

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/YK/2025-26/31785]**

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

**In respect of
Angel One Limited
PAN: AAACM6094R**

In the matter of Angel One Limited

BACKGROUND

1. Angel One Limited (hereinafter referred to as “**Noticee/AOL**”) has been registered with the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) as a stock broker. The registration number of Noticee is INZ000161534. SEBI and National Stock Exchange of India Ltd. (hereinafter referred to as “**NSE**”) had undertaken thematic inspection of the Noticee. The theme of the inspection was authorized person (hereinafter referred to a “**AP**”) using large number of trading terminals for their proprietary trade. Accordingly, onsite inspection of AP of Noticee namely Mr. Ashwin Thakkar was carried out on July 30, 2024. The inspection has been conducted for the period January 01, 2024 to June 30, 2024 (hereinafter referred to as “**IP**”).
2. Thereafter, findings of the said inspection were communicated to Noticee by SEBI vide letter dated December 06, 2024. The Noticee submitted its comments to the findings in the Inspection Report vide letters dated January 03, 2025 and April 07, 2025. After analyzing the findings of the inspection vis-à-vis the response of Noticee, a final inspection report (hereinafter referred to as “**IR**”) was prepared wherein the following violations were alleged:
 - (a.) Trading terminals mapped to AP – Mr. Ashwin Thakkar were operated by six unapproved/unauthorized users. Therefore, it was alleged that Noticee had violated the provisions of NSE Circulars No. NSE/MEMB/3574 dated August 29,

2002 (hereinafter referred to as “**NSE Circular dated August 29, 2002**”), No. NSE/MEMB/3635 dated September 25, 2002 (hereinafter referred to as “**NSE Circular dated September 25, 2002**”), No. NSE/MSD/34638 dated April 13, 2017 (hereinafter referred to as “**NSE Circular dated April 13, 2017**”), No. NSE/MSD/56778 dated May 22, 2023 (hereinafter referred to as “**NSE Circular dated May 22, 2023**”) and clause 9(vii) of NSE Circular No. NSE/COMP/56947 dated June 02, 2023 (hereinafter referred to as “**NSE Circular dated June 02, 2023**”) read with regulation 9(b) of the SEBI (Stock Brokers) Regulations 1992 (hereinafter referred to as “**Brokers Regulations**”), clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.

(b.) Four trading terminals mapped to AP – Mr. Ashwin Thakkar were not operated from the locations reported to stock exchange. Therefore, it was alleged that Noticee had violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and Point No. 6 of Annexure A to NSE Circular No. NSE/INSP/42448 dated October 18, 2019 (hereinafter referred to as “**NSE Circular dated October 18, 2019**”) read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.

(c.) Noticee failed to update the correct revised income/net-worth details of AP – Mr. Ashwin Thakkar in the unique client code (UCC) database of exchange promptly. Therefore, it was alleged that Noticee had violated the provisions of NSE Circular No. NSE/ISC/48165 dated May 03, 2021 (hereinafter referred to as “**NSE Circular dated May 03, 2021**”) read with regulation 9(b) of Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.

- (d.)AP – Mr. Ashwin Thakkar was an active client of other four stock brokers. Therefore, it was alleged that Noticee had failed to identify that its AP was dealing with other stock brokers and thereby violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.
- (e.)Two other APs of Noticee (Mr. Vipul Sanghvi and Mr. Kartik Tanna) were provided access to the terminals mapped to AP – Mr. Ashwin Thakkar. Therefore, it was alleged that Noticee failed to ensure that its AP is not dealing with other APs of the Noticee and thereby, violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.
- (f.) During the audit/inspection of its 3 APs (Mr. Ashwin Thakkar, Mr. Vipul Sanghvi and Mr. Kartik Tanna) conducted by Noticee, no adverse observation was made. However, during the inspection conducted by SEBI, aforesaid observations were made. Hence, it was alleged that the Noticee had failed to maintain adequate supervision of APs and thereby, violated the provisions of Point No. 6, 7 and 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and clauses 5(a), 5(b), 7(a), 7(e) and 7(g) of Annexure 1 to SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009 (hereinafter referred to as “**SEBI Circular dated November 06, 2009**”) read with clauses 32.5.1(a), 32.5.1(b), 32.7.1 and 32.7.5. of SEBI Master Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/53 dated May 22, 2024 (hereinafter referred to as “**SEBI Master Circular dated May 22, 2024**”) and regulation 30 of Brokers Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as “**AO**”) in this matter vide communiqué dated May 07, 2025 under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Rules**”), to inquire into and adjudge the aforementioned alleged violations by the Noticee, under the provisions of section 15HB of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice Ref. No. SEBI/EAD/EAD-2/JS/YK/15858/1/2025 dated June 12, 2025 (hereinafter referred to as “**SCN**”) was issued to Noticee in terms of rule 4 of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on it in terms of the provisions of section 15HB of the SEBI Act for the aforementioned violations alleged to have been committed by Noticee.
5. The SCN dated June 12, 2025, *inter alia*, alleged the following:

Operation of trading terminals by unapproved/unauthorized users

(a.) *It was observed from IR that the following six users of trading terminals of AP – Ashwin Thakkar were not his employees. It was further observed that two out of six users (Sr. Nos. 5 and 6 of below table) were APs of the Noticee, however, utilized the terminals mapped to the AP - Ashwin Thakkar.*

Table 1

S. No.	Name	Employee /Professional of SB/AP	Details of remuneration (Salary/ Professional fees)	Nature of Agreement provided, if any
1	Chetan Mehta	Professional of the AP Ashwin Thakkar	Professional Fees	Service Agreement
2	Dharmendra Sanghavi	Professional of the AP Ashwin Thakkar	Professional Fees	Service Agreement
3	Milind Khanolkar	Professional of the AP Ashwin Thakkar	Professional Fees	Service Agreement
4	Parag Shah	Professional of the AP Ashwin Thakkar	Professional Fees	Service Agreement

S. No.	Name	Employee /Professional of SB/AP	Details of remuneration (Salary/ Professional fees)	Nature of Agreement provided, if any
5	Vipul R. Sanghavi	Professional of the AP Ashwin Thakkar but also has AP registration with the Noticee	Professional Fees	Service Agreement
6	Kartik Madhavji Tanna	Not mentioned in the employee list of the AP Ashwin Thakkar despite using terminals mapped to AP Ashwin Thakkar. Additionally, Karthik Tanna also has AP registration with the Noticee.	No details provided	No details provided

- (b.) *The aforesaid findings were communicated to the Noticee by SEBI vide letter dated December 06, 2024. Noticee vide letters dated January 03, 2025 and April 07, 2025 had, inter alia, stated that the trading terminals were not being used by unauthorized person as the 6 users in question were employees of the AP, Ashwin Thakkar and they were also the approved users for the terminals as reported to the NSE. Noticee further submitted that it had obtained appointment letters from the AP confirming their employment. Additionally, Vipul R. Sanghvi and Kartik Madhavji Tanna, who were AOL's APs, were approved terminal users as per records submitted to NSE.*
- (c.) *From the aforesaid, it was observed that the Noticee in its replies submitted that six users are employees of the AP – Ashwin Thakkar and provided the copies of their appointment letters which was dated on or after July 01, 2024. In this regard, CTCL terminal allotment details for the aforementioned six users were sought from NSE. From the perusal of details provided by NSE, it was observed that the terminals were allotted to the said users during the period ranging from October 2022 to May 2024 which is prior to their appointment as employees of AP – Ashwin Thakkar on July 01, 2024. It was further observed that two of the six users were also APs of the Noticee, however, the Noticee in its replies submitted that they are employees of the AP – Ashwin Thakkar despite being the APs of the Noticee.*
- (d.) *In view of the above, it was alleged that the trading terminals of AP - Ashwin Thakkar were operated by six unapproved/unauthorized users and thereby, violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and clause 9(vii) of NSE Circular dated June 02, 2023 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.*

Non-availability of terminals at the reported location and the operation of terminals from unauthorized location

- (e.) It was observed from IR that four terminals of AP – Ashwin Thakkar were not available/operated from the reported location. Details of such terminals are as under:

Table 2

Sl. No	CTCL ID	Approved User Name	User PAN	Reported Location	Actual Location
1	400077 066004	Mr. Niketu Pratap Ganatra	AJIPG9886H	B 124, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077	319, 3rd Floor, Kailash Plaza, Vallabh Baug Lane, Ghatkopar East, Mumbai – 400 077
2	400077 066006	Mr. Niketu Pratap Ganatra	AJIPG9886H	B 124, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077	319, 3rd Floor, Kailash Plaza, Vallabh Baug Lane, Ghatkopar East, Mumbai – 400 077
3	400077 066011	Mr. Jiten Hariram Bhadra	BPCPB6139K	B 124, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077	117, 1st Floor, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077
4	400077 066013	Mr. Jiten Hariram Bhadra	BPCPB6139K	B 124, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077	117, 1st Floor, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077

- (f.) The aforesaid findings were communicated to the Noticee by SEBI vide letter dated December 06, 2024. Noticee vide letters dated January 03, 2025 and April 07, 2025 had, inter alia, stated that it obtains undertakings from APs during audit inspection, requiring terminals to be used only at approved locations. No request for location change was received from the AP in this case. The AP later explained via email to AOL that terminals belonging to Mr. Niketu Pratap Ganatra and Mr. Jiten Hariram Bhadra were temporarily shifted within the same building due to space constraints. Noticee further stated that it had deactivated these terminals.
- (g.) From the aforesaid, it was observed that the Noticee in its replies had submitted that as per undertaking submitted by AP to the Noticee, AP undertook to operate the trading terminal only from the approved location, however, they have not received any request from AP for the change of location of terminals. In this regard, it was observed that as per clauses 5(a) and 5 (b) of SEBI Circular dated November 06, 2009, stock broker shall be responsible for all acts of omission and commission of its AP and all acts of omission and commission of the AP shall be deemed to be

those of the stock broker. Hence, it was alleged that the submission of the Noticee regarding AP had not submitted request for change of location does not absolve the Noticee of its responsibility for the actions of the AP.

- (h.) The Noticee in its replies further submitted that the terminals had been deactivated in August, 2024. In this regard, it was observed that the deactivation request was placed by the Noticee on August 01, 2024 subsequent to the inspection conducted by SEBI and NSE on July 30, 2024. Hence, it was alleged that the violation persisted during the IP.
- (i.) In view of the above, it was alleged that four trading terminals of AP were not available/operated from the location reported to exchange. Therefore, it was alleged that the Noticee had violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and Point No. 6 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.

Failed to update correct revised income/networth of Ashwin Thakkar in UCC database of NSE promptly

- (j.) It was observed from IR that 169 alerts were generated for Ashwin Thakkar. However, no Suspicious Transaction Reports (STR) had been filed by Noticee. Details of alert generated are as follows:

Table 3

Details of Alerts	No. of Alerts
S144 Intra Day Turnover 1 Day FNO with premium TO	107
S91 Turnover in ASM GSM and Unsolicited Messages Scrip in EQ	24
S49 High Turnover in 1 Day FnO	15
S34 Net Money Out 30 Days	8
S32 Net Money Out 7 Days	7
S31 Net Money Out 1 Day	6
S19 Net Money In 7 Days	1
S30 Net Money In 1 Day	1
Total	169

- (k.) It was further observed that income/net-worth declaration dated February 22, 2024 was obtained by the Noticee from Ashwin Thakkar wherein the revised net-worth of Ashwin Thakkar was mentioned under "Rs. 1 crore & above" category. However, the Noticee had updated the same in UCC database of stock exchange only on September 11, 2024 subsequent to query being raised by NSE. Hence, it was alleged that the Noticee had failed to update revised income/net-worth details in UCC database of stock exchange promptly.

- (l.) *The aforesaid findings were communicated to the Noticee by SEBI vide letter dated December 06, 2024. Noticee vide letters dated January 03, 2025 and April 07, 2025 had, inter alia, stated that it regularly files STRs with the Financial Intelligence Unit India (FIU) and had filed 585 STR's for the FY 2023-24 and 836 STR's for the FY 2024-25 (till November 30, 2024) on the basis of the predefined regulatory parameters. For period between January 2024 to June 2024, the identified alerts for AP were within the set parameters and thus, did not warrant filing the STR. Noticee further stated that AP had provided revised income proof showing income and net worth over one crore rupees. Additionally, the AP held securities worth over 8 crore as of January 31, 2024. AOL updated the income range on the NSE UCC portal to "between 25 lacs to 100 lacs" on May 26, 2024, as no option above 1 crore was available but the updated net worth was inadvertently mentioned as 10 lacs instead of 1 crore, which was corrected after being highlighted by SEBI.*
- (m.) *From the aforesaid, it was observed that the Noticee in its replies submitted that income/net-worth declaration dated February 22, 2024 along with consolidated account statement with holdings valued at Rs.8,39,56,073.88 as on January 31, 2024 was obtained from Ashwin Thakkar, however, it inadvertently updated the income/networth Rs.10 lakh instead of Rs.1 crore on May 26, 2024 in the NSE UCC portal. The Noticee further submitted that it has rectified the same on September 11, 2024 when it was brought to its notice.*
- (n.) *In view of the above, it was alleged that the Noticee had failed to update the correct revised income/net-worth details of Ashwin Thakkar in UCC database of exchange promptly. Therefore, it was alleged that the Noticee had violated the provisions of NSE Circular dated May 03, 2021 read with regulation 9(b) of Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.*

AP dealt with other stock brokers

- (o.) *It was observed from IR that AP – Ashwin Thakkar was an active client with four other stock brokers namely ICICI Securities Ltd., 5Paisa Capital Ltd., Fyers Securities Pvt. Ltd. and Mirae Asset Capital Markets (India) Pvt. Ltd. Hence, it was alleged that the Noticee had failed to identify that its AP is dealing with other stock brokers.*
- (p.) *The aforesaid findings were communicated to the Noticee by SEBI vide letter dated December 06, 2024. Noticee vide letters dated January 03, 2025 and April 07, 2025 had, inter alia, stated that its AP had provided an undertaking during the audit inspection that he will not trade with any other stock brokers and all the proprietary trading must be done through AOL only. Further, the AP also undertook that he cannot open an account with another stock broker as well. The AP later explained via email to AOL that the trading account with the four other stock brokers were opened to understand the services, functionalities, speed and add on features*

provided by them and not much trading activity was done with the four other stock brokers.

- (q.) From the aforesaid, it was observed that the Noticee in its replies submitted that an explanation was sought by them from AP and the AP in his reply had informed that the trading accounts with the four other stock brokers were opened to understand the services, functionalities, speed and add on features provided by them and that not much trading activity was done with the four other stock brokers. Hence, it was alleged that the AP of the Noticee had dealt with other four stock brokers during the IP.*
- (r.) In view of the above, it was alleged that the Noticee had failed to identify that its AP is dealing with other stock brokers and thereby violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.*

AP dealt with other APs of the Noticee

- (s.) It was observed from IR that 2 other APs of the Noticee (Vipul R. Sanghavi and Karthik Madhavji Tanna) were provided access to terminals mapped to AP Ashwin Thakkar. Hence, it was alleged that the Noticee had failed to ensure that its AP is not dealing with other APs.*
- (t.) The aforesaid findings were communicated to the Noticee by SEBI vide letter dated December 06, 2024. Noticee vide letters dated January 03, 2025 and April 07, 2025 had, inter alia, stated that the AP registrations of Vipul R. Sanghvi and Kartik Madhavji Tanna were cancelled on August 13, 2024, based on their request, and acknowledged by NSE on August 14, 2024. Both of them were previously AOL employees and approved terminal users at the Ghatkopar branch, which was later converted into Ashwin Thakkar's AP office. After cancellation, from August 20, 2024, they were re-allotted terminals under Ashwin Thakkar as his employees.*
- (u.) From the submissions of the Noticee, it was observed that Vipul Sanghavi and Kartik Tanna were appointed as employee of the AP – Ashwin Thakkar vide appointment letters dated July 01, 2024. However, as submitted by the Noticee in its replies, the request for cancellation of AP registration of the 2 APs (Vipul R. Sanghavi and Kartik Madhavji Tanna) was submitted by it on August 13, 2024. Hence, for the duration from July 01, 2024 till August 13, 2024, Vipul R. Sanghavi and Kartik Madhavji Tanna were acting as both APs of the Noticee and the employees of the AP Ashwin Thakkar.*
- (v.) In view of the above, it was alleged that the Noticee had failed to ensure that its AP is not dealing with other APs of the Noticee and thereby, violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with*

regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.

Noticee had not maintained adequate supervision of APs

- (w.) It was observed from IR that no adverse observations were made by the Noticee during its audit/inspection of the 3 APs, viz., Ashwin Thakkar, Vipul R. Sanghavi and Kartik Madhavji Tanna. Details of inspection conducted by Noticee is provided in the table below. However, during the inspection conducted by SEBI and NSE, violations mentioned in aforesaid paras were observed. Hence, it was alleged that the Noticee had not maintained adequate supervision of APs:

Table 4

Name of the AP	Date of inspection of AP conducted by the Noticee	Violations observed by Noticee in the said inspections
<i>Kartik Madhavji Tanna</i>	<i>02/11/2023</i>	<i>No violations observed</i>
<i>Ashwin Thakkar</i>	<i>03/11/2023</i>	<i>No violations observed</i>
<i>Vipul R. Sanghavi</i>	<i>16/12/2023</i>	<i>No violations observed</i>

- (x.) The aforesaid findings were communicated to the Noticee by SEBI vide letter dated December 06, 2024. Noticee vide letters dated January 03, 2025 and April 07, 2025 had, inter alia, stated that AOL conducts the inspection of its APs in accordance with SEBI and Exchange regulations. The audit inspections of APs Ashwin Thakkar (in November, 2023 and November, 2024), Kartik Madhavji Tanna (in November, 2023), and Vipul R. Sanghvi (in December, 2023) were conducted and found to be compliant with all the regulatory requirements. The registrations of Tanna and Sanghvi were cancelled in August 2024, after which they were allotted terminals as employees of Ashwin Thakkar's AP. During onboarding, AOL carries out background checks, site visits, PAN validation, document verification, geotagging, and Video IPV. Upon onboarding, APs are monitored through a dedicated audit team via periodic inspections, mystery shopping, and web crawling to detect misuse of AOL's name online. AOL has implemented IP binding of the trading terminal resulting in restricting the movement of the terminal to locations other than registered with AOL. AOL implemented a self-certification mechanism from April 1, 2024 wherein all the APs are required to provide the status of compliance and also runs training and awareness programs, such as the #JagrutTejaBhai campaign and fortnightly emailers. Additionally, AOL deactivated 3,549 APs in FY 2024–25 due to inactivity or low revenue. AOL has been exercising supervision over the activities conducted by the APs to ensure compliances as per the regulatory requirements and a solitary instance cannot amount to the conclusion that there were any lacunae in the due diligence process of AOL.
- (y.) From the aforesaid, it was observed that the Noticee in its replies, inter alia, elaborated its due-diligence process for supervision of APs which includes conduction of audit/inspections of APs, obtaining undertaking, self-certification mechanism by the APs in respect of key compliance requirements, partnership

awareness programs, training programs etc. However, despite the aforementioned practices, during the inspection conducted by SEBI and NSE, violations mentioned in aforesaid paras were observed.

(z.) The Noticee in its replies has also stated that it has been exercising supervision over the activities conducted by the APs to ensure compliances as per the regulatory requirements and a solitary instance cannot amount to the conclusion that there were any lacunae in the due diligence process of the Noticee. In this regard, it was observed that SEBI and stock exchange had taken various actions against the Noticee in the recent past for inadequate supervision and control over its APs.

(za.) It was further observed that the Noticee in para 3 of its letter dated April 07, 2025 had claimed that additional measures have been taken by them to enhance the effective supervision of APs and provided details of the same. However, it is noted that the Noticee had made similar submissions in its reply dated May 03, 2024 in respect of inspection of Noticee on AP conducted in previous FY. The Noticee, in its reply dated May 03, 2024, inter alia, submitted about the Partner Awareness Programs conducted by the Noticee, dedicated inspection team that monitors the activities of AP, Self-certifications mechanism by APs, mystery shopping conducted by the auditors of SB, fraud detection support system, etc. However, as mentioned in aforesaid paras, violations have been observed in the instant inspection indicating that the corrective actions taken by the Noticee are not effective and inadequate.

(zb.) In view of the above, it is alleged that the Noticee had failed to maintain adequate supervision of APs and thereby, violated the provisions of Point No. 6, 7 & 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and clauses 5(a), 5(b), 7(a), 7(e) and 7(g) of Annexure 1 to SEBI Circular dated November 06, 2009 read with clauses 32.5.1(a), 32.5.1(b), 32.7.1 and 32.7.5. of SEBI Master Circular dated May 22, 2024 and regulation 30 of Brokers Regulations.

6. The SCN was duly served upon Noticee in consonance with the Rules. Noticee vide e-mail dated June 23, 2025 requested for inspection of documents which was duly conducted on June 30, 2025. Thereafter, Noticee was advised to submit its reply, if any, latest by July 14, 2025. Noticee submitted its reply vide letter dated July 14, 2025. Subsequently, an opportunity of hearing was granted to Noticee on August 14, 2025. However, the hearing scheduled on August 14, 2025 was adjourned to September 17, 2025 and thereafter, further adjourned to October 07, 2025, on the request of Noticee. On October 07, 2025, Authorized representative (hereinafter referred to as “**AR**”) of Noticee, Mr. Anubhav Ghosh assisted by Mr. Paras Taneja (i/b – M/s. Trilegal), attended the hearing and reiterated the submissions made vide letter dated July 14,

2025. ARs had also requested time to make additional submissions in the matter which was acceded to. Noticee made its submissions vide e-mail dated November 03, 2025.

7. The relevant extracts of Noticee's replies are reproduced as under:

(a.) *Preliminary objections*

A. Noticee cannot be considered to be liable for not ensuring adequate supervision over the actions of Mr. Ashwin, which have been committed beyond the scope and beyond the knowledge or control of the Noticee

(b.) *The allegations set out in the Notice pertains to the conduct of the AP, Mr. Ashwin, and not to any direct action or omission by the Noticee. On a plain reading of the Notice, it is evident that each of the alleged lapses arose due to the conduct of the AP and his associates, which was undertaken entirely outside the knowledge, control, and without the authorization of the Noticee. The doctrine of vicarious liability, as applied in regulatory jurisprudence, does not impose strict or absolute liability on a principal for all acts committed by its agent or AP, particularly where such acts are undertaken beyond the scope of the agency relationship or arise from the agent's own independent volition.*

(c.) *In the present case, the AP had expressly undertaken not to share or relocate terminals, and not to associate with any other broker. These undertakings were part of the onboarding documentation and compliance framework implemented by the Noticee. As will be adequately demonstrated below, these lapses were not present and hence not detected at the time of AOL's inspection of the AP. The Hon'ble Supreme Court in Sitaram Motilal Kalal v. Santanuprasad Jaishankar Bhatt held that a principal can only be held liable for the agent in the event that there is a finding that the wrongful act was authorised by the principal. The relevant excerpt is extracted hereunder for ready reference:*

"28. The law is settled that master is vicariously liable for the acts of his servants acting in the course of his employment. Unless the act is done in the course of employment, the servant's act does not make the employer liable. In other words, for the master's liability to arise, the act must be a wrongful act authorised by the master or a wrongful and unauthorised mode of doing some act authorised by the master. The driver of a car taking the car on the master's business makes him vicariously liable if he commits an accident. But it is equally well settled that if the servant, at the time of the accident, is not acting within the course of his employment but is doing something for himself the master is not liable. There is a presumption that a vehicle is driven on the master's business and by his authorised agent or servant but the presumption can be met. It was negatived in this case, because the vehicle was proved to be driven by an unauthorised person and on his own business. The de facto driver was not the driver or the agent of the owner but one who had obtained the car for his own business not even from the master but from a servant of the master. Prima facie, the owner would not be liable in such circumstances."

34. ...We find it simpler to state the law that an agent will make the principal responsible so long as the agent does the act within the scope of his authority or does so under the actual control of the principal. We do not subscribe to the extension of the doctrine that the act of the servant or the agent must be for the master's benefit. (emphasis supplied)

(d.) The above position is further supported by SEBI's own adjudication order dated April 18, 2024, in the matter of Mr. Alpesh Furiya and connected entities. In that case, SEBI categorically held that the mere fact that trades were executed through the CTCL terminal of the AP is not sufficient to attribute liability to the broker, absent any evidence that the broker was aware of or complicit in such trades. The Adjudicating Officer observed:

"15. ...The mere fact of the trades having been dealt through the CTCL terminal by the AP of the Noticee is not sufficient evidence as it is not corroborated by the knowledge that the Noticee knew such fraudulent trades were taking place and that the Noticee had allowed them to be carried out despite such knowledge. The investigation report has no information about the knowledge of the Noticee nor has same been alleged in the SCN.

16. Given the above, based on mere trading of the AP through CTCL terminal of AP it may not be sufficient evidence to hold the Noticee responsible for the action of AP." (emphasis supplied)

(e.) In light of this, it was submitted that where, as in the present case, the Notice does not establish that the Noticee had any active knowledge, intent, or involvement in the unauthorised acts of the AP, no regulatory liability may be fastened on the Noticee. In the present case, to attribute liability to the Noticee for the AP's alleged unauthorised use or temporary relocation of a terminal, particularly when such relocation was carried out due to operational constraints and without any intimation to the Noticee, would be unjust. It is further submitted that the observations in the Notice stem from a single-point inspection conducted by SEBI at the premises of the AP for a specific and limited period. The extrapolation of such findings to allege systemic supervisory failure on the part of the Noticee is disproportionate. The alleged lapses, if any, are isolated in nature, non-recurring, and in some cases procedural or venial, and do not indicate any mala fide intent or gross negligence on the part of the Noticee.

(f.) In light of the above, and in the absence of any evidence of knowledge, collusion, or deliberate omission by the Noticee, continuation of the present proceedings would result in a gross miscarriage of justice. In view of the above, it was submitted that the Notice should be set aside without imposition of penalty upon the Noticee.

B. Absence of mens rea, knowledge, or systemic deficiency—no case made out for adjudication

(g.) The Notice and the underlying Inspection Report dated July 30, 2024 ("Report") do not establish any element of mens rea, i.e., knowledge, intent, or wilful disregard by the Noticee in relation to the alleged acts of its AP, Mr. Ashwin. To the contrary, the Notice and the report itself notes that:

(a) the Noticee had conducted inspections of the AP's premises.

- (b) Had obtained self certifications and compliance undertakings/declarations.
- (c) and that the violations emerged only during SEBI's own inspection, which was limited in scope and time.
- (h.) The Notice itself is devoid of any allegation that the Noticee had prior knowledge, was complicit, or had intentionally remained indifferent to warning signs. The Notice merely reproduces the factual findings from the Report and invokes regulatory provisions, without linking any specific mental element or institutional failure to the Noticee.
- (i.) In fact, the SCN is premised on SEBI's purported observations which emerged from SEBI's inspection of the AP on a particular date and time. The findings which purportedly emerged from SEBI's inspection, were not found when AOL inspected the AP. For this reason alone, AOL should not be held responsible for the lapses purportedly observed by SEBI in its inspection, which were not present on the date(s) when AOL inspected the AP. Neither the Inspection Report nor the Notice alleges that the Noticee had actual or constructive knowledge of the AP, Mr. Ashwin's misconduct. In the absence of such a finding, and in view of the Noticee's adherence to a risk-based compliance framework, no case is made out for initiation of adjudication proceedings. The Notice is thus liable to be withdrawn on this ground alone.

Allegation I: Operation of trading terminals by unapproved/unauthorized users

- (j.) The Noticee denies the allegation that six unauthorised or unapproved persons were operating the CTCL terminal mapped to the AP, Mr. Ashwin, in violation of applicable NSE circulars and the SB Regulations. At the outset, the Noticee submits that the trading terminals were not being used by unauthorised persons, as all individuals namely (i) Chetan Mehta (Terminal ID: 400077066005 – Capital Market and Terminal ID: 400077066003 – F&O); (ii) Dharmendra Sanghvi (Terminal ID: 400077066008 – Capital Market and Terminal ID: 400077066006 – F&O); (iii) Milind Khanolkar (Terminal ID: 400077066015 – Capital Market and Terminal ID: 400077066012 – F&O); (iv) Parag Shah (Terminal ID: 400077066014 – Capital Market and Terminal ID: 400077066011 – F&O); (v) Vipul R. Sanghvi (Terminal ID: 400077066009 – Capital Market and Terminal ID: 400077066007 – F&O); and (vi) Kartik Madhavji Tanna (Terminal ID: 400077066006 – Capital Market and Terminal ID: 400077066004 – F&O), were either formally associated with the AP in a professional capacity or were themselves registered as Authorised Persons with the Noticee and duly mapped to their respective terminals.
- (k.) Further, for the six users, the Noticee had already submitted the activation request of the CTCL with NSE as Authorised Person or employee of the Authorised Person before July 1, 2024. This itself shows that these six persons were approved users of the trading terminals. Further, two of the users - Mr. Vipul R. Sanghvi and Mr. Kartik Madhavji Tanna- were themselves registered as Authorised Persons with the Noticee. They were mapped as approved CTCL users and were independently entitled to operate terminals. The Noticee had duly reported their details to NSE, and no deficiency has been pointed out in this regard. The relevant mapping and registration details have been made available to SEBI during the course of inspection.

- (l.) Therefore, the Noticee has not violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and Clause 9 (vii) of NSE Circular dated June 02, 2023 read with Regulation 9(b) of the SB Regulations, A(5) of Schedule II read with regulation 9(f) of SB Regulations and 26 (xix) of the SB Regulations.

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- (m.) The allegation asserts that six individuals operated terminals mapped to the AP without requisite approval. The governing regulatory framework is the National Stock Exchange of India ("NSE / Exchange") Circular dated August 29, 2002, titled "Guidelines for Location of CTCL Terminals and Usage Thereof" ("August 2002 Circular"). The August 2002 Circular prohibits trading members from entrusting Computer-to- Computer Link ("CTCL") terminals to clients or unregistered intermediaries and defines approved persons to include (i) employee of the trading member, (ii) registered sub- brokers, (iii) approved users, and (iv) Authorised Persons approved by the Exchange. Its object is preventive to ensure that only identified, Exchange-approved persons access the trading system.
- (n.) Exchange records, as relied upon in the Notice, substantiates the fact that all six individuals were duly approved users under the above framework and were allotted unique terminal IDs, well before the inspection conducted by SEBI in the captioned matter. The sole basis of the allegation is that their employment letters with the AP bear the date July 1, 2024. This conflates two distinct relationships:
- (a) Exchange approval, which determines the individual's legal authority to access the trading system, and
- (b) Employment status, which is an internal contractual arrangement of the AP. The August 2002 Circular nowhere stipulates that a person must first be on the AP's payroll before being granted Exchange approval. The criterion is whether the user is approved by the Exchange. Upon such approval, the user is not "unauthorised" for regulatory purposes.
- (o.) In light of the foregoing, the allegation with respect to operation of trading terminals by unapproved / unauthorized users be please dropped, as Exchange's own approvals establish that all users were duly authorized and identifiable under the prevailing regulatory framework and no instance of unauthorized access, client misuse, or operational lapse has been shown.

Allegation II: Non-availability of terminals at the reported location and the operation of terminals from unauthorized location

- (p.) The Notice observed that four trading terminals mapped to the AP, Mr. Ashwin, were not available at the approved location as reported to the Exchange and were instead being operated from an unauthorised address. Accordingly, this is alleged to have been in violation of NSE circulars (dated August 29, 2002; September 25, 2002; April 13, 2017; May 22, 2023; and October 18, 2019) and Regulations 9(b), clause A (5) of Schedule II read with Regulation 9(f), and 26(xix) of the SB Regulations.

- (q.) *The allegation of unauthorized extension or relocation of trading terminals is unfounded. The actual site of operation i.e., 319, 3rd Floor, Kailash Plaza, Vallabh Baug Lane, Ghatkopar (East), Mumbai – 400077, was merely a temporary setup within the same commercial complex as the reported and approved office address, namely B-124, Kailash Plaza, Opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400077. This shift was necessitated by practical and temporary space constraints, not by any intent to circumvent regulatory norms or conceal activities. The terminals remained under the same administrative and operational control, with no element of remote access or off-site deployment. In as much as there was no intent to breach the regulatory requirements and the said shift was only temporary to meet an exigent situation, the same not be construed as a regulatory breach and this observation be dropped.*
- (r.) *The Noticee through periodical physical audits has verified that each trading terminal provided to its APs are operated from the reported locations and AOL submits that during the past audit inspection conducted on November 3, 2023 and November 29, 2024, The Noticee did not come across any discrepancy with respect to terminal being operated from unauthorized location and it was noted by the auditor that the trading terminals were being operated at the reported location.*
- (s.) *Furthermore, the Noticee has a well-established practice, aligned with internal protocols and regulatory mandates, of obtaining formal undertakings from each of its AP. These undertakings explicitly affirm that trading terminals shall be operated strictly from Exchange-approved locations and solely by users duly authorized for such access. Any change in location requires prior notification to and approval by the Noticee, along with proper supporting documentation. In the present case, no such request or intimation was received from Mr. Ashwin at any point. Importantly, Mr. Ashwin had submitted a signed undertaking as recently as during the audit conducted on November 3, 2023, unequivocally reaffirming his commitment to these conditions. It was further submitted that upon receipt of SEBI's observations on December 06, 2024, the Noticee acted promptly and immediately sought an explanation from Mr. Ashwin. In response, Mr. Ashwin clarified via his email dated December 20, 2024, that the temporary relocation of terminals from B-124 to 319, 3rd Floor, Kailash Plaza, Ghatkopar (East), Mumbai – 400077, was due to temporary space constraints at the approved office.*

Steps taken by the Noticee pursuant to the Inspection Observations.

- (t.) *Upon being made aware, the Noticee promptly submitted a terminal disablement request to NSE on August 1, 2024, for the terminals used by Mr. Niketu Pratap Ganatra and Mr. Jiten Hariram Bhadra. As regards USER16 and CTCL ID 400077066019, the Noticee clarifies that a disablement request for this terminal was also submitted to NSE on August 1, 2024.*
- (u.) *Accordingly, the allegation that the Noticee has violated the provisions of NSE Circulars dated August 29, 2002; September 25, 2002; April 13, 2017; May 22, 2023; and Point No. 6 of Annexure A to NSE Circular dated October 18, 2019, read with Regulation 9(b), Clause A(5) of Schedule II read with Regulation 9(f), and Regulation 26(xix) of the SB Regulations, merits no further action.*

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- (v.) With respect to non-availability of terminals at the reported location, the Noticee clarified that the actual site of operation i.e., 319, 3rd Floor, Kailash Plaza, Vallabh Baug Lane, Ghatkopar (East), Mumbai – 400077, was merely a temporary setup within the same commercial complex as the reported and approved office address, namely B-124, Kailash Plaza, Opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400077. This shift was necessitated by temporary space constraints, not by any intent to circumvent regulatory norms or conceal activities. In as much as there was no intent to breach the regulatory requirements and the said shift was only temporary to meet an exigent situation of temporary space constraint, it is humbly submitted that the same not be construed as a regulatory breach and this observation be humbly dropped. At the time of appointment, the AP had executed undertakings confirming that terminals would be operated from the reported location. These undertakings form part of the standard contractual framework under the SEBI (Stock Brokers) Regulations, 1992 (“SB Regulations”), and the relevant NSE circulars. The Noticee reasonably relied upon these declarations, supported by its system of periodic inspections and on-site verifications.
- (w.) The regulatory expectation is to maintain effective oversight through risk-based inspections, not continuous physical supervision of every AP location. The Noticee conducted inspections of the AP’s premises in November 2023 and November 2024, and no irregularities were observed. The findings were duly documented and shared with SEBI during the inspection process, evidencing compliance with the prescribed supervisory requirements.
- (x.) Further, on August 1, 2024, the Noticee had taken corrective action by disabling the terminals and the same had also been reported to the Exchange and therefore, Noticee requested not to take any further action on this observation.

Allegation III: Failed to update correct revised income/networth of Mr. Ashwin in UCC database of NSE promptly

- (y.) The Notice alleges that the Noticee failed to update the correct revised income/networth details of Mr. Ashwin in the UCC database of NSE promptly, thereby in violation of the NSE Circular dated May 3, 2021, read with Regulation 9(b) of the SB Regulations and clauses A(2) and A(5) of Schedule II read with Regulation 9 (f) of the SB Regulations. There has been no regulatory lapse or negligence in its surveillance, assessment, or compliance processes in the instant matter. It is relevant to note that the trading activity of the AP during the relevant period (January to June 2024) was subject to regular internal surveillance and alert-based monitoring under the Noticee’s comprehensive risk management systems.
- (za.) During the said period, a total of 169 alerts were generated internally for Mr. Ashwin across various categories such as high intraday turnover, trades in ASM/GSM scrips, and net fund movements. Each alert was individually reviewed and analysed by the compliance and surveillance teams of the Noticee and were found to be non-suspicious.
- (zb.) A detailed alert-wise rationale for non-suspicion is set out below:
- (a) S144 – Intra-Day Turnover: 1 Day F&O with Premium Turnover (107 Alerts)

The alerts pertained to intraday trading activity in near-month futures contracts. On further review, it was observed:

- (i) The client's trades were dispersed across multiple contracts.*
- (ii) Trade volumes were not significant in the context of market turnover.*
- (iii) There was no apparent price impact or market manipulation.*

Based on the above, the activity was not considered suspicious and did not warrant filing of an STR.

(b) S91 – Turnover in ASM/GSM/Unsolicited Scrips (24 Alerts): Upon analysis it was observed that:

- (i) The trades were spread across 17 different scrips, demonstrating no concentration risk.*
- (ii) The AP engaged in both buy and sell transactions and the volumes were low relative to overall market activity in the relevant scrips, with no observed price influence.*

Accordingly, no indicators of manipulation or unusual behaviour were found.

(c) S49 – High Turnover in 1 Day F&O (15 Alerts): Upon analysis it was observed that:

- (i) The AP's trades were in Nifty contracts and confined to near-expiry series.*
- (ii) No positions were taken in far expiry contracts.*
- (iii) No material price impact was observed.*

Hence, the alerts did not raise any kind of suspicion.

(d) Net Money In and out (23 Alerts): The net fund movement alerts were reconciled with the AP's holding position and updated financial disclosures:

- (i) As of December 31, 2023, the AP held securities worth over INR 9 crore.*
- (ii) A revised income declaration (February 23, 2024) disclosed income and net worth exceeding INR 1 crore.*
- (iii) Supporting NSDL CAS statement (January 31, 2024) reflected holdings of over INR 8 crore.*

These disclosures validated the AP's financial capacity, and the alerts were found to be explainable and not suspicious.

(zc.) Accordingly, the above alert-specific analysis, backed by documentary proof of the AP's financial standing and timely internal monitoring, clearly demonstrates that there was no requirement to file STRs in the present instance. The trading conduct, was within rational and explainable bounds. Without prejudice to the above submissions regarding the genuineness and non-suspicious nature of the AP, Mr. Ashwin's, trading conduct, the Noticee clarified the factual position regarding the updating of the Mr. Ashwin's financial details in the UCC database of NSE.

(zd.) On February 23, 2024, the AP submitted a revised income declaration form indicating that his income and net worth were both over INR 1 crore. In support of this declaration, the AP also submitted a NSDL CAS statement dated January 31, 2024, which reflected holdings in excess of INR 8.39 crore. These disclosures were retained on record and used for internal surveillance purposes. Thereafter, on May 26, 2024, the Noticee updated Mr. Ashwin's income details on the NSE UCC portal to the highest permissible range, i.e., "INR 25 lakhs to INR 1 crore". It was submitted that, as per the NSE Circular dated May 3, 2021, the UCC portal

does not permit selection of an “above INR 1 crore” bracket for individual clients. This limitation was also confirmed in discussions with NSE officials. Thus, the selected income range on the Exchange portal accurately reflected the maximum allowable input.

- (ze.) Most importantly, that updating the net worth on the UCC portal is optional for an individual client/APs, nevertheless, in the present case, the Noticee had duly obtained and retained documentary evidence of Mr. Ashwin’s updated net worth (over INR 1 crore) and had also used the same for internal surveillance and risk monitoring purposes. The inadvertent input of INR 10 lakh was promptly rectified on September 11, 2024, once the issue was brought to the Noticee’s attention.
- (zf.) In light of the foregoing, it is respectfully submitted that the core allegation under Paragraph 5.14 of the Notice pertains only to a delay in updating the revised income/net-worth details of the AP on the UCC portal. The same, at most, constitutes a venial and technical lapse without any mala fide intent or regulatory consequence. Notably, the income details were updated to the maximum permissible bracket on the NSE UCC portal at the relevant time, and there was full internal documentation of the AP’s revised financial position. More importantly, updating the net-worth field for individual AP is optional and not a mandatory compliance requirement. The inadvertent interim entry of INR 10 lakh as net-worth was a clerical error, which was promptly corrected by the Noticee on September 11, 2024, upon being pointed out by NSE.
- (zg.) Without prejudice to the above, it is pertinent to note that the revised net-worth of Mr. Ashwin was duly updated by the Noticee on the BSE portal on May 27, 2024, as “INR 1 crore”. This further evidence the Noticee’s bona fide intent to ensure that all regulatory platforms were appropriately updated in a timely manner. Had there been any intention to suppress or misrepresent the AP’s financial status, the net-worth would not have been correctly updated on the BSE portal around the same time. This contemporaneous update reinforces that the interim misstatement on the NSE portal was purely inadvertent and not indicative of any systemic lapse or supervisory failure on part of the Noticee. Accordingly, it is humbly submitted that the above allegation merits no further regulatory action. The delay, if any, in updating the UCC portal was a procedural oversight, devoid of any mala fide intent, and stands fully rectified.

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- (zh.) The Noticee has various surveillance mechanism such as Intra-day turnover, turnover in ASM/GSM/Unsolicited scrips, high turnover in one (1) day futures and options, net money in and out, etc. In the instant case, the Noticee reached out to the AP to update his income and net worth after receiving alerts against the AP. Thereafter, in February 2024, the AP submitted revised income declaration form indicating both net worth and income above INR 1 crore along with NSDL CAS statement reflecting holdings in excess of INR 8.39 Crore.
- (zi.) Thereafter, on May 26, 2024, the Noticee updated Mr. Ashwin’s income details on the NSE and BSE UCC portal to the highest permissible range i.e., “INR 25 lakhs to INR 1 crore”. It is pertinent to note that the revised net-worth of Mr. Ashwin was duly updated by the Noticee on the BSE portal on May 27, 2024, as “INR 1

crore”. This further evidence the Noticee’s bona fide intent to ensure that all regulatory platforms were appropriately updated in a timely manner. Thus, the selected income range on the Exchange portal accurately reflected the maximum allowable input. Most importantly, that updating the net worth on the UCC portal is optional for an individual client/APs, nevertheless, in the present case, the Noticee had duly obtained and retained documentary evidence of Mr. Ashwin’s updated net worth (of over INR 1 crore) and had also used the same for internal surveillance and risk monitoring purposes. The inadvertent input of INR 10 lakh on the NSE UCC portal while updating the net worth was promptly rectified on September 11, 2024, once the issue was brought to the Noticee’s attention. In view of the above, it was submitted that the Noticee had taken corrective action by rectifying the income proof on the Exchange portal and the delay, if any, in updating the UCC portal was a procedural oversight, devoid of any mala fide intent, and stands fully rectified.

Allegation IV: AP dealt with other stock brokers

- (zj.) The Notice alleges that the Noticee failed to identify that its AP, Mr. Ashwin, was simultaneously registered and transacting with four other stock brokers, namely ICICI Securities Ltd., 5Paisa Capital Ltd., Fyers Securities Pvt. Ltd., and Mirae Asset Capital Markets (India) Pvt. Ltd, thereby, allegedly in violation of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019, read with Regulation 9(b), and Clauses A(2) and A(5) of Schedule II read with Regulation 9(f) of the SEBI Regulations.
- (zk.) It is submitted that the AP had provided an undertaking dated December 11, 2020, wherein he expressly agreed not to open a trading account with any other trading member and do the proprietary trading with the Noticee only. It is submitted that as a matter of practice, while, during audit inspections, the AP are required by the Noticee to provide an undertaking that they shall not trade with any other stock-broker and all the proprietary trades must be done through the Noticee only. In the instant case as well, during the audit inspection conducted on November 3, 2023, a formal undertaking was obtained from the Mr. Ashwin, wherein he expressly confirmed that:
- (a) He would not open trading accounts with any other stock broker; and
 - (b) All proprietary trading would be conducted exclusively through the Noticee.
- (zl.) The Noticee submitted that it had no reasonable means to foresee or detect that the AP had breached this undertaking by registering as a client with other brokers. At the time of execution of the undertaking, the Noticee had no information in its possession or accessible through exchange mechanisms indicating such affiliations. In this regard, it is submitted that the relationship between a stock broker and its AP is fiduciary in nature and significantly premised on trust, especially where written undertakings are obtained and relied upon.
- (zm.) Further, upon becoming aware of the said observation during the course of the SEBI inspection, the Noticee immediately sought an explanation from Mr. Ashwin. In his response dated December 20, 2024 (annexed herewith and marked as Annexure – F), Mr. Ashwin stated that the trading accounts were opened with the four brokers only for exploratory purposes, to evaluate the platforms’

functionalities, speed, and additional features. He categorically confirmed that minimal or no actual trading activity had taken place through those accounts.

(zn.) In the absence of any prior knowledge of the AP having trading accounts with other brokers, and in light of the binding undertaking already obtained, the Noticee could not have reasonably detected this infraction unless disclosed by the AP himself or flagged by the exchanges through a monitoring mechanism, which in this case, was not triggered.

(zo.) Accordingly, the allegation that the Noticee violated Point No. 12 of Annexure A to NSE Circular dated October 18, 2019, read with Regulation 9(b) and Clauses A(2) and A(5) of Schedule II read with Regulation 9(f) of the SB Regulations, may be excessive. The Noticee has acted in good faith, relying on written undertakings, and had no systemic lapse or wilful disregard in this regard. Thus, no further regulatory action is warranted.

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(zp.) It is respectfully submitted that at the time of onboarding, the AP executed the standard Authorised Person Agreement and furnished a written undertaking of exclusive association, confirming that the AP would not engage as a client, sub-broker, or Authorised Person with any other trading member. Such undertakings are mandated under the SEBI circulars governing Authorised Persons and form part of the standard contractual documentation executed with every AP. The Noticee obtained identical undertakings from all its APs, including Mr. Ashwin. Copies of these undertakings were produced during the inspection and are part of the record.

(zq.) Under the existing market structure, brokers do not have independent or system-level visibility into the trading or demat accounts of their APs with other members. There is presently no centralised repository or mechanism that enables a trading member to verify whether an AP has opened or operated accounts with any other broker. Accordingly, brokers (including the Noticee) rely on written declarations, periodic confirmations, and on-site audits to ensure compliance with exclusivity. The Noticee has consistently followed this framework in full conformity with the Exchange's prescribed requirements.

(zr.) The above facts make it clear that the conduct was an independent and undisclosed act of the AP, in contravention of his contractual undertaking. The Noticee neither derived any benefit from nor had any role in such activity in these circumstances, fastening liability on the Noticee for an act outside its knowledge and control would be misplaced and disproportionate.

Allegation V: AP dealt with other AP's of the Noticee

(zs.) The Notice observe that two other APs of the Noticee, i.e., Mr. Vipul R. Sanghavi and Mr. Kartik Madhavji Tanna were provided access to the terminals mapped to Mr. Ashwin. Accordingly, it is alleged that the Noticee failed to ensure that Mr. Ashwin is not dealing with the other APs, thereby, in violation of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019, read with Regulation 9(b), and Clauses A(2) and A(5) of Schedule II read with Regulation 9(f) of the SB Regulations.

- (zt.) The AP registrations of Mr. Vipul R. Sanghavi and Mr. Kartik Madhavji Tanna were voluntarily cancelled by them through formal requests submitted to the Exchange on August 13, 2024, which were acknowledged by NSE on August 14, 2024. A copy of the Exchange's acknowledgement is annexed herewith and marked as Annexure – M.
- (zu.) It is relevant to note that prior to their resignation as APs, both individuals were originally employees of the Noticee and were working out of its Ghatkopar Branch Office. Following the conversion of that branch into the AP office of Mr. Ashwin, they were offered the option to either continue as employees or transition into APs. While they initially chose to operate as APs, they later decided to withdraw from that role and resume their employment under Mr. Ashwin's AP entity.
- (zv.) It is respectfully submitted that the formal cancellation of their AP registrations was completed on August 14, 2024. Following this, the Noticee duly re-mapped the trading terminals for both individuals under Mr. Ashwin, AP entity, effective August 20, 2024, for both the Capital Market and F&O segments of the NSE. Copies of the screenshots from the NSE portal evidencing the remapping of terminals in respect of both the aforementioned individuals, along with the corresponding details of terminal mapping and employee allocation, are annexed herewith and marked as Annexure – N (Colly.).
- (zw.) Accordingly, the allegation that the Noticee failed to ensure that its AP was not dealing with other APs does not warrant further regulatory action. There was no operational misuse, market risk, or wilful default, and the Noticee took all corrective steps promptly upon finalisation of the AP resignations. In view of the above, the alleged violation of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019, read with Regulation 9(b) and Clauses A(2) and A(5) of Schedule II read with Regulation 9(f) of the SB Regulations, may be dropped.

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- (zx.) It was submitted that both Mr. Vipul Sanghvi and Mr. Karik Tanna were registered APs under the Noticee and held valid Exchange approvals at all times. On August 13, 2024, they voluntarily surrendered their AP registrations, and the Exchange acknowledged receipt. During this transition, both the abovementioned individuals joined Mr. Ashwin as employees. Their terminal remapping under Mr. Ashwin's AP entity was completed by August 20, 2024.
- (zy.) It is relevant to note that prior to their resignation as APs, both individuals were originally employees of the Noticee and were working out of the Ghatkopar Branch Office. Following the conversion of that branch into the AP office of Mr. Ashwin, they were offered the option to either continue as employees or transition into APs. While they initially chose to operate as APs, they later decided to withdraw from that role and resume their employment under Mr. Ashwin's AP entity.
- (zz.) Accordingly, the allegation that the Noticee failed to ensure that its AP was not dealing with other APs does not warrant further regulatory action. There was no operational misuse, market risk, or wilful default, and the Noticee took all corrective steps promptly upon finalisation of the AP resignations.

Allegation VI: Noticee had not maintained adequate supervision of APs

- (zaa.) *It is alleged that the Noticee did not maintain adequate supervision over three of its APs, namely Mr. Ashwin, Mr. Vipul R. Sanghavi, and Mr. Kartik Madhavji Tanna, in violation of Point No. 6, 7 and 12 Annexure A to NSE Circular dated October 18, 2019 read with Regulation 9(b) of SB Regulations, Clauses A(2) and A(5) of Schedule II read with Regulation 9(f) and clauses 5(a), 5(b), 7(a), 7(e) and 7(g) of Annexure 1 to SEBI Circular dated November 06, 2009 read with Clauses 32.5.1(a), 32.5.1(b), 32.7.1 and 32.7.5 of the SEBI Master Circular dated May 22, 2024 and Regulation 30 of the SB Regulations. This allegation is based on the fact that no adverse findings were recorded by the Noticee during the audit/inspection of these APs, while certain observations were subsequently made during SEBI's inspection of these APs.*
- (zbb.) *The Noticee has in place a comprehensive framework for supervision, inspection, and monitoring of all its APs. These processes are carried out in accordance with applicable SEBI Regulations, Exchange circulars, and internal risk and compliance protocols. Specifically, the Noticee has in place the following multi-tiered mechanisms for AP supervision:*
- (a) *Periodic Inspections: Inspections are conducted in accordance with the SEBI Circular dated November 6, 2009, the NSE Circular dated August 28, 2024, and other applicable directions. Each inspection includes, inter alia, verification of (i) the terminal location and its authorised usage, (ii) whether the AP is dealing with other APs or unregistered intermediaries, and (iii) declarations made regarding business operations and regulatory compliance.*
 - (b) *Dedicated Surveillance Team: A trained and experienced inspection and compliance team monitors AP activities on an ongoing basis and escalates anomalies for resolution. The team is responsible for executing the inspection scope, reporting deviations, and ensuring follow-through on remedial action.*
 - (c) *Corrective Measures: Based on inspection findings, the Noticee undertakes appropriate corrective actions including deactivation of CTCL IDs, issuing advisories, and taking disciplinary measures where warranted.*
 - (d) *Ongoing Monitoring and Updates: The Noticee regularly reviews the effectiveness of its AP oversight framework and ensures compliance through timely updates, internal audits, and adherence to best practices.*
- (zcc.) *The scope of inspections undertaken by the Noticee in 2023 and 2024 was aligned with the parameters laid down in applicable SEBI and NSE circulars. No violation of any kind was observed during the November 2023, December 2023, and November 2024 inspections. The issues allegedly flagged during SEBI's inspection pertain to a discrete and limited time frame, and do not undermine the overall effectiveness of the Noticee's supervisory mechanisms.*
- (zdd.) *It was further submitted that the relationship between a stock broker and its APs is primarily contractual in nature and governed by the applicable regulatory framework. The broker is entitled to rely upon the undertakings, declarations, and confirmations provided by the APs during onboarding and periodic audits. It is neither feasible nor mandated for the broker to independently verify each aspect of the AP's conduct on a real-time basis, particularly during the intervals between periodic inspections. The regulatory expectation is to maintain reasonable*

supervision, not continuous surveillance. The Noticee's systems and audit protocols, as detailed above, were reasonably designed to detect and address non-compliances, and no mala fide intent or systemic lapse can be attributed in the present case.

(zee.) Without prejudice to the above, it was submitted that isolated observations during a limited period of regulatory inspection cannot be interpreted as a systemic failure or a lapse in supervision. Regulatory expectations are dynamic, and genuine variations in audit findings may arise due to differences in timing, scope, or interpretation. The Noticee has consistently demonstrated vigilance in monitoring its APs, including cancelling registration of approximately 3,500 APs due to inactivity or low revenue during FY 2024–25.

The Noticee has exercised proper due diligence and adequate supervision

(zff.) It is submitted that the Noticee fully complied with its obligation to exercise due diligence and oversight and adequate supervision in terms of the Applicable Framework. The Noticee had relied on Judgment of Hon'ble Supreme Court in the matter of Chander Kanta Bansal v. Rajinder Singh Anand and Judgment of Hon'ble SAT in the matter of Almondz Global Securities Limited v. SEBI, Sharedeal Financial Consultants Private Limited v. Chairman, SEBI, Imperial Corporate Finance & Services Private Limited v. SEBI and Mehta Equites Limited v. AO, SEBI.

(zgg.) In this regard, it would be relevant to refer to Bibby Cheshir v. Golden Wonder Ltd, where the Queen's Bench, England concluded that 'due diligence' means taking all reasonable precaution and if such precaution has been taken, then a person cannot be accused of lack of diligence.

(zhh.) In view of the above, it must be noted that the settled legal standard for due diligence is premised on whether the entity concerned did everything reasonable to discharge its legal obligation and not everything possible. Further, the logic and rationale applied by the Hon'ble SAT in Mehta Equites, squarely applies to this case as well. As long as the Noticee has not aided or abetted malpractice on the part of its trading member, it cannot be made guilty for failure to maintain a very high standard of due diligence.

(zii.) In view of the above, it is clear that the standard of diligence applicable would be premised on the test of reasonableness. Further, the obligation to conduct due diligence has to be enquired and found out on a higher degree of preponderance of probabilities taking into account the facts and circumstances.

(zjj.) In view of the above, it was submitted that the Noticee did not violate any provision of Regulation 9(b) of the SB Regulations or Clauses A(2) and A(5) of Schedule II read with Regulation 9(f) of the SB Regulations. The allegation that the Noticee failed to maintain adequate supervision over its APs is unfounded and unsupported by the inspection records and therefore warrants no regulatory action.

Additional submissions vide e-mail dated November 03, 2025

(zkk.) The Noticee conducted its periodic full-scope inspections of the AP, Mr. Ashwin in November 2023 and November 2024, covering infrastructure, terminal usage, documentation, and client interface. Both inspections were duly documented and

no material irregularity, unauthorised activity, or deviation from the prescribed processes was observed. In parallel, the compliance and surveillance functions of the Noticee reviewed a total of 169 alerts generated during the relevant period, including those relating to turnover, margin exposure, fund movement, and trading in restricted securities. Each alert was examined and closed in accordance with internal procedures, with none requiring escalation or regulatory reporting. These actions demonstrate a risk-based and continuous monitoring framework consistent with the regulatory expectation of effective supervision.

(zll.) The Noticee has established multi-layered oversight functions that combine (i) periodic on-site audits, (ii) ongoing off-site surveillance through Exchange alerts, (iii) mandatory self-certifications from all APs, and (iv) an integrated escalation and review process across compliance, business, and technology teams. Each AP is assessed on financial soundness, trading pattern, and client complaints. Post-inspection, the Noticee further strengthened these controls by introducing static-IP binding with ISP verification, and an online self-certification portal that mandates documentary uploads and automatically restricts access in case of non-compliance. A “mystery-audit” mechanism was also introduced to independently verify representations made by APs. These measures, implemented voluntarily and not as a response to enforcement, demonstrate the Noticee’s commitment to regulatory compliance and operational integrity.

(zmm.) Judicial precedents have consistently held that supervisory liability must be founded on knowledge, participation, or wilful disregard of duty. The principle was laid down in Adjudicating Officer, SEBI v. Bhavesh Pabari, Chander Kanta Bansal v. SEBI, Piramal Enterprises Ltd. v. SEBI, and in the matter of Alpesh Furiya. In each of these matters, it was held that enforcement action must consider proportionality and intent, and that due diligence is measured by the adequacy and responsiveness of systems, not by hindsight. Applying these principles, the Noticee’s supervisory processes satisfy the requirements of due diligence and supervision under Regulation 9 of the SB Regulations and the Code of Conduct therein. Therefore, the allegation of inadequate supervision is not supported either by the material available on record or by law.

Facts of the case do not warrant imposition of any penalty

(znn.) At the outset, it was submitted that since no contravention has been made out, there cannot be an imposition of any penalty on the Noticee. It was submitted that the imposition of any penalty whatsoever is totally unjustified in the given facts and that the case of the Noticee requires serious consideration. The Noticee submitted that any imposition of penalty would be completely contrary to canons of securities laws and jurisprudence. Further any imposition of penalty bases an incorrect appreciation of the facts or untenable application of the law would irreparably prejudice the Noticee’s reputation. It is submitted that, as has been observed by the Hon’ble SAT, when there is an allegation which has the propensity to affect the reputation of a market participant, there must be a “convincing preponderance of evidence” for such party to be found guilty.

(zoo.) It is a trite law that a penalty need not be imposed in every case if a default were to be established, and the enforcement authority is required to assess the relevant circumstances in order to determine whether the imposition of penalty is justified in a particular case. It is also well settled that where there is only a technical or venial default, penalty at all ought not to be imposed. The Noticee had relied on Judgment of Hon'ble Supreme Court in the matter of Siddharth Chaturvedi v. SEBI and Adjudicating Officer, SEBI v. Bhavesh Pabari and Judgment of Hon'ble SAT in the matter of State Bank of India v. SEBI, Religare Securities Ltd. v. SEBI, DSE Financial Services Ltd. v. SEBI and Piramal Enterprises Limited v. SEBI.

(zpp.) Without prejudice to the aforesaid submissions, it is also important to note the extensive improvements and control measures which have progressively been voluntarily adopted by the Noticee to enhance oversight and ensure regulatory compliance. The same are as follows as follows:

(i) The Noticee has proactively implemented a terminal IP binding process. Under this process, the AP is required to provide the static IP of the terminal along with the service provider's bill showing the same address as the registered office. As a result of the IP binding process, a terminal-based AP cannot execute trades from any location other than the one registered and bound to the specific static IP.

(ii) The Noticee has adopted a mystery shopping framework, to monitor the conduct of APs. This involves discreetly testing AP practices through internal or third-party investigators, based on criteria such as negative feedback, pre-trade anomalies, or social media surveillance alerts, adverse observations during audit, client complaints etc. This illustrates the Noticee's proactive vigilance and commitment to investor protection.

(iii) The Noticee has implemented a process of quarterly closure of inactive or low-revenue APs, using a stricter threshold than mandated by the NSE. APs with gross revenue under INR 20,000 or fewer than 20 clients in a quarter are identified and initiated for closure.

(iv) The Noticee has implemented a compliance self-certification process, mandating all APs to fill up the compliance checklist and upload documents such as bank statements, investor grievance registers, DP statements on a half-yearly basis via the NXT platform. These relevant documents include, and compliance checklists. The Noticee monitors compliance through periodic follow-ups and, where necessary, blocks payouts to non-compliant APs until rectification.

(v) The Noticee is conducting analysis of all the bank statements of APs, who have incurred substantial losses in proprietary trading accounts.

(vi) The Noticee has implemented pre-lead verification checks into the AP onboarding process. This inter-alia includes verifying the availability of office infrastructure, confirming APs details with the documentary evidence etc.

(vii) The Noticee has implemented a quarterly process, through an external chartered accountant firm to fetch goods and services tax (GST) registration details of all registered APs based on their PAN. This exercise is aimed at identifying whether any AP is engaged in non-permissible activities under a different trade name linked to the same PAN.

(viii) *The Noticee has implemented compliance training to be conducted during AP onboarding and to existing APs, covering education on all relevant exchange and AOL compliance requirements.*

(ix) *The Noticee has established procedure of physical visit of APs at the address and verify items including location verification, document verification, geo-tagging etc.*

(x) *The Noticee has provided APs with NXT platform for facilitate better compliance, including upload of bank/DP statements, static IP binding for terminals, and uploading of pre-trade recordings.*

(xi) *The Noticee has undertaken client and AP awareness initiatives, including the launch of the #JagrukTejaBhai campaign and periodic mailers to clients and APs.*

(xii) *The Noticee has revised its standard AP agreement draft in alignment with NSE Circular No. 56/2024 dated August 28, 2024, ("NSE August 2024 Circular") requiring specific undertakings on compliance. From March 2025 onwards, all new APs will be onboarded under the updated agreement.*

(xiii) *The Noticee has developed a utility to view and track pre-trade confirmations with offline orders at the order level.*

(zqq.) It was further submitted that the principle recognised in Almondz Global Securities Ltd., supports the Noticee's position that minor procedural variations within a sound and effective compliance framework does not amount to negligence. The Noticee had established a structured monitoring system comprising physical inspection, declaration- based verification, and electronic audit trails. The temporary shift within the same premises, which did not impact traceability or control, does not therefore constitute a lapse under the applicable regulatory framework.

(zrr.) It was submitted that the above measures many of which predate or go beyond the mandatory regulatory framework reflect the Noticee's good faith, diligence, and proactive approach. These actions were undertaken not only in response to specific incidents but as part of a comprehensive overhaul to ensure integrity and transparency in AP conduct.

CONSIDERATION OF ISSUES AND FINDINGS

8. Before dealing with the issues involved, I would like to address the preliminary submissions made by Noticee.
9. The Noticee submitted that the allegation in the present proceedings pertains to the conduct of the AP, Mr. Ashwin and not to any direct action or omission by the Noticee. It had submitted that the alleged lapses were outside the knowledge, control and without the authorization of the Noticee and SCN also did not establish the same. As per Noticee, the findings emerged from SEBI's inspection were not found when it had inspected the AP and the Noticee had also duly obtained undertakings/declarations

from AP regarding the compliance. Therefore, according to Noticee, no regulatory liability may be fastened on it. The Noticee has also placed reliance on the judgment of Hon'ble Supreme Court in the matter of Sitaram Motilal Kalal v. Santanuprasad Jaishankar Bhatt¹ and the SEBI Order in the matter of Mr. Alpesh Furiya and connected entities². The Noticee also argued that the SCN did not establish any element of mens rea.

10. In this regard, it is pertinent to refer the provisions of SEBI Circular dated November 6, 2009, that reads as under:

“The following are the conditions of appointment of an authorised person:

- a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.*
- b) All acts of omission and commission of the authorized person shall be deemed to be those of the stock broker.*

Obligations of Stock Broker

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

11. From the aforesaid, it is noted that a stock broker is permitted to provide market access to clients through APs on the pre-condition that the stock broker shall be responsible for all acts of omission and commission of its APs. An obligation has been categorically cast on the stock brokers that they shall be held responsible for all acts of omission and commission of their APs and/or their employees, including liabilities arising there from. The circular specifically mentions all acts of omission and commission without any exceptions. Hence, the Noticee, being a registered intermediary as a stock broker, is duty-bound to ensure that all APs registered with it abide by all applicable laws and it shall be held responsible for all the acts of omission and commission of its APs. Accordingly, the submissions of Noticee that alleged lapses by its AP was without its knowledge, control or authorization is devoid of merit.

¹ 1966 SCC OnLine SC 210

² SEBI's Adjudication Order dated July 18, 2024, bearing no Order-BM-JR-2024-25-30573

12. With respect to the contention of Noticee that it had duly conducted inspection of its APs in question and no such findings as alleged in the present proceedings were found and also that it had obtained undertakings/declarations from AP regarding the compliance, it is noted that NSE Circular dated October 18, 2019, mandates structured periodic inspections of all APs and outlines an indicative scope of inspection of APs with the purpose of ensuring structured risk-based supervision. The circular unequivocally intends to establish a system to monitor and review the trading activities of APs. The Noticee has not demonstrated any system to verify compliance with the undertaking/declaration submitted by its AP. Mere complying with the requirement of inspection and obtaining undertaking/declaration regarding compliance of laws with the AP does not negate and/or dilute the responsibility of a stock broker for the acts of omission and commission of its APs. Therefore, the Noticee cannot be exonerated of its liability and responsibility for the actions of its APs merely by complying with the requirement of inspection and obtaining undertaking/declaration from its APs. Accordingly, the submissions of Noticee in this regard are not tenable.
13. With respect to reliance of Noticee on the judgment of Hon'ble Supreme Court in the matter of *Sitaram Motilal Kalal v. Santanuprasad Jaishankar Bhatt* (supra), it is noted that the said case was in the context of tortious liability under common law principles and it was held that, *"master is vicariously liable for the acts of his servants acting in the course of his employment. Unless the act is done in the course of employment, the servant's act does not make the employer liable."* In contrast, the present proceedings arise under a special regulatory framework which statutorily fixes responsibility on the broker for the acts of its APs. It is also pertinent to note that alleged lapses on the part of Noticee's AP in the present proceedings were pertaining to the activities carried out by AP while acting as an agent³ of the Noticee. Accordingly, the reliance placed by the Noticee in the said judgment is misplaced.

³ SEBI Circular dated November 06, 2009 defines AP as "Any person - individual, partnership firm, LLP or body corporate – who is appointed as such by a stock broker (including trading member) and who provides access to trading platform of a stock exchange as an agent of the stock broker."

14. With respect to reliance of Noticee on the order of SEBI in the matter of Mr. Alpesh Furiya and connected entities, it is noted that in the said case, stock broker was alleged to be held liable for the alleged fraudulent trades executed by AP from his own trading account or his family member account. The said order categorically makes a finding that the investigation report had no information about the knowledge of the stock broker nor the SCN did allege the same, when knowledge is an essential element to establish the violation of fraud. In contrast, the present case involves the lapses observed during the course of inspection conducted at the premises of AP of Noticee. These lapses were pertaining to the activities carried out by AP while acting as an agent of the Noticee. Hence, the facts and circumstances of the cited case is different from the present proceedings. Accordingly, the reliance placed by Noticee in the said case is misplaced.
15. As regards the Noticee's argument that there was no mens rea, I would like to refer to the ruling of the Hon'ble High Court of Bombay in the matter of *SEBI v. Cabot International Capital Corporation*⁴, wherein the Hon'ble High Court of Bombay, *inter alia*, held that, "31. The adjudication for imposing penalty by Adjudicating Officer, after due inquiry, is neither a criminal nor a quasi criminal proceeding. The penalty leviable under this Chapter or under these Sections, is penalty in cases of default or failure of statutory obligation or in other words breach of civil obligation. The provisions and scheme of penalty under SEBI Act and the Regulations, there is no element of any criminal offence or punishment as contemplated under criminal proceedings. Therefore, there is no question of proof of any mens rea by the Appellants and it is not essential element for imposing penalty under SEBI Act and the Regulations.....32. The SEBI Act and the Regulations, are intended to regulate the Security Market and the related aspects, the imposition of penalty, in the given facts and circumstances of the case, cannot be tested on the ground of "no mens rea, no penalty". For breaches of provisions of SEBI Act and Regulations, according to us, which are civil in nature, mens rea is not essential. On particular facts and circumstances of the case, proper exercise of judicial discretion is a must, but not

⁴ Appeal No. 7 of 2001 decided on March 03, 2004

on a foundation that mens rea is an essential to impose penalty in each and every breach of provisions of the SEBI Act.....According to us, mens rea is not essential for imposing civil penalties under the SEBI Act and Regulations.” Further, the Hon'ble Supreme Court of India in the matter of SEBI v. Shri Ram Mutual Fund⁵, 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 Regulation 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 made by the defaulter with guilty intention or not. We also further held that unless the language of the statute indicates the need to establish the presence of mens rea, it is wholly unnecessary to ascertain whether such a violation was intentional or not. On a careful perusal of Section 15(D)(b) and Section 15-E of the Act, there is nothing which requires that mens rea must be proved before penalty can be imposed under these provisions. Hence once the contravention is established then the penalty is to follow.”

16. In view of the aforesaid settled legal position, it is evident that mens rea is not required to be established for the imposition of penalty in the present proceedings. Once failure to comply with statutory obligations is established, the penalty stands attracted. Hence, the submission of Noticee on this point is also misplaced.

17. I shall now proceed to deal with the issues involved on merits.

18. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

I. Whether trading terminals mapped to AP – Ashwin Thakkar of Noticee were operated by six unapproved/unauthorized users and thereby, Noticee violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated

⁵ [2006] 68 SCL 216(SC)

September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and clause 9(vii) of NSE Circular dated June 02, 2023 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations?

II. Whether 4 trading terminals mapped to AP – Ashwin Thakkar were not operated from the locations reported to stock exchange and thereby, Noticee violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and Point No. 6 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations?

III. Whether Noticee failed to update the correct revised income/net-worth details of AP – Ashwin Thakkar in the UCC database of exchange promptly and thereby, violated the provisions of NSE Circular dated May 03, 2021 read with regulation 9(b) of Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?

IV. Whether Noticee failed to identify that its AP – Ashwin Thakkar was dealing with other stock brokers and thereby, violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?

V. Whether Noticee failed to ensure that its AP – Ashwin Thakkar is not dealing with other APs of the Noticee and thereby, violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?

VI. Whether Noticee failed to maintain adequate supervision over its APs and thereby, violated the provisions of Point No. 6, 7 and 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers

Regulations, clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and clauses 5(a), 5(b), 7(a), 7(e) and 7(g) of Annexure 1 to SEBI Circular dated November 06, 2009 read with clauses 32.5.1(a), 32.5.1(b), 32.7.1 and 32.7.5. of SEBI Master Circular dated May 22, 2024 and regulation 30 of Brokers Regulations?

VII. Does the violation, if any, on the part of Noticee attract monetary penalty under section 15HB of the SEBI Act?

VIII. If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?

19. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticee. The same are reproduced as under:

“Brokers Regulations

Conditions of registration.

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

.....

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him;

.....

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

Liability for monetary penalty.

26. A stock broker shall be liable for monetary penalty in respect of the following violations, namely—

.....

(xix) Extending use of trading terminal to any unauthorized person or place.

Power to specify procedures, etc. and issue clarifications

30. For the purposes of implementation of these regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars to recognised stock exchange(s) and recognised clearing corporation(s).

SCHEDULE II

CODE OF CONDUCT FOR STOCK BROKERS

A. General.

.....

(2) Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.

.....

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

NSE Circulars and SEBI Circulars⁶

Issue I. Whether trading terminals mapped to AP – Ashwin Thakkar of Noticee were operated by six unapproved/unauthorized users and thereby, Noticee violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and clause 9(vii) of NSE Circular dated June 02, 2023 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations?

20. It was observed that during the period from October, 2022 to May, 2024, trading terminals mapped to AP – Mr. Ashwin Thakkar were allotted to/operated by six users namely Mr. Chetan Mehta, Mr. Dharmendra Sanghavi, Mr. Milind Khanolkar, Mr. Parag Shah, Mr. Vipul R. Sanghavi and Mr. Kartik Madhavji Tanna, who were appointed as employees of AP – Mr. Ashwin Thakkar on or after July 01, 2024. Copy of their appointment letters as submitted by Noticee to the inspection team were provided as annexure 2 of the SCN). Further, two of the aforesaid users (Mr. Vipul R. Sanghavi and Mr. Kartik Madhavji Tanna) were also registered as APs of the Noticee. Hence, it was alleged that trading terminals mapped to AP - Ashwin Thakkar were operated by six unapproved/unauthorized users.

21. In this regard, Noticee contended that the activation requests for the terminals allotted to the aforesaid six users were submitted to NSE before July 01, 2024. Therefore, according to the Noticee, these six persons were approved users of the trading terminals. Noticee further submitted that these users were not unauthorized as they

⁶NSE and SEBI Circulars can be referred on the website of NSE and SEBI.

were either professionally associated with the AP – Mr. Ashwin Thakkar or were themselves registered as APs of the Noticee.

22. It is noted that the Noticee had admitted the inspection finding that trading terminals mapped to AP – Mr. Ashwin Thakkar were allotted to/operated by aforesaid six users prior to July 01, 2024. The Noticee has also not disputed the findings that these six individuals were appointed as employees of AP – Mr. Ashwin Thakkar only on or after July 01, 2024. Therefore, the fact remains undisputed that at the time of allotment of terminals, these six users were not employees of AP – Mr. Ashwin Thakkar.

23. With respect to the argument (i) that the users were associated with AP – Mr. Ashwin Thakkar either in a professional capacity or registered as APs of the Noticee and (ii) that the NSE Circular dated August 29, 2002 nowhere stipulates that a user must be on the AP's payroll before being granted exchange approval, reference is drawn to NSE Circular dated May 22, 2023 which, *inter alia*, reads as under:

“Trading members can entrust CTCL terminals only to “Approved Persons”. Approved Person is a Person who is operating a CTCL/dealer terminal.

.....

*Exchange has in the recent past observed instances, that the terminals are being operated by users other than employees. In this regard, it is re-iterated that **all trading terminals allotted by members, which are enabled/activated for trading shall be operated/accessed only through User Ids allotted to Approved Persons namely employees of trading member, partner/proprietor/director(s), registered authorized persons (AP) or employee of an AP.** No other person shall operate or place orders from such trading terminals. Trading Members shall not entrust the CTCL/dealer terminals to their clients or to any unregistered intermediary other than Approved Persons.” (Emphasis Supplied)*

24. Reference is also drawn to NSE Circular dated June 02, 2023 which, *inter alia*, reads as under:

“For the purpose of ensuring compliance and risk management practices in accordance with the regulatory requirements, Trading Members are advised to monitor their existing and newly onboarded APs based on the indicative scope as defined in the Exchange circular no. NSE/INSP/42448 dated October 18, 2019, which is re-iterated below:

.....

vii. Trading terminals are operated by approved and certified users.”

25. From the aforesaid framework, it is clear that trading members are required to ensure that trading terminals are accessed only through User IDs allotted to “Approved Persons” which include (i) employees of trading member, (ii) partner/proprietor/director(s), (iii) registered AP or (iv) employee of an AP. Any other category of person, including those merely engaged in a “professional capacity” with the AP, does not fall within the purview of “Approved Persons”. Accordingly, the submission of the Noticee that the aforesaid users were professionally associated with AP – Mr. Ashwin Thakkar is devoid of merit.
26. With respect to the contention that two of the users (Mr. Vipul R. Sanghavi and Mr. Kartik Madhavji Tanna) were themselves registered as APs with the Noticee and were independently entitled to operate terminals, it is noted from the Computer to Computer Link (CTCL) terminal allotment details provided by NSE (provided to Noticee as annexure 5 to the SCN) that the CTCL terminals (CTCL IDs: 400077066004, 400077066006, 400077066007 and 400077066009) allotted and operated by these two users were mapped to AP – Mr. Ashwin Thakkar. Further, NSE Circular dated October 18, 2019 specifically mandates that trading members shall ensure that their APs should not deal with their other APs. Accordingly, the contention of the Noticee in this regard is not tenable.
27. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is, therefore, established that trading terminals mapped to AP - Ashwin Thakkar were operated by six unapproved/unauthorized users. Consequently, the Noticee had violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and clause 9(vii) of NSE Circular dated June 02, 2023 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.

Issue II. Whether 4 trading terminals mapped to AP – Ashwin Thakkar were not operated from the locations reported to stock exchange and thereby, Noticee violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and Point No. 6 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations?

28. It was observed that four terminals of AP – Ashwin Thakkar were not available/operated from the reported location. Details of such terminals are as under:

Table 5

Sl. No.	CTCL ID	Approved User Name	Reported Location	Actual Location
1	400077066004	Mr. Niketu Pratap Ganatra	B 124, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077	319, 3rd Floor, Kailash Plaza, Vallabh Baug Lane, Ghatkopar East, Mumbai – 400 077
2	400077066006			
3	400077066011	Mr. Jiten Hariram Bhadra	B 124, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077	117, 1st Floor, Kailash Plaza, opp. Odeon Cinema, Ghatkopar (East), Mumbai – 400 077
4	400077066013			

29. The Noticee has admitted the aforesaid findings and submitted that the terminals were temporarily shifted within the same complex due to space constraints. In this regard, it is noted that the regulatory framework categorically requires trading terminals to be operated only from locations approved and reported to the exchange. Relocation of terminals without prior intimation and approval constitutes non-compliance. Further, NSE Circular dated October 18, 2019 specifically requires stock brokers to ensure that terminals mapped to APs to be operated only from the addresses reported to exchanges. Hence, the submissions of Noticee in this regard is not tenable.

30. The Noticee further submitted that during the past audit inspection of AP – Ashwin Thakkar, it did not come across any discrepancy with respect to terminal being operated from unauthorized location and it had taken an undertaking from its AP affirming that trading terminals shall be operated strictly from exchange approved

locations. It is noted that Noticee had made similar arguments in its preliminary submissions which have already been dealt in detail in the preceding paragraphs. Accordingly, the same are not being repeated for the sake of brevity.

31. The Noticee submitted that upon being made aware of the discrepancy, it had made the terminal disablement requests to NSE on August 01, 2024. In this regard, it is noted that the disablement requests were admittedly filed only after SEBI's inspection on July 30, 2024. Post inspection compliance, though necessary, does not absolve the Noticee of its liability for the violations committed prior to it.
32. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is, therefore, established that four trading terminals mapped to AP – Ashwin Thakkar were not operated from the locations reported to stock exchange. Consequently, the Noticee had violated the provisions of NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and Point No. 6 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.

Issue III. Whether Noticee failed to update the correct revised income/net-worth details of AP – Ashwin Thakkar in the UCC database of exchange promptly and thereby, violated the provisions of NSE Circular dated May 03, 2021 read with regulation 9(b) of Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?

33. It was observed that income/net-worth declaration dated February 22, 2024 was obtained by Noticee from AP - Ashwin Thakkar wherein the revised net-worth of Ashwin Thakkar was mentioned under “Rs.1 crore & above” category. However, the Noticee had updated the same in UCC database of exchange only on September 11, 2024 subsequent to a query raised by NSE. Hence, it was alleged that Noticee failed

to update the correct revised income/net-worth details of AP in the UCC database of exchange promptly.

34. The Noticee had admitted the aforesaid findings and submitted that the net worth, an optional requirement, had been inadvertently updated as Rs.10 lakhs on May 26, 2024 in the NSE UCC portal. The Noticee stated that the error was not intentional and was immediately rectified upon being pointed out by NSE on September 11, 2024. To demonstrate its bona fide conduct, the Noticee submitted that the same revised net-worth of Mr. Ashwin Thakkar was correctly updated as "Rs. 1 crore" in the BSE UCC portal on May 27, 2024. The Noticee also provided a screenshot from the BSE portal in support of its submission.

35. I have considered the submissions of the Noticee. The fact that the revised net-worth of the AP was correctly updated in the BSE portal on May 27, 2024 supports the Noticee's submission that the entry of "Rs. 10 lakh" in the NSE portal on May 26, 2024 was an inadvertent error. Further, considering the Noticee's prompt rectification of the error upon being pointed by NSE and Noticee's claim that updation of net-worth in the exchange database is an optional requirement, I am inclined to give benefit of doubt to Noticee.

36. Accordingly, the allegation of violation of the provisions of NSE Circular dated May 03, 2021 read with regulation 9(b) of Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations does not stand established.

Issue IV. Whether Noticee failed to identify that its AP – Ashwin Thakkar was dealing with other stock brokers and thereby, violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?

37. It was observed that that AP – Mr. Ashwin Thakkar was an active client with four other stock brokers namely ICICI Securities Ltd., 5Paisa Capital Ltd., Fyers Securities Pvt.

Ltd. and Mirae Asset Capital Markets (India) Pvt. Ltd. Hence, it was alleged that Noticee had failed to identify that its AP was dealing with other stock brokers.

38. The Noticee had admitted the aforesaid findings and submitted that it had obtained an undertaking from its AP – Mr. Ashwin Thakkar that he will not trade with any other stock broker. The Noticee further stated that it had no reasonable means to foresee or detect that the AP had breached this undertaking.

39. In this regard, it is noted from the inspection report that the fact of AP – Mr. Ashwin Thakkar's dealings with four other stock brokers was found by the inspection team by checking the AP's UCC details across brokers. It is pertinent to note that such UCC data across all stock brokers is available with the stock exchanges and an individual stock broker does not have access to such information. It is further noted from the inspection report that AP – Mr. Ashwin Thakkar had disclosed his HDFC bank account to the Noticee and no pay-in or pay-out transactions relating to his trading activity were observed in that account. Considering these facts and circumstances, I find merit in the Noticee's submission that it had no reasonable means to foresee that the AP – Mr. Ashwin Thakkar had breached his undertaking by maintaining accounts with other stock brokers.

40. Accordingly, the allegation of violation of provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations does not stand established.

41. Since the allegation that Noticee failed to identify that its AP – Ashwin Thakkar was dealing with other stock brokers is not established, other contentions raised by Noticee in this regard do not merit further consideration.

Issue V. Whether Noticee failed to ensure that its AP did not dealt with other APs of the Noticee and thereby, violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?

42. It was observed that two APs of the Noticee namely Mr. Vipul R. Sanghavi and Mr. Karthik Madhavji Tanna were provided access to terminals mapped to AP – Mr. Ashwin Thakkar during the period from October, 2022 to February, 2024. Further, these two persons were also appointed as employee of the AP – Mr. Ashwin Thakkar vide appointment letters dated July 01, 2024. Hence, it was alleged that Noticee had failed to ensure that its AP did not dealt with other APs of the Noticee.
43. The Noticee had not disputed the aforesaid findings and submitted that AP registrations of Vipul R. Sanghvi and Kartik Madhavji Tanna, on their request, were cancelled on August 13, 2024 (acknowledged by NSE on August 14, 2024). As per Noticee, after cancellation of their registration as APs they were re-allotted terminals under AP – Mr. Ashwin Thakkar as his employees effective from August 20, 2024 and therefore, all corrective steps taken promptly.
44. In this regard, from the material on record, it is noted that prior to August 13, 2024, two APs of the Noticee (Mr. Vipul R. Sanghavi and Mr. Karthik Madhavji Tanna) were provided access to the terminals mapped to AP – Mr. Ashwin Thakkar. Further, vide appointment letter dated July 01, 2024, these two persons were also appointed as employees of the AP – Mr. Ashwin Thakkar despite having a separate registration as AP with the Noticee. Hence, it is evident that during the IP, these two persons who were AP of the Noticee were dealing with another AP of the Noticee. As per NSE circular dated October 18, 2019, an obligation has been cast on stock brokers to ensure that its AP is not dealing with other APs which the Noticee has failed to ensure during the IP. Cancellation of APs registration subsequent to SEBI's inspection is remedial in nature which though necessary does not absolve the Noticee of its liability for the violations committed prior to it. Accordingly, the submissions of Noticee in this regard is devoid of merit.
45. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is, therefore, established that Noticee had failed to ensure that its AP is not dealing with other APs of the Noticee. Consequently, the Noticee had violated the provisions of Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with

regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.

Issue VI. Whether Noticee failed to maintain adequate supervision over its APs and thereby, violated the provisions of Point No. 6, 7 and 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and clauses 5(a), 5(b), 7(a), 7(e) and 7(g) of Annexure 1 to SEBI Circular dated November 06, 2009 read with clauses 32.5.1(a), 32.5.1(b), 32.7.1 and 32.7.5. of SEBI Master Circular dated May 22, 2024 and regulation 30 of Brokers Regulations?

46. It was observed that no adverse observations were found by Noticee during its audit/inspection of the 3 APs, viz., Ashwin Thakkar, Vipul R. Sanghavi and Kartik Madhavji Tanna. However, during the inspection conducted by SEBI and NSE, violations aforementioned under Issues I, II, IV and V were observed. Hence, it was alleged that the Noticee had not maintained adequate supervision of its APs.

47. In this regard, the Noticee submitted that it had a comprehensive framework for supervision, inspection and monitoring of all its APs that includes periodic inspections, dedicated surveillance team, corrective measures and ongoing monitoring and updates. The Noticee further submitted that the settled legal standard for due diligence is premised on whether the entity concerned did everything reasonable to discharge its legal obligation and not everything possible and a higher degree of proof and a higher standard of preponderance of evidence is required to demonstrate a charge for lack of due diligence. To support its contention, Noticee has placed reliance on the Judgments of Hon'ble Supreme Court in the matter of Chander Kanta Bansal v. Rajinder Singh Anand⁷, orders of Hon'ble SAT in the matter of Almondz Global Securities Limited v. SEBI⁸, Sharedeal Financial Consultants Private Limited v. Chairman, SEBI⁹ and Imperial Corporate Finance & Services Private Limited v.

⁷ (2008) 5 SCC 117

⁸ 2016 SCC OnLine SAT 59

⁹ 2003 SCC OnLine SAT 18

SEBI¹⁰, the order of Queen's Bench, England in the matter of Bibby Cheshir v. Golden Wonder Ltd.¹¹ and the SEBI Order in the matter of IPO of Taksheel Solutions Limited¹² dated August 5, 2015.

48. As discussed in the preceding paragraphs, since the alleged violation under Issue IV is not established, I am proceeding to deal with the submissions of the Noticee in respect of the violations observed during the inspections conducted by SEBI and NSE, as discussed under Issues I, II and V. In this regard, it is noted that NSE Circular dated October 18, 2019 mandates stock brokers to examine that all applicable regulatory requirements should have been complied by their APs and provided a list of parameters that specifically required to be examined. Such list, *inter alia*, includes the requirement to ensure that all terminals observed at the inspection location is as per the information reported to the stock exchange, trading terminals situated at the place of inspection are operated by approved and certified users and the AP is not dealing with any other AP. However, despite being a legal obligation on Noticee to examine compliance with these aspects, no adverse observations were found in the audit/inspection conducted by Noticee of the aforesaid 3 APs. In contrast, when SEBI and NSE conducted inspection of the AP – Mr. Ashwin Thakkar, various irregularities were observed in the compliance of these aspects. The Noticee failed to explain the significant variations in the SEBI inspection findings and its own inspection findings and vaguely submitted that it may arise due to differences in timing, scope or interpretation, etc. It is further noted that Noticee had stressed on the reliance placed by it on the undertakings, declarations and confirmations received from AP during onboarding and periodic audits, however, failed to demonstrate the reasonable diligence exercised by it or the supervision mechanism in place to check compliance with such undertakings/declarations/confirmations. Merely obtaining undertakings/declarations/confirmations from APs did not discharge legal obligation on Noticee to ensure that all applicable regulatory requirements are complied by its APs rather there shall be systems and processes in place to verify the compliance.

¹⁰ 2004 SCC Online SAT 52

¹¹ [1972] 1 WLR 1487

¹² WTM/RKA/ID-8/96/2014 dated August 05, 2015

Hence, the submission of Noticee concerning due diligence and the aforesaid judgments/orders relied upon by Noticee in support of its contention is misplaced as the facts, circumstances and regulatory frameworks in those matters are materially different from the present proceedings.

49. The Noticee has placed reliance on the order of Hon'ble SAT in the matter of Mehta Equites Limited v. AO, SEBI¹³, emphasising that a stock broker cannot be found guilty of not exercising due diligence if it had not aided or abetted any malpractice executed by the sub-broker for the client. In this regard, it is noted that in the said case stock broker was alleged to be held liable for the manipulative trades executed by sub-broker. In contrast, the present case involves the lapses observed during the course of inspection conducted at the premises of AP of Noticee. These lapses were pertaining to the activities carried out by AP while acting as an agent of the Noticee and there is a legal obligation on Noticee to ensure that its APs are in compliance of all applicable regulatory requirements. Hence, the facts and circumstances of the cited case is different from the present proceedings. Accordingly, the reliance placed by Noticee in the said case is misplaced.

50. Noticee further claimed that it had voluntarily adopted additional measures to enhance oversight and ensure regulatory compliance such as implementation of terminal IP binding process, mystery shopping framework, process of quarterly closure of inactive or low-revenue APs, compliance self-certification process, pre-lead verification checks, compliance training, analysis of all the bank statement of APs, establishing procedure of physical visit of APs, etc. However, the Noticee has not adduced any supporting documents to substantiate its claims. It is further noted from the material on record, that Noticee had made similar claims in its reply dated May 03, 2024 in respect of inspection of Noticee on AP conducted in previous FY (copy of letter dated May 03, 2024 was provided to Noticee as an annexure to the SCN), however, still violations have been observed in the subsequent inspection. In view of the same, no inference can be made in favor of the Noticee on these claims.

¹³ 2011 SCC OnLine SAT 155

51. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is, therefore, established that Noticee had failed to maintain adequate supervision over its APs. Consequently, the Noticee had violated the provisions of Point No. 6, 7 and 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and clauses 5(a), 5(b), 7(a), 7(e) and 7(g) of Annexure 1 to SEBI Circular dated November 06, 2009 read with clauses 32.5.1(a), 32.5.1(b), 32.7.1 and 32.7.5. of SEBI Master Circular dated May 22, 2024 and regulation 30 of Brokers Regulations.

Issue VII. Does the violation, if any, on the part of Noticee attract monetary penalty under section 15HB of the SEBI Act?

Issue VIII. If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?

52. In the preceding paragraphs, followings violations have been established against the Noticee:

Table 6

Sr. No.	Charges (Summarized)	Violations established
1.	Trading terminals mapped to AP – Mr. Ashwin Thakkar were operated by six unapproved/unauthorized users.	NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and clause 9(vii) of NSE Circular dated June 02, 2023 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.
2.	Four trading terminals mapped to AP – Mr. Ashwin Thakkar were not operated from the locations reported to stock exchange.	NSE Circular dated August 29, 2002, NSE Circular dated September 25, 2002, NSE Circular dated April 13, 2017, NSE Circular dated May 22, 2023 and Point No. 6 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clause A(5) of Schedule II

Sr. No.	Charges (Summarized)	Violations established
		of Brokers Regulations read with regulation 9(f) of Brokers Regulations and regulation 26(xix) of the Brokers Regulations.
3.	Noticee had failed to ensure that its AP should not dealt with other APs of the Noticee.	Point No. 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations and clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.
4.	Noticee had failed to maintain adequate supervision of APs.	Point No. 6, 7 and 12 of Annexure A to NSE Circular dated October 18, 2019 read with regulation 9(b) of the Brokers Regulations, clauses A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations and clauses 5(a), 5(b), 7(a), 7(e) and 7(g) of Annexure 1 to SEBI Circular dated November 06, 2009 read with clauses 32.5.1(a), 32.5.1(b), 32.7.1 and 32.7.5. of SEBI Master Circular dated May 22, 2024 and regulation 30 of Brokers Regulations.

53. With respect to this, Noticee has submitted that where there is only a technical or venial default, penalty at all ought not to be imposed. It has placed reliance on the Judgment of Hon'ble Supreme Court in the matter of Siddharth Chaturvedi v. SEBI¹⁴ (hereinafter referred to as "Siddharth Chaturvedi") and orders of Hon'ble SAT in the matter of State Bank of India v. SEBI¹⁵ (hereinafter referred to as "SBI"), Piramal Enterprises Limited v. SEBI¹⁶ (hereinafter referred to as "Piramal"), DSE Financial Services Ltd v. SEBI¹⁷ (hereinafter referred to as "DSE") and Religare Securities Limited v. SEBI¹⁸ (hereinafter referred to as "Religare").

54. In this regard, upon perusal of the aforesaid cases, it is noted that the facts, circumstances and regulatory frameworks in those matters are materially different from the present proceedings. Further, Noticee has also failed to demonstrate how the aforesaid cases will be applicable in the instant proceedings. I shall now proceed to deal with the aforesaid cases in the following paragraphs.

¹⁴ Civil Appeal No. 14730 of 2015 dated March 14, 2016

¹⁵ Appeal No. 304 of 2020 dated January 07, 2021

¹⁶ Appeal No. 466 of 2016 dated May 15, 2019

¹⁷ Appeal No 153 of 2012 decided on September 11, 2012

¹⁸ Appeal No. 23 of 2011 dated June 16, 2011

55. In respect of reliance placed by Noticee in Siddharth Chaturvedi case emphasizing that parameters enumerated in section 15J of the SEBI Act are required to be satisfied to impose penalty. It is pertinent to note that in the matter of SEBI v. Bhavesh Pabari¹⁹, a three-judge bench of the Hon'ble Supreme Court while referring to its earlier decision made by a two-judge bench in Siddharth Chaturvedi held as under:-

“8..... we are inclined to take the view that the provisions of clauses (a), (b) and (c) of Section 15J are illustrative in nature and have to be taken into account whenever such circumstances exist. But this is not to say that there can be no other circumstance(s) beyond those enumerated in clauses (a), (b) and (c) of Section 15J that the Adjudicating Officer is precluded in law from considering while deciding on the quantum of penalty to be imposed.

9. A narrow view would be in direct conflict with the provisions of Section 15I(2) of the SEBI Act which vests jurisdiction in the Adjudicating Officer, who is empowered on completion of the inquiry to impose “such penalty as he thinks fit in accordance with the provisions of any of those sections.”

.....

12. At this stage, we must also deal with and reject the argument raised by some of the private appellants that the conditions stipulated in clauses (a) to (c) of Section 15J are mandatory conditions which must be read into Sections 15A to 15HA in the sense that unless the conditions specified in clauses (a) to (c) are satisfied, penalty cannot be imposed by the Adjudicating Officer under the substantive provisions of Sections 15A to 15HA of the SEBI Act. The argument is too farfetched to be accepted. Section 15J of the SEBI Act enumerates by way of illustration(s) the factors which the Adjudicating Officer should take into consideration for determining the quantum of penalty imposable. The imposition of penalty depends upon satisfaction of the substantive provisions as contained in Sections 15A to Section 15HA of the SEBI Act.” (Emphasis Supplied)

56. In view of the above, it is legally settled that the parameters enumerated in section 15J of the SEBI Act are not required to be mandatorily satisfied for the imposition of penalty. The factors stipulated in section 15J of the SEBI Act which are taken into account for the imposition of penalty are illustrative in nature and have to be taken into account whenever such circumstances exist. Hence, the reliance placed by Noticee in Siddharth Chaturvedi case is misplaced.

¹⁹ (2019) 5 SCC 90

57. In respect of SBI case, it is noted that the said case pertains to alleged violation of the provisions of regulation 7B of the SEBI (Mutual Funds) Regulations, 1996 wherein the appellant had displayed that it had been serious in its endeavour to comply with the law and the Hon'ble SAT took into account excruciating factors which delayed full compliance with the applicable laws. Similarly, in the Piramal case, the issue pertained to alleged lapses under the SEBI (Prohibition of Insider Trading) Regulations, 1992, particularly the non-closure of the trading window during Unpublished Price Sensitive Information (UPSI) and failure to handle the same. The Hon'ble SAT, considering that the information was shared on a 'need to know' basis, found no evidence of insider trading or misuse of UPSI and treated the lapse as a technical violation. Similarly, in Religare and DSE cases, the Hon'ble SAT dealt with procedural lapses identified during an inspection of the intermediary's broking and depository operations. The Hon'ble SAT in Religare case noted that the inspecting team had failed to raise queries or seek clarifications during the inspection and therefore, the benefit of doubt was extended to the intermediary and in DSE case, the Hon'ble SAT relied upon its earlier order in Religare case to hold the violations as technical to set aside the AO order.

58. In contrast, it is noted that in the present case, violations established against the Noticee pertain to the infractions committed by its APs and the Noticee's failure to effectively supervise its APs. I note that the stock broker is responsible for all acts of omission and commission of its APs and/or their employees, including liabilities arising therefrom. The Noticee, being a stock broker, is duty-bound to ensure that its APs abide by all applicable laws. It is a serious activity to be undertaken by the Noticee and cannot be dismissed as a casual exercise. Further, unlike the SBI case, Noticee has failed to demonstrate any excruciating factor that lead to non-compliance with the regulatory obligations. Moreover, unlike the Religare case, Noticee was given ample opportunity to respond to the findings made in the inspection prior to the final inspection report is made. It is noted that Noticee had replied to the findings of the inspection vide letters dated January 03, 2025 and April 07, 2025. Further, in the Religare case, the Hon'ble SAT clearly added a caveat that *"This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the*

inspection, the Board should not proceed against the delinquent.” Accordingly, the reliance placed by the Noticee on the aforesaid cases is misplaced and not applicable to the facts and circumstances of the present matter.

59. In this context, reference is drawn to the Judgment of Hon’ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund*²⁰, wherein Hon’ble Supreme Court 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 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.”

60. In this background, Noticee is liable for imposition of monetary penalty under section 15HB of the SEBI Act.

61. Section 15HB of the SEBI Act is reproduced below:

“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.”*

62. While determining the quantum of penalty under section 15HB of the SEBI Act, the following factors stipulated in section 15J of the SEBI Act are taken into account:

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

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

63. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by Noticee nor the amount of loss, if any,

²⁰ [2006] 68 SCL 216 (SC)

caused to an investor/clients as a result of the default of the Noticee. As regards the repetitive nature of the default, it is noted that following penalties have been imposed/directions issued against Noticee by SEBI.

Table 7

Sr. No.	Case Name	Date of Order	Violation of provisions of	Penalty imposed/Direct- ons issued
1.	In the matter of Bank of Rajasthan Ltd.	September 28, 2012	Brokers Regulations and Circular issued by SEBI	Rs. 75,000/-
2.	In the matter of Sun Infoways Limited	January 30, 2013	PFUTP Regulations, Brokers Regulations	Prohibited from taking up any new assignment for a period of two weeks.
3.	In the matter of Asian Sterling Green Woods Limited	December 30, 2013	PFUTP Regulations	Rs. 10,00,000/-
4.	Angel Broking and Pradeep Ramnani	March 22, 2016	Brokers Regulations and Circulars issued by SEBI and NSE	Rs. 20,00,000/-
5.	Inspection of Angel Broking Limited	April 28, 2023	SEBI Act, Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996 and circulars issued by SEBI	Rs. 10,00,000/-
6.	In the matter of EOW Investigations	August 22, 2023	Clause A(2) of Code of Conduct as specified in Schedule II read with regulation 9(f) of the Broker Regulations	Warned to be careful and diligent in the conduct of all its business
7.	Inspection of Angel One Limited	November 28, 2024	Brokers Regulations and Circulars issued by SEBI and NSE	Rs. 6,00,000/-

64. The following factors as submitted by Noticee in its replies have been considered as mitigating factors while imposing penalty:

- (a) Upon being made aware of the operation of terminals from the location other than reported to exchange, it had submitted a terminal disablement request to NSE on August 01, 2024.
- (b) Request for cancellation of AP registrations of AP – Mr. Vipul R. Sanghavi and Mr. Kartik Madhavji Tanna were submitted to the exchange on August 13, 2024.

65. The aforementioned factors have been taken into consideration while adjudging the penalty.

ORDER

66. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and the factors mentioned in section 15J of the SEBI Act, I, in exercise of powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, hereby impose a penalty of Rs. 3,00,000/- (Rupees Three Lakh only) on the Noticee under section 15HB of the SEBI Act.

67. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticee.

68. 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.

69. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to Noticee and also to SEBI.

Date: November 11, 2025

Place: Mumbai

JAI SEBASTIAN

ADJUDICATING OFFICER