RMs are in constant touch with such clients.
- 7.13 That the primary purpose of maintaining evidence for order placements is to prevent unauthorized trading by stock brokers, as reinforced by title of the SEBI Circular "Prevention of Unauthorized Trading by Stock Brokers".
- 7.14 That it is in the process of implementing new controls to ensure stringent steps on pre-trade authorization.
- 7.15 It acknowledged that there were challenges during the office relocation period, impacting timely retrieval and presentation of documentary evidence to inspection team and there was an oversight and ignorance on the part of submission to the inspecting team.
- 7.16 That after issuance of the administrative warning, it has taken corrective steps.

7.17 It submitted that SEBI alleged that there were 86 and 15 unique clients, however in 86 instances there were actual 14 unique clients.

7.18 Noticee submitted that clients visit the AP office and place orders verbally. AP notes down the order details digitally and takes the printout of the same to get it signed from the clients and the trades are executed by the AP as per the trade order given by the clients.

7.19 SEBI Circular dated March 22, 2018 does not have requirement of time stamping on deal sheet.

7.20 The records maintained by the AP are pre-trade confirmation records only and has directed its AP to change that manner of maintaining records to complete physical order sheets i.e. writing the order details on paper rather than on computer.

8) It is noted that inspection findings are based on analysis of samples and test checking of various books and other records maintained by the Noticee, as well as written/oral submissions of the Noticee & its officials to the inspection team. Consequently, the instances of irregularities/observations pointed out in inspection report are illustrative in nature and are not all-inclusive.

### **CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS**

9) The undersigned has taken into consideration the facts and circumstances of the case, submissions of the Noticee and the material available on record. The issues that arise for consideration in the present case are:

**ISSUE I- Whether Noticee has violated provisions of SEBI Circulars as mentioned at table 1 above?**

**ISSUE II- Does the violation, if any, on the part of the Noticee attract monetary penalty under Section 15HB of the SEBI Act as applicable?**

**ISSUE III- If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

10) Before proceeding further, the undersigned would like to refer to the relevant provisions of law as under:

**Relevant provisions of SEBI Circulars**

**Para III and IV of SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018**

**Prevention of Unauthorised Trading by Stock Brokers**

*III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:*

- a. Physical record written & signed by client,*
- b. Telephone recording,*
- c. Email from authorized email id,*
- d. Log for internet transactions,*
- e. Record of messages through mobile phones,*
- f. Any other legally verifiable record.*

*IV. Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.*

**Relevant Provisions of SEBI Circular**

**[https://www.sebi.gov.in/legal/master-circulars/may-2023/master-circular-for-stock-brokers\\_71265.html](https://www.sebi.gov.in/legal/master-circulars/may-2023/master-circular-for-stock-brokers_71265.html)**

**FINDINGS**

On perusal of the material available on record and giving regard to the facts and submission of the Noticee and circumstances of the case, the undersigned records findings hereunder:

**ISSUE I: Whether Noticee has violated provisions of SEBI Circulars as mentioned at table 1 above?**

**Non maintenance of evidence/Pre trade authorization/confirmation in respect of orders placed by clients.**

11) In order to prevent unauthorised trading by stock brokers, SEBI mandated all the stock brokers to execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of Physical record written & signed by client, Telephone recording, email from authorized email id, log for internet transactions, record of messages through mobile phones or any other legally verifiable record, which is in terms of Para III and IV of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with SEBI Master Circular dated May 17, 2023 for stock brokers.

12) It was observed during the inspection that the Noticee had not provided pre-trade order confirmation details w.r.t 103 clients for verification. Further, in response to the inspection findings on maintenance of evidence/pre-trade authorizations in respect of the orders placed by 103 clients, Noticee submitted as follows.

13) With respect to 27 clients, Noticee replied that for 25 clients ***“The contract note were sent to the clients physically but due to shifting of our corporate office, we are unable to extract the physical proof of delivery of contract notes”*** and for remaining 2 clients, it had mentioned ***“Trade confirmation enclosed”***.



- 14) Similarly, for balance 76 clients, it was observed that the Noticee had mentioned its reply w.r.t 74 clients as “**Client visited office to place the order, Unable to trace the supporting**” and “**Trade confirmation enclosed**” w.r.t the remaining 2 clients.
- 15) In the case of 15 clients selected as sample out of 86 instances during the inspection period, mapped with the Authorized Person (AP) of the Noticee viz, Mr Hitesh Doshi, the Noticee allegedly did not have order placement proofs and instead of providing pre-order confirmations, the said Noticee had provided post trade confirmations. Further, Noticee vide its letter dated February 23, 2024 submitted that it had asked the AP to maintain physical order placement proofs henceforth. Thus, the Noticee allegedly failed to provide pre-trade confirmation for all 15 clients.
- 16) It is thus alleged that the Noticee did not maintain evidence/record of the pre-trade authorization in respect of clients.
- 17) Accordingly, in view of the above, it is alleged that the Noticee has violated Para III and IV of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with SEBI Master Circular dated May 17, 2023 for stock brokers by having failed to maintain evidence of Pre trade authorization in respect of orders placed by 103 clients and 15 clients mapped with AP of the Noticee.
- 18) Noticee submitted that there were 53 unique instances wherein 24, 26 and 3 clients pertained to BSE, NSE and MCX respectively and due to its branch office relocation, it was unable to retrieve and provide physical copies to the inspection team. It further submitted that it had retrieved all deal sheets and confirmed that all data is properly maintained as per regulatory requirements.
- 19) It further submitted that one client had not traded on the alleged date and provided call recordings, signed copy of deal sheet and email confirmation from clients in 3, 34 and 33 instances respectively

20)With regard to the submission of the Noticee that there were 53 unique instances wherein 24 of BSE , 26 of NSE and 3 of MCX, the undersigned notes from the material available on record that there are 24 and 26 unique clients of BSE and NSE respectively. W.r.t MCX, it is observed that there are 50 trades with unique trade no pertaining to 3 clients for which pre-trade authorization w.r.t all 50 unique trades are not provided. Thus, there were 53 unique clients and not 103 as alleged. Further, w.r.t the submission that it has provided call recordings, signed copy of deal sheet and email confirmation from clients in 3, 34 and 33 instances respectively, the undersigned notes from the call recording file of the client codes 16002238, 16002236 pertaining to BSE that the audio files were created on June 13, 2024 w.r.t both the clients whereas the order by the clients was placed on April 26, 2022 and March 10, 2023 respectively. During the course of hearing, the Noticee was asked to clarify on this anomaly. In this regard, Noticee submitted that it was a post-trade confirmation call recorded on June 13, 2024, which was mistakenly submitted in the folder for order placement recordings. It submitted that it was intended as a part of additional confirmation of trades provided in the inspection observation but was erroneously labelled and presented as if it pertained to the original trade date i.e. April 26, 2022. It admitted that it was an oversight on its part and apologized for the confusion. It further submitted that the trade w.r.t client 16002238 was based on an email confirmation from it. From the submission of the Noticee, undersigned notes that the Noticee has admittedly provided the post-trade confirmation from the client for the trade executed on April 26, 2022. The Noticee has failed to provide any pre-trade email confirmation from the client as against its claim of having obtained email confirmation. Thus, the submission of the Noticee is not tenable.

21)With respect to 34 signed copy of deal sheet, a sample copy of one of the deal sheets is shown herein below:

**LKP Securities Ltd.**

Trade Date 20/09/2022

Client Code 23002534

Scrip Name	Buy/Sell	Qty.	Rate	Sign
BHATIA	BUY	8621	38.25	[Signature]
BHATIA	BUY	1379	38.2	[Signature]
COPPER 05 SEP 2022	SELL	2500	650.7	[Signature]
COPPER 30 SEP 2022	BUY	2500	652.7	[Signature]
GOLD 05 Oct 2022	BUY	100	49268	[Signature]
GOLD 05 Oct 2022	SELL	100	49282	[Signature]
OPT STK ALL GEN 25/09/2022	SELL	200	109.5	[Signature]

22) In this regard, the undersigned notes that the Noticee has provided similar deal sheets in 34 instances, which are devoid of any timestamp, name of the clients of the Noticee.

16352936 09-05-2022 BSE

Market Type: N Settlement Number: 2022026 Trade Date: 09/05/2022

Sr	Security	ISIN	Bought			Sold			Net			Brk	IBT Brk
			Qty	Avg.Rate	Amt	Qty	Avg.Rate	Amt	Qty	Avg.Rate	Amt		
1	CDSL-CENTR	INE736A01011	3	1186.08	3558.24	0	0.00	0	3	1186.08	-3558.24	26.49	0
2	JPASSOCIAT-JAIFR	INE455F01025	0	0.00	0	350	8.45	2957.5	-350	8.45	2957.5	35	0
3	LTIM-LTIM	INE214T01019	2	4520.53	9041.05	0	0.00	0	2	4520.53	-9041.05	67.3	0
4	MAITHANALL-MAITH	INE683C01011	0	0.00	0	2	1112.18	2224.35	-2	1112.18	2224.35	16.8	0
5	POLYPLEX-POLYP	INE633B01018	0	0.00	0	2	2386.52	4773.04	-2	2386.52	4773.04	36.06	0
6	RCOM-RELIA	INE330H01018	0	0.00	0	1000	2.50	2500	-1000	2.50	2500	100	0
7	RELCAPITAL-RELIA	INE013A01015	0	0.00	0	35	15.53	543.55	-35	15.53	543.55	4.2	0
8	RELIANCE-RELIA	INE002A01018	1	2540.01	2540.01	0	0.00	0	1	2540.01	-2540.01	18.91	0
9	RHFL-Relia	INE217K01011	0	0.00	0	175	3.65	638.75	-175	3.65	638.75	17.5	0
9 Scrip/s					15139.3	1564		13637.19	-1558		1502.11	322.26	0

*Shodanum*

23) Generally, the documents given by the clients before placing the orders are those which indicate the name of the scrip, the quantity and whether to buy or sell which has to be time stamped and countersigned and upon receipt of the order slips the broker is to place the orders. However, the deal sheet above provided by the Noticee herein shows the settlement number, ISIN Number of the scrip, average rate, etc, which can only be recorded after the execution of the trade. Further, these deal sheets were also not provided to the inspection team and have surfaced now after issuance of SCN to the Noticee. The above deal sheets conspicuously exhibit that it is not a pre-trade confirmation rather a post trade confirmation. Thus, the specimen given by the Noticee are not pre-trade confirmation obtained from clients but are post order confirmation obtained from them.

24) Further, with regard to submission of the Noticee that it has provided email confirmation in 33 instances, the undersigned finds it pertinent to present a sample email confirmation sent by the Noticee to its clients, which is shown below:

**“Sub: Re: Request for Trade Confirmations SEBI Insp\_23150251**

Client Name: PxxxxEN DExxxxxxAI THxxxxAR

UCC: 23XXXX51

Dear Valued Client

We hope this email finds you well.

As part of our compliance and regulatory checks, we kindly request your confirmation that the following trade(s) were executed with your approval and that you have no objections to these transactions:

Please find the trade details below:

Trade Date	OrderType Buy/Sell	Stock/Scrip	Quantity	Price
22-09-2022	S	CAMPUS- Campu	51	595.80

**Please reply to this email with either "I Confirm" or "I Deny" to acknowledge your approval or objection to the trade(s).**

If you deny the trade(s), kindly provide a brief explanation to help us understand and address any issues.

Your prompt response will be greatly appreciated to ensure our records are up to date and compliant with regulatory requirements.

Thank you for your cooperation.

Best regards  
LKP Compliance Team”

25) In this regard, it is noted that in all the 33 instances, the emails similar to above were sent by the Noticee on June 14, 2024, June 20, 2024 and June 21, 2024 to 4, 22 and 3 clients respectively wherein confirmation from the clients in 29 instances was received on the dates ranging from June 19, 2024 to June 21, 2024. From the

above, it is noted that the confirmation emails were sent by the Noticee to its clients subsequent to the issuance of SCN in the matter. With respect to client code 12004958, it is observed that the Noticee has provided only pdf page with the same content of sample email mentioned above, bearing no date on it and Noticee also did not provide any evidence of having received response to the email from the client w.r.t confirmation email sent by it, which raises doubt whether the email was actually sent to the client, which would have been nothing but a post-trade confirmation. However, a deal sheet has been provided by the Noticee w.r.t the said client code. Further, w.r.t to the client codes 12067999 and 12068174, it is observed that only the email confirmation from the clients dated January 20, 2024 and January 05, 2024 has been provided by the Noticee which was pursuant to the trades executed by them on May 16, 2022 and November 22, 2022 respectively and all the documents provided by the Noticee are post-trade confirmation. Further, Noticee has failed to show any documentary evidence in its support of having obtained the pre-trade confirmation from its clients. Thus, submission of the Noticee is bereft of merits.

26) Further, w.r.t submission of the Noticee that the clients visit the AP office and place orders verbally wherein it notes down the order details digitally and takes the printout of the same to get it signed from the clients and the trades are executed by the AP as per the trade order given by the clients, the undersigned notes that the AP of the Noticee had admittedly executed order as per verbal instruction without maintaining any record of having taken pre trade authorization from the clients. This also gets strengthened by the admission of the Noticee that it has directed its AP to change that manner of maintaining records to complete physical order sheets. Further, Noticee claimed to have provided the signed deal sheets and email confirmation from 14 clients mapped to AP. However, the said deal sheets are devoid of any time stamps, name of the clients on the said deal sheets. The email confirmation shows that the Noticee had sent email to its clients on July 25, 2024 in and July 26, 2024 on 13 and 1 instances respectively wherein clients confirmed on dates from July 25, 2024 to July 29, 2024. Thus, this shows that all these email

confirmations were obtained subsequent to issuance of SSCN on July 19, 2024 and are post trade confirmations and not pre-trade confirmations. Thus, the undersigned finds no merits in submission of the Noticee.

27) While the SEBI Circular dated March 22, 2018 does not provide that a stock broker need to have timestamping on deal sheet. However, as a matter of prudent practice, the Noticee should have timestamped the deal sheets of its clients or AP mapped clients as a record of having obtained pre-trade confirmation from them. Without timestamp there remains doubt on the authenticity of getting pre-trade confirmation from clients.

28) The undersigned notes that the Noticee had serious lapses regarding maintenance of order placement proofs and had only submitted the post order confirmation which implied that the confirmation was taken subsequent to order placement which is in violation of SEBI circulars mandating that all brokers shall execute trades of clients ***only after keeping evidence of the client placing such order.*** By not maintaining evidence of order placement and failed to furnish the requisite documents, the Noticee has also failed to act with due skill and care and failed to comply with the statutory requirements.

29) Thus, in view of the foregoing, it stands established that the Noticee has violated violated Para III and IV of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with SEBI Master Circular dated May 17, 2023 for stock brokers by having failed to maintain evidence of Pre trade authorization in respect of orders placed by its clients and clients mapped with its AP.

**ISSUE II- Does the violation, if any, on the part of the Noticee attract penalty under Section 15HB of the SEBI Act as applicable?**

30) As has been established above that Noticee is in violation of the following provisions of SEBI Circulars:

- a) Para III and IV of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with SEBI Master Circular dated May 17, 2023 for stock brokers.

31) In context of the above, the undersigned refers to the observations of Hon'ble Supreme Court in the matter of **Chairman, SEBI vs. Shriram Mutual Fund** {[2006] 5 SCC 361} wherein the Hon'ble Court had observed: *"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 and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must be made by the defaulter with guilty intention or not."*

32) Therefore, the aforesaid violations committed by the Noticee attract monetary penalty under Section 15HB of the SEBI Act for the aforementioned violation. The text of the said provision is reproduced hereunder:

**Penalty for contravention where no separate penalty has been provided**

**15HB** *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 liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

**ISSUE III- If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

33) While determining the quantum of penalty under SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, which reads as under:

**Factors to be taken into account by the adjudicating officer under SEBI Act**

**15J.** *While adjudging quantum of penalty under Section 15-I, 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*

34)The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, suffered by the investors as a result of the Noticee's failure, nor the same has been alleged by SEBI. As regard to the repetitive nature of the default, the undersigned finds that the Noticee has been penalized by SEBI in the past for violation of various provisions of SEBI (Stock – Brokers) Regulations, 1992 and SEBI Circulars.

35)The evidence/observations on record against Noticee, ostensibly suggest the non-maintenance of evidence/Pre trade authorization/confirmation in respect of orders placed by clients in my assessment cannot be taken leniently and such violations deserve to be adequately penalized. The very purpose of the said provisions is to deter wrong doing and promote ethical conduct in the securities market.

36)Although the Noticee has stated that it had taken various corrective steps viz, obtaining post-trade confirmation from clients, the undersigned cannot lose sight of the fact that irregularities were committed by the Noticee during the aforementioned IP. The Noticee being a registered intermediary is expected to adhere to fair practices and maintain a high degree of professionalism in the conduct of its business. The Noticee was under a statutory obligation to abide by the provisions of the Circulars issued by the Regulator, which it failed to do during the IP.

## **ORDER**

37)Having considered the facts and circumstances of the case, the material available on record, the factors mentioned in 15J of SEBI Act and also taking into account judgment of the ***Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari*** (2019) 5

SCC 90 and in exercise of power conferred upon undersigned under Section 15I of the SEBI Act read with Rule 5 of the SEBI Rules, 1995, the undersigned hereby imposes following penalty under Section 15HB of the SEBI Act on the Noticee:

Name of the Entity	Penalty Provisions	Penalty (Rs.)
LKP Securities Limited (Noticee)	Section 15HB of the SEBI Act	Rs 4,00,000/- (Rupees Four Lakhs Only)

38)The undersigned is of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

39)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](http://www.sebi.gov.in) on the following path, by clicking on the payment link:

**ENFORCEMENT → Orders → Orders of AO → PAY NOW.**

40)In case of any difficulties in payment of penalties, Noticee may contact the support at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

41)The aforesaid Noticee shall forward the details / confirmation of penalty so paid to “The Division Chief (Enforcement Department 1 DRA-3), Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C/7, “G” Block BKC, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.” The Noticee shall also provide the following details while forwarding DD / payment information:

1. Case Name:	
2. Name of payee:	

3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

42) 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 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

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

**Place: Mumbai**

**Date: August 22, 2024**

**BARNALI MUKHERJEE**

**ADJUDICATING OFFICER**