WTM/GM/NRO/NRO/12906/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12 (3) of SEBI Act, 1992 read with Regulation 27 of SEBI (Intermediaries) Regulations, 2008 in the matter of Sai Soft Securities Limited.

NOTICEE	SEBI REGISTRATION NO
Sai Soft Securities Limited	**INB 231414831/INE271414232**

BACKGROUND

1. Sai Soft Securities Limited ('SSSL'/'Noticee') is a stock broker registered with the Securities and Exchange Board of India (SEBI) and is a member of the National Stock Exchange Ltd. (NSE) and the United Stock Exchange (USE). The registered office of the Noticee is at D-24, Deen Dayal Nagar, MDA Colony, Moradabad-240001.

2. SEBI along with NSE conducted an inspection of the affairs of the Noticee to examine its compliance with various regulatory norms prescribed by SEBI. The details of the alleged violations observed during the inspection are given below,-

   a. Non- cooperation with SEBI inspection team during inspection and failure to furnish information.

   b. Non- segregation of own and clients' funds and securities and misutilization of clients' securities.

   c. Declaration of Noticee as a defaulter of NSE

3. In view of the same, SEBI initiated enquiry proceedings against the Noticee under Chapter V of the SEBI (Intermediaries) Regulations, 2008 ("Intermediaries Regulations") and

appointed a Designated Authority ("DA") to enquire into whether the alleged violation of Regulation 21, 27 (ii) of the SEBI(Stock Broker) Regulations, 1992 (Broker Regulations) read with the provisions of SEBI circular SMD/SED/ClR/93/23321 dated November 18, 1993, and Clauses A(2) and A(5) of the Code of Conduct prescribed for stock brokers contained in Schedule Il of the Intermediary Regulations, by the Noticee, warranted cancellation or suspension of the certificate of registration granted by SEBI or any other action provided in Chapter V of the Intermediaries Regulations.

4. Thereafter, a Show Cause Notice (SCN) dated October 15, 2018 was issued to the Noticee in terms of Regulation 25 of the Intermediaries Regulations, by the DA, which was sent to the registered address of the Noticee. The SCN, however, came back undelivered. Thereafter, a public notice with respect to the undelivered SCN was published on November 30, 2020 in the Hindustan Times (Delhi edition) and Dainik Jagran (Moradabad edition). However, as no reply was received from the Noticee, the DA proceeded with the matter ex-parte. On completion of the proceedings, the DA submitted the report on December 29, 2020 (DA's Report) concluding the proceeding against the Noticee without recommending any action.

5. I note from the DA's report that the allegations against the Noticee were as under:

a. Non-cooperation:

Non- cooperation with SEBI inspection team during inspection and failure to furnish information to the SEBI inspection team.

b. Non declaration of bank account:

It was alleged in the SCN that Noticee had not declared its bank account no 910020029317404, which was used for receiving payments from clients, to the stock

exchanges. It was further alleged that term "client" was not added to the name of the account as required under SEBI circular SMD/SED/CIR/93Q332f dated November 18, 1993.

c. Non-segregation of transactions between own and client bank account:

It is alleged on the basis of the inspection report that an amount of Rs. 15.86 crores has been transferred from the aforementioned undisclosed account (ending 7404) to the Client bank a/c – 910020039409771, maintained with Axis Bank, during the period January 2011 till October 2012. During the same period, an amount of Rs. 5.51 crores has been transferred from the aforementioned Client a/c ending with 9771 to the undisclosed a/c ending with 7404.

d. Client bank account used for purposes other than specified:

It was alleged in the SCN that 6 transfers have been made from/ to the Client a/c ending with 9771 to an unknown bank account having the narration "Sai Soft Securities Ltd." Since the said amounts could not be traced to any of the bank accounts declared by the Noticee, it was alleged that the Noticee has mis-utilised funds of the clients.

e. Non segregation of client and own securities:

It is noted that the SCN alleges on the basis of the inspection report that during the period August 2011 to June 2013, on 26 instances, the securities have been transferred to and from Own beneficiary demat account no. 10557343 to Client beneficiary demat account no. 10537914. Further, on 17 instances, the Noticee has utilized securities of clients for meeting own obligations. The said securities were transferred from Client beneficiary demat account no. 10537914 to Own beneficiary

demat account no. 10557343 and subsequently sold in proprietary account. Thus, it was alleged that the Noticee has mis-utilised the securities of the clients for meeting its own obligations.

6. I note from the records that the status of the Noticee (CIN•. U74900UP2010PLC041339) is shown as *"Strike Off"* on the website of the Ministry of Corporate Affairs (MCA). It is further noted from the Form No. STK-7 - Notice of Striking Off and Dissolution- dated July 11, 2017, available on the MCA website, that the Noticee has been struck off the register of companies in terms of Section 248 of the Companies Act, 2013, which empowers the Registrar of Companies to remove the name of a company from the register of companies. I also note from the DA Report that the Noticee stands "dissolved" from June 06, 2017.

7. As stated earlier, Noticee is a member of NSE and United Stock Exchange (USE). I note from the records that BSE vide email dated March 09, 2016 has stated that post the merger of USE with BSE in 2014, the Noticee has neither applied to BSE for admission nor applied for surrender of its USE registration certificate. In view of the same, the status of the membership with USE was inactive.

8. NSE vide its emails dated March 11, 2016 and July 14, 2017 has stated that the trading terminals of the Noticee were initially disabled by NSE on December 18, 2013 for the F&O segment due to noncompliance with the initial margin maintenance requirement and then on January 24, 2014 in the cash segment for violation of margin requirement norms. Further, NSE has stated that the membership of the Noticee was suspended on February 13, 2015 in all segments and subsequently the Noticee has been declared as a defaulter on April 06, 2017. It is also noted that the rules of both NSE and BSE provide that once a

member of an exchange is declared a defaulter or expelled by any other exchange then such a member cannot continue or be admitted as a member.

9. In view of the above, considering the totality of the facts and circumstances, I am of the view that the proceedings initiated against the Noticee needs to be brought to a logical conclusion and certificate of registration which has been granted need not survive.

ORDER

10. I, in exercise of powers conferred under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 of the SEBI (Intermediaries) Regulations, 2008, hereby cancel the certificate of registration granted to the Noticee/Sai Soft Securities Private Limited (SEBI Registration No. INB 231414831/INE271414232), with immediate effect.

Place: Mumbai
Date: August 05, 2021

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA