



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SM/BK/2026-27/32391]**

**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,
1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY
AND IMPOSING PENALTIES) RULES, 1995**

In respect of:

Goodwill Wealth Management Pvt Ltd

PAN: AAECG9766E

**In the matter of Goodwill Wealth Management Private Limited (GMWPL)- Stock
Broker**

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India ('SEBI') conducted a thematic inspection of Goodwill Wealth Management Private Limited (hereinafter referred to as "GMWPI"/ "Noticee" / "Stock Broker") for the period April 01,2024 to July 31,2025 (hereinafter referred to as "Inspection Period"). The themes for the inspection inter alia were verification of records and evidences maintained by the Noticee in respect of orders placed by clients, maintenance of pre-order confirmation/client authorization for orders placed through Internet Based Trading (IBT) Mode, availability and maintenance of documentary records relating to complaint redressal including communication records and closure confirmation; outsourcing of core business and compliance functions, including involvement of Authorized Persons (APs) in grievance redressal mechanism; and examination of complaints relating to unauthorized trading, including cases where such complaints were settled by the Noticee.
2. Pursuant to the inspection, the findings of the inspection were communicated to the entity vide letter dated November 19, 2025. The entity submitted its reply to



SEBI vide its letter dated November 26, 2025. Thereafter, SEBI conducted Post Inspection Analysis (PIA) in the matter.

3. Based on the findings of the inspection and analysis of the reply submitted by the Noticee to the inspection observations, certain deficiencies were observed in the functioning of the Noticee which indicated prima facie violations of the applicable regulatory provisions.:
 - a. Clause 35.2, 35.3, .35.4, 35.5 and Clause 86.5.1 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025
 - b. Clause A (2) and A (5) of Schedule II of the code of conduct for stock broker specified under regulation 9(f) of SEBI (Stock Brokers) Regulations,1992.
 - c. NSE circular NSE /INSP/67132 dated March 13,2025
 - d. Regulation 3.2.1 of NSE (Capital Market) Trading Regulations, 1994
 - e. Regulation 3.4.1 of NSE (Futures & options) Trading Regulations, 2000.
4. In view thereof, SEBI initiated Adjudication Proceedings in respect of Noticee under Section 15 I of the Securities and Exchange Board of India Act, 1992 ('SEBI Act, 1992', in short), for the alleged violation of aforesaid provisions.

B. APPOINTMENT OF ADJUDICATING OFFICER

5. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violation by the Noticee, as stated above and therefore, in exercise of the powers conferred under Section 19 of the SEBI Act, 1992 read with Section 15I (1) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ('Adjudication Rules'), the Competent Authority appointed the undersigned as Adjudicating Officer ('AO') vide order dated February 02, 2026 to inquire into and adjudge under Section 15HB of the SEBI Act, 1992 for the alleged violation by the Noticee. The said proceedings of appointment were communicated to the undersigned vide Communique dated February 03, 2026.



C. SHOW CAUSE NOTICE, REPLY and HEARING

6. A Show Cause Notice bearing No. SEBI/HO/EAD3/SM/BK/DIS/8407/2026 dated March 18, 2026 ('SCN', in short) was issued to the Noticee by in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 to show cause as to why inquiry should not be held and penalty should not be imposed under Section 15HB of the SEBI Act, for the aforesaid alleged violations.
7. The allegations in respect of the Noticee inter alia brought out in the SCNs are as under:

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In this regard, pursuant to FIR, the following was inter-alia observed and alleged in respect of the Noticee:

A. *Failure to maintain appropriate evidence in respect of order placement*

7. *During the inspection, a sample of 60 unique clients who had placed 281 orders on May 27, 2024 and February 05, 2025 was selected for verification.*

8. *Upon examination of the records relating to orders placed through Non- Internet Based Trading (IBT) mode, it was observed that in the case of 32 clients who had placed 133 orders, the Noticee had not maintained pre-order confirmation or documentary evidences demonstrating that the client had authorized the placement of such orders.*

9. *The Noticee, in its reply to the observation made during inspection, submitted that to ensure full compliance going forward, the following has been implemented:*

i. *100% Centralized POC Record System where all client confirmations must be recorded, documented, and stored as per SEBI's mandate.*

ii. *Strengthening of Call Recording Infrastructure including increased server storage, automated archiving, and retrieval-based indexing by UCC/time/date.*

iii. *Conducting Random Internal Audits and surprise audits to ensure adherence to POC requirements.*

iv. *Implementation of a Disciplinary Framework wherein any deviation in evidence maintained attracts strict disciplinary action.*

10. *It was further submitted that these processes will prevent any recurrence of such lapses in future. Further, log of pre-order confirmation for some of the clients' trade execution had been provided in the management comments.*

11. *From the analysis of the reply submitted by the broker, it was observed that stock broker had taken necessary corrective steps after observation being made by SEBI Inspection Team.*

12. *With respect to pre-order confirmations submitted by the broker along its reply, it was observed that for 50 Orders placed by the 15 clients, pre order confirmation was not available with it due to software*



migration. In view of the same, reply of the broker was not accepted for 50 orders placed by 15 clients as broker had failed to submit pre order confirmation for these orders.

13. For 83 orders, pre order confirmation had been provided. Hence reply of the broker for these 83 order is accepted. The list of order for which pre order confirmation had not been submitted by the broker is placed at Annexure -3.

14. In view thereof, Noticee is alleged to have violated Clause 35.2 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 r/w NSE circular NSE /INSP/67132 dated March 13,2025 r/w Regulation 3.2.1 of NSE (Capital Market) Trading Regulations, 1994 & Regulation 3.4.1 of NSE (Futures & options) Trading Regulations, 2000.

B. Outsourcing its core business activities & compliance functions

15. During the inspection, the Stock Broker vide its email dated October 17, 2025 had submitted an undertaking on complaint redressal mechanism to NSE, which described the sharing of complaint redressal mechanism with its Authorized Person (AP).

16. From the undertaking submitted by the stock broker, it is observed that Stock Broker has delegated the core compliance function of grievance redressal to its authorized person (AP). The undertaking given by the broker vide email dated October 17, 2025 is placed at Annexure 4.

17. Upon receiving the observation from SEBI, Noticee had submitted that AP involvement in complaint redressal has been completely restricted. It was further submitted that a dedicated Complaint Redressal & Monitoring Team (CRMT) has been established and all complaints were handled centrally with:

- a. Timestamped records
- b. Documented evidence
- c. Closure approval hierarchy
- d. System-based tracking

18. From the analysis of the reply submitted by the broker, it was observed that stock broker had submitted that it has taken necessary corrective steps after observation being made by SEBI Inspection Team. In view of the same, reply of the broker was not accepted.

19. In view thereof, it was alleged that Noticee is alleged to have violated Clause 86.5.1 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17,2025.

C. Non-maintenance of documentary records for complaint redressal

20. During the inspection, from the emails communication occurred between stock broker and the respective complainant, it is observed there is a pattern that first, through an e-mail complaint lodged by the complainant against the stock broker on unauthorized trading in his/her account and subsequently after a period of time, the same complainant has sent another e-mail to the stock broker to withdraw the said complaint that it previously lodged. However, no email correspondences/other mode of communications are available except the above said two emails between Stock Broker and the



complainant with respect to redressal of unauthorized trading complaint nor the stock broker had provided the complete records/documents/evidence which has been referred by the stock broker to resolve the complaint during the inspection. In view of the above, it was observed that stock broker has failed to furnish the complete records and other documents as referred by it towards redressal of clients' complaints. The list of the complaints where complete records of complaints redressal are not available is mentioned at Annexure 5.

21. Upon receiving the observation from SEBI, the following process improvements as stated by the Stock Broker, were implemented:

22.1 Mandatory Recording of Complaint-Related Calls where all grievance calls (inbound/outbound) are recorded and stored.

22.2 Written Confirmation for Complaint Closure wherein complaints are closed only upon receiving:

- a) Email confirmation, or
- b) Recorded voice confirmation

22.3 Mandatory Complaint Audit Trail wherein each complaint must have:

- a) A unique complaint number
- b) Investigation notes
- c) Communication evidence
- d) Closure proof

22.4 Restricted AP Access wherein AP's would only be permitted to direct clients to the central grievance team.

22. From the analysis of the reply submitted by the broker, it was observed that stock broker had taken necessary corrective steps after observation being made by SEBI Inspection Team. Further, broker had not submitted any documents /supporting evidences in respect to the complaints that had been shared along with letter of observation by SEBI for submission of complete records. In view of the same, reply of the broker was not accepted.

23. In view of the same, Noticee is alleged to have violated Clause 35.2, 35.3, .35.4 and 35.5 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17,2025.

D. Settlement of complaints related to unauthorized trading during the inspection period

24. During the inspection, all the complaints related to unauthorized trading received by the stock broker during the inspection period had been verified. From the analysis of the complaints, it was observed that broker has settled 37 complaints pertaining to unauthorized trading by making payments against the claims of the respective complainants which reflects broker's acceptance to the recurring lapses in its internal control mechanisms and serious deficiencies in ensuring valid client authorization prior to order execution.

25. The Noticee submitted that a few cases were closed on a goodwill/voluntary basis to avoid hardship to investors and ensure long-term trust which were also done:



- a) *Without any admission of liability*
 - b) *Solely to maintain positive client relationships*
 - c) *To ensure that investors do not face inconveniences*
 - d) *To uphold the highest standards of investor service*
26. *It was further submitted that after the completion of SEBI's inspection, it had not settled any investor complaint by making payments. It was also submitted that all grievances post-inspection are being handled strictly through the formal complaint redressal mechanism, with full documentation, verification, and compliance oversight.*
27. *It was also submitted that Strengthened Governance & Compliance Oversight had been implemented which included:*
- a) *Revised SOP for Order Execution & Dealer Communication*
 - b) *Enhanced Surveillance Monitoring for unusual order patterns*
 - c) *Dealer Training Programs on SEBI POC requirements*
 - d) *Daily Compliance Monitoring Reports sent to senior management*
 - e) *Quarterly Internal Audit Review of complaint & communication records*
28. *From the analysis of the reply submitted by the broker, it is observed that stock broker had submitted that it has taken necessary corrective steps after observation being made by SEBI Inspection Team, Further, reasons stated by the broker for settlement of complaints were not acceptable as same were not consistent with applicable rules and regulations as applicable in the matter. In view of the same, reply of the broker was not accepted. The list of the 37 complaints which have been settled the complaints by the stock broker by making payments is placed at Annexure-6.*
29. *In view of the same, Noticee is alleged to have violated Clause A (2) and A (5) of Schedule II of the code of conduct for stock broker specified under regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992.*
- ...'

8. The said SCN was served upon the Noticees via SPAD and through email dated March 18, 2026. The Noticee acknowledged the receipt of the SCN through email on the same day.
9. Having regard to Principles of Natural Justice, vide Hearing Notice dated April 02, 2026, the Noticee was provided with an opportunity of personal hearing on April 13, 2026. Vide email dated April 08, 2026, Noticee acknowledged the receipt of Hearing Notice and vide separate email on the same day also submitted its reply to the SCN. However, on the next day i.e. April 10, 2026, the Noticee put on record a separate document as a reply to the SCN.



10. The Noticee availed the opportunity of hearing through online mode i.e. Webex on the scheduled date i.e. on June 13, 2026 through its Authorised Representatives ('ARs') viz., Mr. Chinna Durai Somasundaram (Chief Financial Officer/Principal Officer of Noticee), Mr. Sree Vikram AS (Consultant Compliance and Legal), Mr. Arivumani Arivazhagan (Compliance Officer of Noticee) and Mr. Rakesh Gupta (Authorised person). During the hearing, inter alia the ARs relied upon and reiterated the submissions made by Noticee vide its email dated April 10, 2026.
11. The submissions made by Noticee vide its email dated April 10, 2026 as reply to the SCN, are as under:

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PART I – PRELIMINARY SUBMISSIONS

1. CLEAN REGULATORY TRACK RECORD

The Noticee submits that this is the FIRST instance of any regulatory inspection findings being escalated to the level of a Show Cause Notice against GMWPL. The Company has, since inception, maintained a cooperative relationship with SEBI and the Exchanges, has responded promptly and transparently to all inspection queries, and has never been subject to any prior penalty, suspension, under grievances mechanism or adverse regulatory order. This clean prior track record is a significant mitigating factor that the Hon'ble Adjudicating Officer is respectfully requested to consider under Section 15J of the SEBI Act, 1992.

2. FULL AND VOLUNTARY COOPERATION WITH SEBI INSPECTION

The Noticee fully cooperated with SEBI's inspection team during the inspection period (April 01, 2024 to July 31, 2024), provided all available records and data as requested, submitted detailed replies to each inspection observation, and proactively implemented corrective measures even before the issuance of this SCN. Such proactive compliance conduct should weigh substantially in favour of the Noticee.

3. VIOLATIONS WERE TECHNICAL AND PROCEDURAL IN NATURE – NO INVESTOR SUFFERED ACTUAL HARM

The Noticee respectfully submits that none of the alleged violations resulted in any actual financial harm to any investor. The alleged deficiencies relate to documentation, record-keeping, and internal process gaps — not to any deliberate act of fraud, market manipulation, or misappropriation of investor funds. The Hon'ble Supreme Court of India and various SEBI orders have consistently held that the gravity of violation and the actual harm caused are paramount considerations in determining whether a penalty should be imposed and its quantum. Given that no investor has suffered any irreversible harm as a result of these procedural lapses, imposition of a monetary penalty would not serve the ends of justice.

4. ALL VIOLATIONS HAVE BEEN FULLY RECTIFIED

The Noticee has already implemented comprehensive and documented corrective measures across all four areas of alleged violation prior to the receipt of this SCN. Details of each corrective measure are provided under Part II below. Where violations are fully remedied and the risk of recurrence has been systematically eliminated, the imposition of a penalty serves no remedial or deterrent purpose. The Noticee humbly submits that in such circumstances, a cautionary directive or warning would be a more proportionate regulatory response.



PART II – DETAILED REPLY TO EACH ALLEGATION

A. FAILURE TO MAINTAIN APPROPRIATE EVIDENCE IN RESPECT OF ORDER PLACEMENT

[Alleged Violation: Clause 35.2 of SEBI Master Circular SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 r/w NSE Circular NSE/INSP/67132 dated March 13, 2025 r/w Regulation 3.2.1 of NSE (Capital Market) Trading Regulations 1994 & Regulation 3.4.1 of NSE (F&O) Trading Regulations 2000]

A.1 Facts and Acknowledgment:

During the inspection, out of a sample of 60 unique clients who had placed 281 orders, it was observed that for 32 clients placing 133 Non-IBT (Non-Internet Based Trading) orders, pre-order confirmation records were not maintained. The Noticee, after analysis, accepts that for 50 orders placed by 15 specific clients, the pre-order confirmation records were not available, primarily due to a system/software migration that was undertaken during the relevant period. For the remaining 83 orders, pre-order confirmations were duly provided and accepted by SEBI.

A.2 Reasons Why Penalty Should Not Be Imposed:

- i. The lapse was attributable to a bona fide software migration and not to any intentional or deliberate non-compliance. The migration was undertaken in good faith to upgrade the Company's trading systems for better client service.*
- ii. The violation affected only 50 orders across 15 clients — a small fraction of the overall trading volume — and did not result in any unauthorized trade, financial loss, or harm to any of the affected clients.*
- iii. The Noticee immediately recognised the gap upon inspection observation and, without any delay, implemented the following comprehensive corrective measures:*
 - 100% Centralized POC (Proof of Confirmation) Record System deployed across all branches, ensuring all client confirmations are mandatorily recorded, documented, and stored as per SEBI's mandate, indexed by UCC/time/date.*
 - Call Recording Infrastructure upgraded significantly with increased server storage capacity, automated archiving, and retrieval-based indexing.*
 - Mandatory Random Internal Audits and surprise audits conducted at regular intervals to ensure continuous adherence to POC requirements.*
 - Disciplinary Framework implemented wherein any dealer or employee who fails to maintain proper POC evidence is subject to immediate disciplinary action including termination.*
 - Comprehensive training program conducted for all dealing and back-office staff on SEBI's POC requirements.*
- iv. The Noticee respectfully submits that penalizing a first-time, good-faith, technical lapse which has been fully remedied, would not serve the purpose of deterrence and would be disproportionate to the nature and gravity of the violation.*

B. OUTSOURCING OF CORE BUSINESS ACTIVITIES & COMPLIANCE FUNCTIONS

[Alleged Violation: Clause 86.5.1 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025]

B.1 Facts and Acknowledgment:

The Noticee acknowledges that the undertaking submitted to NSE vide email dated October 17, 2025 described the sharing of complaint redressal mechanism with its Authorized Person (AP), which SEBI's inspection team observed as delegation of core compliance functions to the AP.- AP are involved in the



redress mechanism to close the client complaint early, However the AP Involved is now restricted in compliant redress mechanism

B.2 Reasons Why Penalty Should Not Be Imposed:

- i. *The Noticee submits that the intent behind involving the AP was never to abdicate compliance responsibility but rather to ensure wider geographic reach for investor particularly in remote locations where the AP operated. This was a well-intentioned operational arrangement that inadvertently crossed into regulatory non-compliance territory.*
- ii. *The sharing arrangement was limited to directing clients toward the grievance redressal channel — there was no transfer of decision-making authority, no financial powers delegated, and no investor complaint was resolved or closed by the AP independently., and we closed the complaint after confirmation from client only.*
- iii. *Upon receiving SEBI's inspection observation, the Noticee immediately and completely restricted AP involvement in the complaint redressal process. The following structural changes have been implemented:*
 - *A dedicated Complaint Redressal & Monitoring Team (CRMT) has been established at the Head Office level, handling all investor complaints centrally.*
 - *All complaints are now managed with timestamped records, documented evidence, a defined closure approval hierarchy, and system-based tracking.*
 - *AP access to the complaint system has been fully revoked. APs are only permitted to direct clients to the central grievance team contact details — nothing more.*
- iv. *This was a first-time lapse, immediately remedied, with no investor harm. Imposition of penalty in such circumstances would be disproportionate.*

C. NON-MAINTENANCE OF DOCUMENTARY RECORDS FOR COMPLAINT REDRESSAL

[Alleged Violation: Clauses 35.2, 35.3, 35.4, and 35.5 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025]

C.1 Facts and Acknowledgment:

The Noticee acknowledges that during the inspection, it was observed that for certain investor complaints, the complete trail of redressal records — including intermediate communication, investigation notes, and closure evidence — was not available. The Noticee regrets this procedural gap.

C.2 Reasons Why Penalty Should Not Be Imposed:

- i. *The complaints in question were, in fact, resolved and the complainants were satisfied. The gap was in the documentation of the resolution process, not in the resolution itself. No investor remained aggrieved or un-redressed as a consequence of this documentation gap.*
- ii. *The root cause of incomplete records was the transition between complaint management systems and the absence of a standardised, mandatory documentation protocol, which the Noticee has now permanently addressed.*
- iii. *The following corrective measures have been fully implemented:*
 - *Mandatory Recording of ALL grievance-related calls (both inbound and outbound) — calls are automatically recorded and archived.*
 - *Complaints are closed ONLY upon receipt of written email confirmation OR recorded voice confirmation from the complainant — no unilateral closure is permitted*
 - *Mandatory Complaint Audit Trail introduced for every complaint, requiring: (a) unique complaint number, (b) investigation notes, (c) all communication evidence, (d) formal closure proof.*



- *Central Compliance Dashboard implemented to provide real-time visibility of complaint status to senior management and the Compliance Officer.*
 - *Quarterly Internal Audit of all complaint records conducted by an independent internal auditor.*
- iv. *The violations were procedural/documentation lapses and not substantive violations that caused investor harm. The Noticee humbly submits that a penalty is not warranted given the complete remediation already in place.*

D. SETTLEMENT OF COMPLAINTS RELATED TO UNAUTHORIZED TRADING

[Alleged Violation: Clause A(2) and A(5) of Schedule II – Code of Conduct for Stock Brokers under Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992]

D.1 Facts and Acknowledgment:

The Noticee acknowledges that during the inspection period, 37 investor complaints pertaining to unauthorized trading were resolved by making payments to the respective complainants. The Noticee accepts that the reasons given for such settlement were found to be inconsistent with applicable regulations.

D.2 Reasons Why Penalty Should Not Be Imposed:

- i. *The settlements were made entirely in GOOD FAITH, on a purely voluntary and goodwill basis, without any admission of liability, solely to protect investor interests and avoid hardship to investors who had lodged complaints. The primary motivation was investor protection — not avoidance of regulatory scrutiny.*
- ii. *Ironically, by settling complaints and ensuring that investors were compensated, the Noticee acted in the spirit of investor protection which is the very foundation of SEBI's mandate. The Noticee respectfully submits that settling investor grievances proactively should be viewed as a positive conduct, even if the mechanism used was procedurally imperfect.*
- iii. *Post-inspection, the Noticee has completely discontinued the practice of settling complaints through direct payments. All investor grievances are now handled exclusively through the formal complaint redressal mechanism with full documentation, verification, and compliance oversight.*
- iv. *The following enhanced governance measures have been implemented:*
 - *Revised Standard Operating Procedure (SOP) for Order Execution and Dealer Communication — formally documented and circulated to all staff.*
 - *Enhanced Surveillance and Monitoring Systems to identify and flag unusual order patterns in real-time.*
 - *Mandatory Dealer Training Programs on SEBI's POC and unauthorized trading prevention requirements conducted quarterly.*
 - *Daily Compliance Monitoring Reports prepared and submitted to senior management.*
 - *Quarterly Internal Audit Review of all complaint and communication records.*
 - *Zero-tolerance policy on unauthorized order execution — any dealer found in violation is subject to immediate termination.*
- v. *We have settled the funds to the client as per the request and direction of the Exchange, Arbitrator, and Conciliator to retain the client for continue the business with broker.*
- vi. *The Noticee humbly submits that its conduct — while procedurally non-compliant — was fundamentally aimed at protecting investors, and that the imposition of a monetary penalty in such a context would not serve any remedial, deterrent, or public interest purpose.*



PART III – LEGAL SUBMISSIONS ON PENALTY

5. APPLICABILITY OF SECTION 15J OF THE SEBI ACT, 1992

While adjudging the quantum of penalty, if any, the Hon'ble Adjudicating Officer is required under Section 15J of the SEBI Act, 1992 to have due regard to the following factors:

- a) *The amount of disproportionate gain or unfair advantage wherever quantifiable, made as a result of the default — In the present case, the Noticee has made NO disproportionate gain or unfair advantage whatsoever from any of the alleged violations.*
- b) *The amount of loss caused to an investor or group of investors as a result of the default — No investor has suffered any unredressed financial loss.*
- c) *All complaints were resolved and investors were compensated wherever applicable.*
- d) *The repetitive nature of the default — This is the FIRST instance of such findings against the Noticee. The violations are not repetitive in nature.*

In light of all three factors under Section 15J being entirely in favour of the Noticee, the Noticee most respectfully submits that NO monetary penalty is warranted in this matter.

Action Against Authorised Persons (APs)

a. *The Member has implemented strict risk control and monitoring mechanisms for APs:*

- *In cases where brokerage exceeds Rs. 25,000/- or any abnormal trading pattern is observed, the AP payout is immediately withheld.*
- *Release of payout is subject to client confirmation through verifiable communication modes (call/email/recorded confirmation).*
- *This acts as a preventive control against revenue-driven mis-selling or excessive trading.*
- *Upon identification of regulatory violations, the Company has taken strict disciplinary action by terminating the Authorised Person for non-compliance with applicable regulations*

PART IV – PRAYER

In light of the detailed submissions made above, the Noticee most respectfully prays that the Hon'ble Adjudicating Officer may be pleased to:

1. *Accept this detailed reply and take cognizance of the comprehensive corrective measures already implemented by the Noticee across all alleged areas of violation;*
2. *Hold that no inquiry needs to be held against the Noticee, as the alleged violations have been fully acknowledged and rectified, and do not warrant further adjudicatory proceedings;*
3. *Hold that no monetary penalty be imposed upon the Noticee under Section 15HB of the SEBI Act, 1992, in view of the absence of any investor harm, the first-time nature of the violation, and the comprehensive remediation already undertaken;*
4. *In the alternative, if the Hon'ble Adjudicating Officer is pleased to impose any penalty, the Noticee most humbly prays that the minimum possible penalty be imposed, taking into consideration the mitigating factors and the remedial steps detailed hereinabove; and*
5. *Grant the Noticee a personal hearing at the earliest convenience of the Hon'ble Adjudicating Officer, to enable the Noticee to place additional submissions and evidence before the Authority.*
6. *During the Inspection Period, the Inspection Team has observed that the Broker has responded immediately on the observation made by the team and initiated necessary corrective actions, initiatives towards compliance which has been accepted by the team. The Noticee undertakes to*



provide any further information, documents, or clarifications as may be required and to cooperate fully with the Hon'ble Adjudicating Officer in the further conduct of these proceedings.

7. *Settlement of Complaints Voluntarily by the Broker It is hereby placed that the Inspection Team is satisfied on the initiatives and settlement of complaints of Investors by the Broker on the basis of good intention to maintain positive client relationship, avoid inconvenience to clients and to maintain high level of service standard towards investors. Inspection Team has apprised the Broker immediate response on the observations and rectified the lapses.*
8. *Further we have submitted our detailed reply explaining the corrective actions initiated by us to comply fully in all aspects which was also mentioned in the Inspection Report.*
9. *In view of the above responses by the broker end, it is hereby requested to consider the broker involvement in settling the complaints and of course the rectification of lapses pointed out the by the inspection team, penal charges may be waived and letter of caution or warning may be issued with broker.*
10. *Finally, it is assured that Broker would ensure compliance in all aspects in their operations as per the SEBOI norms and solicit Inspection support for the same.*

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D. CONSIDERATION OF ISSUES AND FINDINGS

12. The issues that arise for consideration in the instant matter are:

Issue No. I: Whether the Noticee had violated the provisions of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025, SEBI (Stock Brokers) Regulations, 1992, NSE circular NSE /INSP/67132 dated March 13, 2025, NSE (Capital Market) Trading Regulations, 1994 , NSE (Futures & options) Trading Regulations, 2000, as alleged?

Issue No. II: If yes, whether the violations on the part of the Noticee would attract monetary penalty under Sections 15HB of the SEBI Act, 1992?

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

13. I now proceed to deal with the matter on merits as regards alleged violations in respect of the Noticee, as per the SCN.



Issue No. I: Whether the Noticee had violated the provisions of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025, SEBI (Stock Brokers) Regulations, 1992, NSE circular NSE /INSP/67132 dated March 13, 2025, NSE (Capital Market) Trading Regulations, 1994, NSE (Futures & options) Trading Regulations, 2000, as alleged?

13.1. In respect of the findings of inspection relating to failure to maintain appropriate evidence in respect of order placement, the following was inter alia observed and alleged in respect of the Noticee:

13.1.1 During the inspection, a sample of 60 unique clients who had placed 281 orders between May 27, 2024 and February 05, 2025 was selected for verification. Upon examination of records relating to orders placed through Non-Internet Based Trading (IBT) mode, it was observed that in respect of 32 clients who had placed 133 orders, the Noticee had not maintained pre-order confirmation or documentary evidence demonstrating authorization of such orders.

13.1.2 It was further observed that in respect of 50 orders placed by 15 clients, pre-order confirmation was not available with the Noticee. It was also observed that for 83 orders, pre-order confirmation had been provided and accepted.

13.1.3 Accordingly, it was alleged that the Noticee had failed to maintain appropriate evidence in respect of order placement, in violation of Clause 35.2 of SEBI Master Circular for Stock Brokers read with NSE Circular NSE/INSP/67132 dated March 13, 2025 read with Regulation 3.2.1 of NSE (Capital Market) Trading Regulations, 1994 and Regulation 3.4.1 of NSE (Futures & Options) Trading Regulations, 2000.



- 13.2 The Noticee submitted that this is the first instance where inspection findings have been escalated to a Show Cause Notice and that it has maintained a clean regulatory track record with no prior penalties, suspensions or adverse orders. It was further submitted that full cooperation was extended during the inspection period, all records were provided, and corrective measures were initiated even before issuance of the SCN.
- 13.3 On merits, it was submitted that out of the sample, pre-order confirmations were available and accepted for 83 orders. In respect of 50 orders pertaining to 15 clients, the confirmations were not available due to a bona fide system/software migration undertaken during the relevant period to upgrade trading systems. It was submitted that the lapse was technical and procedural in nature and not intentional. The Noticee further submitted that the lapse did not result in any unauthorized trades, financial loss, or investor harm. It was stated that all trades were executed based on client instructions and there were no complaints from the concerned clients. It was also submitted that upon identification of the gap, comprehensive corrective measures were immediately implemented, including deployment of a 100% centralized Proof of Confirmation (POC) record system across all branches, strengthening of call recording infrastructure with automated archiving and indexing, conducting random internal audits, implementing a disciplinary framework for deviations, and conducting training programs for staff on compliance requirements.
- 13.4 The Noticee submitted that the lapse was limited in scale, fully rectified, and unlikely to recur. It was further submitted that considering the clean track record, absence of investor harm, and corrective steps taken, imposition of penalty would be disproportionate.



- 13.5 Here it would be, firstly, pertinent to draw reference to the text of the relevant provisions alleged to have been violated. Clause 35.2 of the SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 provides that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which may be in the form of physical record, telephone recording, email from authorized email id, log for internet transactions, SMS records or any other legally verifiable record. The NSE Circular NSE/INSP/67132 dated March 13, 2025 reiterates that brokers shall execute trades only after keeping evidence of client instruction and prescribes acceptable modes of such evidence. It further clarifies that confirmations obtained through IVR systems by pressing predefined options shall not be considered as legally verifiable record of order placement. Regulation 3.2.1 of NSE (Capital Market) Trading Regulations, 1994 and Regulation 3.4.1 of NSE (Futures & Options) Trading Regulations, 2000 provide that trading members shall obtain confirmed order instructions before placing orders and shall maintain records and documents of such instructions and execution.
- 13.6 I have considered the allegation, the reply of the Noticee and the material available on record. The requirement under Clause 35.2 of the SEBI Master Circular read with the NSE Circular and NSE Trading Regulations is unambiguous. A stock broker is required to execute trades of clients only after obtaining and maintaining verifiable evidence of client instructions. This requirement is not procedural in nature but goes to the root of investor protection, as it ensures that trades are executed only on the basis of valid authorization.
- 13.7 In the present case, it is an admitted position that pre-order confirmation was not available for 50 orders placed by 15 clients and that, in respect of a larger set of orders examined during inspection, documentary



evidence of client authorization was not maintained. Thus, the failure to maintain records is not incidental but clearly established on the basis of inspection findings.

13.8 In this regard, Noticee, as part of its submissions as reply to the SCN vide its letter dated April 10, 2026, has contended that such non-availability of records was on account of software migration. I note that the obligation to maintain evidence of client instructions is a continuing and mandatory requirement under the regulatory framework. Any internal system migration or technological transition is required to be undertaken in a manner that ensures continuity, integrity and retrievability of regulatory records. Failure to do so reflects inadequacy in internal controls and cannot be a valid ground to justify non-compliance. In view of the same, this contention of the Noticee cannot be accepted.

13.9 Further, the contention that the lapse was technical or procedural in nature and did not result in any investor harm is also not tenable. The regulatory requirement is preventive in nature and does not depend upon occurrence of investor loss. In the absence of contemporaneous and verifiable records, it is not possible to independently establish whether the trades were placed on the basis of valid client instructions. Therefore, such lapses strike at the core of the framework designed to prevent unauthorized trading.

13.10 The submissions regarding clean track record, cooperation during inspection, and subsequent corrective measures including implementation of centralized POC systems, strengthening of call recording infrastructure, audit mechanisms and training programs are noted. However, such post-facto corrective actions do not mitigate the violation committed as noted by SEBI during the inspection. Compliance



is required to be demonstrated at the time of execution of trades and not subsequently.

13.11 The fact that pre-order confirmation was available for 83 orders does not dilute the violation in respect of the remaining orders. In my view, partial compliance cannot be accepted as a defence where the obligation is to maintain records for each and every trade executed on behalf of clients. 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.

13.12 In view of the above, I find that the Noticee has failed to maintain appropriate and verifiable evidence of client authorization prior to execution of trades, thereby violating Clause 35.2 of SEBI Master Circular for Stock Brokers read with NSE Circular NSE/INSP/67132 dated March 13, 2025 read with Regulation 3.2.1 of NSE (Capital Market) Trading Regulations, 1994 and Regulation 3.4.1 of NSE (Futures & Options) Trading Regulations, 2000, as alleged.

14.1 In respect of the findings of inspection relating to outsourcing its core business activities and compliance functions, the following was inter alia observed and alleged in respect of the Noticee:

14.1 During the inspection, the Stock Broker vide its email dated October 17, 2025 had submitted an undertaking on complaint redressal mechanism to NSE, which described the sharing of complaint redressal mechanism with its Authorized Person (AP). From the undertaking submitted by the stock broker, it is observed that Stock Broker has delegated the core compliance function of grievance redressal to its authorized person (AP). Upon



receiving the observation from SEBI, Noticee had submitted that AP involvement in complaint redressal has been completely restricted. It was further submitted that a dedicated Complaint Redressal & Monitoring Team (CRMT) has been established and all complaints were handled centrally with timestamped records, documented evidence, closure approval hierarchy, system-based tracking.

14.2 In view thereof, it was alleged that Noticee has violated Clause 86.5.1 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17,2025.

14.3 The Noticee acknowledged that the undertaking submitted to NSE vide email dated October 17, 2025 described the sharing of complaint redressal mechanism with its Authorized Person (AP), which was observed as delegation of core compliance functions to the AP. The Noticee mentioned that APs are involved in the redress mechanism to close the client complaint early, however the AP involved is now restricted in complaint redress mechanism. The Noticee explained that the intent behind involving the AP was never to abdicate compliance responsibility but rather to ensure wider geographic reach for investors particularly in remote locations where the AP operated and that this was a well-intentioned operational arrangement that inadvertently crossed into regulatory non-compliance territory. The Noticee further clarified that the sharing arrangement was limited to directing clients towards the grievance redressal channel and that there was no transfer of decision-making authority, no financial powers delegated and no investor complaint was resolved or closed by the AP independently, and complaints were closed after confirmation from client only.

14.4 It was submitted that upon receiving SEBI's inspection observation, the Noticee immediately and completely restricted AP involvement in the



complaint redressal process and a dedicated Complaint Redressal & Monitoring Team (CRMT) has been established at the Head Office level, handling all investor complaints centrally. The Noticee also highlighted that all complaints are now managed with timestamped records, documented evidence, closure approval hierarchy and system-based tracking and that AP access to the complaint system has been fully revoked and APs are only permitted to direct clients to the central grievance team contact details. The Noticee emphasized that this was a first-time lapse, immediately remedied, with no investor harm and that imposition of penalty in such circumstances would be disproportionate.

14.5 I have considered the allegation, the reply of the Noticee and the material available on record. It is observed that during the inspection, the Noticee had submitted an undertaking on complaint redressal mechanism which described the sharing of such mechanism with its Authorized Person (AP). From the said undertaking, it was observed that the stock broker had delegated the core compliance function of grievance redressal to its Authorized Person. The Noticee has acknowledged that AP were involved in the redress mechanism to close client complaints early, while contending that such involvement was intended to ensure wider geographic reach and that the arrangement was well-intentioned. The Noticee has further contended that there was no transfer of decision-making authority or financial powers and that complaints were closed after confirmation from clients.

14.6 Before proceeding further, it is pertinent to refer to the relevant provision alleged to have been violated. Clause 86.5.1 of the SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 provides that a stock broker shall not outsource its core business activities and compliance functions. The said provision casts an obligation on the stock broker to ensure that such functions, including



grievance redressal, are carried out under its direct control and supervision.

14.7 In the present case, the involvement of AP in the complaint redressal mechanism, as recorded in the undertaking submitted by the Noticee, indicates that the grievance redressal function was shared with an external entity. The regulatory requirement is not limited to transfer of decision-making authority, but extends to ensuring that such core compliance functions are not performed through or with the involvement of third parties. The submission that the arrangement was limited to directing clients towards the grievance redressal channel and that no complaint was independently resolved by the AP does not alter the position that APs were part of the complaint redressal mechanism during the inspection period.

14.8 The subsequent restriction of AP involvement and establishment of a centralized Complaint Redressal & Monitoring Team, along with implementation of timestamped records, documented evidence, closure approval hierarchy and system-based tracking, are noted as corrective measures. However, such measures have been implemented after the inspection observation and do not mitigate the position during the inspection period.

14.9 Further, the contention that this was a first-time lapse and that no investor harm has occurred is also not acceptable, as the regulatory requirement relating to grievance redressal is preventive in nature and intended to ensure accountability and proper control over complaint handling.

14.10 In view of the above, I find that the Noticee, by sharing the complaint redressal mechanism with its Authorized Person, has allowed involvement of an external entity in a core compliance function, which is



not in consonance with the regulatory framework. Accordingly, I hold that the Noticee has violated Clause 86.5.1 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025.

15.1 In respect of the findings of inspection relating to non-maintenance of documentary records for complaint redressal, the following was inter alia observed and alleged in respect of the Noticee:

15.1.1 During the inspection, from the email communication occurred between stock broker and the respective complainant, it was observed that there is a pattern that first, through an e-mail complaint was lodged by the complainant against the stock broker on unauthorized trading in his/her account and subsequently after a period of time, the same complainant has sent another e-mail to the stock broker to withdraw the said complaint that it previously lodged. However, no email correspondences/other mode of communications are available except the above said two emails between Stock Broker and the complainant with respect to redressal of unauthorized trading complaint nor the stock broker had provided the complete records/documents/evidence which has been referred by the stock broker to resolve the complaint during the inspection. In view of the above, it was observed that stock broker had failed to furnish the complete records and other documents as referred by it towards redressal of clients' complaints.

15.1.2 In view thereof, it was alleged that the Noticee has violated Clause 35.2, 35.3, 35.4 and 35.5 of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025.

15.2 In respect of the allegations, the Noticee acknowledged that during the inspection, it was observed that for certain investor complaints, the complete trail of redressal records — including intermediate



communication, investigation notes, and closure evidence — was not available and regretted this procedural gap.

15.3 The Noticee submitted that the complaints in question were, in fact, resolved and the complainants were satisfied and that the gap was in the documentation of the resolution process, not in the resolution itself. The Noticee further submitted that no investor remained aggrieved or unredressed as a consequence of this documentation gap. The Noticee submitted that the root cause of incomplete records was the transition between complaint management systems and the absence of a standardised, mandatory documentation protocol, which has now been permanently addressed.

15.4 The Noticee also submitted that the following corrective measures have been fully implemented: mandatory recording of all grievance-related calls (both inbound and outbound) — calls are automatically recorded and archived; complaints are closed only upon receipt of written email confirmation or recorded voice confirmation from the complainant — no unilateral closure is permitted; mandatory complaint audit trail introduced for every complaint, requiring a unique complaint number, investigation notes, all communication evidence and formal closure proof; central compliance dashboard implemented to provide real-time visibility of complaint status to senior management and the Compliance Officer; and quarterly internal audit of all complaint records conducted by an independent internal auditor. The Noticee further submitted that the violations were procedural/documentation lapses and not substantive violations that caused investor harm and that penalty in such circumstances would be disproportionate.

15.5 I have considered the allegation, the reply of the Noticee and the material available on record. At the outset, it is pertinent to refer to the relevant



regulatory provisions. Clause 35.2 of the SEBI Master Circular for Stock Brokers mandates that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which may be in the form of physical record, telephone recording, email from authorized email id, log for internet transactions, SMS records or any other legally verifiable record. Clause 35.3 further requires that in case of dispute, the broker shall produce the above-mentioned records for the disputed trades. Clause 35.4 mandates maintenance of telephone recordings where orders are received telephonically, and Clause 35.5 requires brokers to maintain the records specified in Clause 35.2 for a minimum period for which arbitrator accepts investors' complaints which is currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute. Thus, the regulatory framework casts a continuing and mandatory obligation on stock brokers to maintain complete, contemporaneous and verifiable records forming the audit trail of client instructions and complaint redressal.

15.6 In the present case, it is observed from the inspection findings that for certain investor complaints, the complete trail of redressal records — including intermediate communication, investigation notes and closure evidence — was not available. Further, from the email communication between stock broker and the respective complainant, it is observed that there is a pattern that first, through an e-mail complaint is lodged by the complainant against the stock broker on unauthorized trading in his/her account and subsequently after a period of time, the same complainant has sent another e-mail to the stock broker to withdraw the said complaint that it previously lodged. However, no email correspondences/other mode of communications are available except the above said two emails between Stock Broker and the complainant with respect to redressal of unauthorized trading complaint nor the stock broker had provided the complete records/documents/evidence which has been referred by the



stock broker to resolve the complaint during the inspection. In view of the above, it is observed that stock broker has failed to furnish the complete records and other documents as referred by it towards redressal of clients' complaints.

15.7 I note that the Noticee has acknowledged that for certain investor complaints, the complete trail of redressal records — including intermediate communication, investigation notes and closure evidence — was not available and has regretted this procedural gap. The Noticee has further submitted that the complaints in question were resolved and the complainants were satisfied and that the gap was in the documentation of the resolution process and not in the resolution itself. The Noticee has also submitted that no investor remained aggrieved or un-redressed and that the lapse was procedural/documentation in nature and did not cause investor harm.

15.8 In this regard, the contention of the Noticee that the lapse was merely procedural/documentation in nature and did not result in investor harm is not acceptable. The requirement to maintain complete and verifiable records is not a mere procedural formality but a substantive regulatory obligation forming the backbone of the framework designed to prevent and detect unauthorized trading. The regulatory requirement is preventive in nature and does not depend upon the occurrence of investor loss. In the absence of contemporaneous and verifiable records, it is not possible to independently establish whether the trades were executed on the basis of valid client instructions or whether the redressal of complaints was carried out in a fair and transparent manner.

15.9 Further, the existence of only two emails, i.e., initial complaint and subsequent withdrawal, without any supporting trail of investigation, communication, verification and closure evidence, does not satisfy the requirement of maintaining complete audit trail as envisaged under Clause



35.2 to 35.5 of the SEBI Master Circular dated June 17, 2025. I am of the view that such gaps in records strike at the root of investor protection framework and indicate inadequacy in internal control systems maintained by the Noticee.

15.10 The submissions regarding transition between systems, absence of standardised documentation protocol and subsequent corrective measures such as mandatory recording of grievance calls, audit trail mechanism and internal audits are noted. However, such post-facto corrective actions do not mitigate the violation committed during the inspection period. In my view, compliance with regulatory requirements is required to be demonstrated at the time of occurrence of the activity and cannot be cured retrospectively.

15.11 In view of the above, I find that the Noticee has failed to maintain complete and verifiable documentary records in respect of complaint redressal, including intermediate communication, investigation notes and closure evidence, thereby violating Clause 35.2, 35.3, 35.4 and 35.5 of the SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025.

16.1 In respect of the findings of inspection relating to settlement of complaints related to unauthorized trading during the inspection period, the following was inter alia observed and alleged in respect of the Noticee:

16.1.1 During the inspection, all the complaints related to unauthorized trading received by the stock broker during the inspection period had been verified. From the analysis of the complaints, it was observed that broker has settled 37 complaints pertaining to unauthorized trading by making payments against the claims of the respective complainants which reflects broker's acceptance of the recurring lapses in its internal control mechanisms and serious deficiencies in ensuring valid client authorization prior to order execution.



16.1.2 Accordingly, it was alleged that the Noticee has violated Clause A (2) and A (5) of Schedule II of the Code of Conduct for Stock Brokers as specified under Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992.

16.2 The Noticee, in its reply to the SCN has acknowledged that during the inspection period, 37 investor complaints pertaining to unauthorized trading were resolved by making payments to the respective complainants. The Noticee has even accepted that the reasons given for such settlement were found to be inconsistent with applicable regulations. The Noticee submitted that the settlements were made entirely in good faith, on a purely voluntary and goodwill basis, without any admission of liability, solely to protect investor interests and avoid hardship to investors who had lodged complaints. The Noticee further submitted that the primary motivation was investor protection — not avoidance of regulatory scrutiny.

16.3 The Noticee further submitted that by settling complaints and ensuring that investors were compensated, the Noticee acted in the spirit of investor protection which is the very foundation of SEBI's mandate. The Noticee submitted that settling investor grievances proactively should be viewed as a positive conduct, even if the mechanism used was procedurally imperfect. The Noticee further submitted that post-inspection, it has completely discontinued the practice of settling complaints through direct payments and all investor grievances are now handled exclusively through the formal complaint redressal mechanism with full documentation, verification, and compliance oversight.

16.4 The Noticee further submitted that the following enhanced governance measures have been implemented: revised Standard Operating Procedure (SOP) for Order Execution and Dealer Communication — formally documented and circulated to all staff; enhanced surveillance and



monitoring systems to identify and flag unusual order patterns in real-time; mandatory dealer training programs on SEBI's POC and unauthorized trading prevention requirements conducted quarterly; daily compliance monitoring reports prepared and submitted to senior management; quarterly internal audit review of all complaint and communication records; and zero-tolerance policy on unauthorized order execution — any dealer found in violation is subject to immediate termination. The Noticee further submitted that the funds were settled to the client as per the request and direction of the Exchange, Arbitrator, and Conciliator to retain the client for continuing the business with broker. It was also submitted that its conduct — while procedurally non-compliant — was fundamentally aimed at protecting investors, and that the imposition of a monetary penalty in such a context would not serve any remedial, deterrent, or public interest purpose.

16.5 I have considered the allegation, the submissions of the Noticee and the material available on record. It is pertinent to highlight that Clause A (2) of Schedule II of the Code of Conduct for Stock Brokers, as specified under Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992, mandates that a stock broker shall act with due skill, care and diligence in the conduct of its business. Clause A (5) further mandates that a stock broker shall abide by all applicable statutory requirements.

16.6 From the material available on record, it is observed that during the inspection period, complaints pertaining to unauthorized trading were settled by the Noticee by making payments against the claims of the respective complainants. Such settlement of complaints pertaining to unauthorized trading by making payments against the claims of the respective complainants reflects the broker's acceptance of the recurring lapses in its internal control mechanisms and serious deficiencies in ensuring valid client authorization prior to order execution. According to



me, the contention of the Noticee that such settlements were undertaken on a goodwill/voluntary basis, without admission of liability, is not tenable. Settlement of complaints involving unauthorized trading, by way of monetary payments, cannot be divorced from the underlying deficiencies in systems and controls, particularly when such instances are multiple.

16.7 Further, the material on record indicates disparity between the amounts claimed by the clients and the amounts settled by the Noticee, demonstrating absence of any consistent or verifiable basis for such settlements. In my view, the aforesaid conduct evidences failure to exercise due skill, care and diligence and non-compliance with the applicable regulatory requirements governing handling of investor grievances and order execution controls.

16.8 In view of the above, I find that the Noticee has violated Clause A(2) and Clause A(5) of Schedule II of the Code of Conduct for Stock Brokers as specified under Regulation 9(f) of SEBI (Stock Brokers) Regulations, 1992.

Issue No. II: If yes, whether the violations on the part of the Noticee would attract monetary penalty under Sections 15HB of the SEBI Act, 1992?

17. It has been established in the foregoing paragraphs that Noticee had violated provisions of SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025, SEBI (Stock Brokers) Regulations, 1992, NSE circular NSE /INSP/67132 dated March 13, 2025, NSE (Capital Market) Trading Regulations, 1994, NSE (Futures & options) Trading Regulations, 2000.

16 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....."



17 Therefore, for the established violation, as brought out in the foregoing paragraphs, I find that Noticee is liable for monetary penalty under section 15HB of the SEBI Act, 1992 which reads as under:

“ ...

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

18 While determining the quantum of penalty under Section 15HB of the SEBI Act, 1992, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, 1992 which inter alia reads as under: -

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.

....”

19 In the instant case, I note that the material available on record does not quantify the amount of disproportionate gain or unfair advantage or the amount of loss caused to an investor or group of investors as a result of the violations committed by the Noticee. However, I note from SEBI website that Adjudication order dated July 18, 2025 in the matter of Thematic Inspection of Goodwill Wealth Management Private Limited was passed in respect of the Noticee imposing monetary penalty of Rs. 5,00,000/-. A perusal of the said Order indicates that the violations therein were distinct and arose out of a different factual matrix. Therefore, the element of repetitiveness, as contemplated under Section 15J of the SEBI Act, cannot be said to be established in the instant case.



- 20 In this regard, I also note that Noticee had inter alia contended that the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default is NIL. The Noticee has further submitted that no investor has suffered any unrecovered financial loss. The Noticee has also submitted that all complaints were resolved and investors were compensated wherever applicable. The Noticee has further submitted this is the first instance of such findings against the Noticee which are not repetitive in nature. Further, it has also been submitted that Noticee has implemented strict risk control and monitoring mechanisms for Authorised Persons (APs), including withholding of AP payouts in cases where brokerage exceeds Rs. 25,000/- or any abnormal trading pattern is observed, release of payout is subject to client confirmation through verifiable communication modes (call/email/recorded confirmation), and that upon identification of regulatory violations, strict disciplinary action has also been taken including termination of the Authorised Person.
- 21 While I take note of the above submissions of the Noticee, I also note that the provisions relating to securities laws, including regulation and circulars issued by the regulator, are mandated inter alia with the objective of orderly functioning of the securities market and its constituents having regard to protection of the interest of the investors, which the Noticee failed to comply with, as dealt with and brought out in the foregoing. Such non-compliance accordingly needs to be dealt with suitable penalty.

E. ORDER

- 22 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 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby impose penalty of Rs. 4,00,000/- (Rupees Four Lakhs Only) under Section 15HB of SEBI Act, 1992, 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.

- 23 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

In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

- 24 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 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.
- 25 In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

DATE: April 28, 2026

PLACE: MUMBAI

SUDEEP MISHRA

ADJUDICATING OFFICER