BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER No. Order/MS/RG/2026-27/32852-32853

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

In respect of:

Noticee no.	Noticee Name	PAN
1	**Inventure Growth and Securities Ltd** SEBI Registration: INZ000221934	AAACI2044K
2	**Mr. Rushbha Vinay Nisar/ Mr. Rushabh Vinay Nisar, (Authorised Person of Inventure Growth and Securities Ltd)**	AERPN2588R

In the matter of trading activities of certain client of Inventure growth and Securities Limited suspected to be Front Running to the trades of Axis Mutual Fund

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A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as '**SEBI**') conducted an investigation into the trading activities of a client (hereinafter also referred as '**Front Runner'/'suspected entity'/'FR/ Client M'**) of Inventure Growth and Securities Limited (hereinafter also referred as **'Inventure'/ 'Stock Broker'/' SB'/'trading member'/ 'Noticee'/ 'Noticee 1'**) suspected to be Front Running to the trades of Axis Mutual Fund (hereinafter referred to as (hereinafter also referred as '**Big Client'**) on the basis of suspected front running alerts generated by SEBI's internal alert system.
2. The said investigation was conducted for the period from April 01, 2020 to March 31, 2022(hereinafter referred to as "**investigation period").**

3. The stock broker, i.e. Inventure vide email dated December 8, 2023, submitted that the trading account of Client M was opened through its registered Authorised Person named "Mr. Rushbha Vinay Nisar" (hereinafter also referred as '**AP/ Rushbha Nisar/Noticee 2'**). Thus, the suspected entity was serviced by the stated AP. The trade orders in the trading account of suspected entity have been executed from trading terminals allocated to the said AP.
4. Based on the investigation in the matter, various non-compliances of provisions of SEBI (Stock Brokers) Regulations, 1992 (hereinafter also referred to as '**SB Regulations'/ 'Stock Brokers Regulations**') and circulars issued by SEBI/ NSE were prima facie observed.

B. APPOINTMENT OF ADJUDICATING OFFICER

5. SEBI appointed an Adjudicating Officer ("**AO1**") vide order dated July 18, 2025, under Section 19 read with Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as "SEBI Rules") to inquire into and adjudge under Sections 15HB of the SEBI Act, 1992 for alleged violations by the Noticee. Subsequently, pursuant to the transfer of AO1, SEBI appointed another Adjudicating Officer ("**AO2")** vide Communique dated September 19, 2025. Thereafter, vide communique dated June 09, 2026, the case was assigned to this office.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

6. A Show Cause Notice No. SEBI/HO/EAD/EAD3/P/OW/2025/28536/1-2 dated November 11, 2025 (hereinafter referred to as "**SCN")** was issued by erstwhile AO2 to Noticee 1 And Noticee 2 (Noticee 1 and Noticee 2 are hereinafter collectively referred to as 'Noticees') to show cause as to why an inquiry should not be held and why penalty be not imposed under Section 15HB of the SEBI Act, 1992 for the alleged violations.
7. The observations and allegations in respect of the Noticees in the SCN dated November 11, 2025 are summarised as below:
   7.1. The suspected FR entity (hereinafter referred to as Client M) is a client of Inventure (Stock Broker) and his account was opened through Inventure's Authorised Person (AP) named "Mr. Rushbha Vinay Nisar"

7.2. The trade orders in the trading account of suspected entity were executed from trading terminals allocated to the said AP.

7.3. The details of the equity dealers of the AP who were allocated the relevant CTCL terminals during the period from March 01, 2020 to March 31, 2022, were provided by Inventure vide email dated January 30, 2025 and June 5 & 6, 2025.

a) During the course of investigation, it was observed that there were conflicting claims by the AP who claimed that Client M trades were placed through his dealers. Trades in his account was placed as per instruction of Client M/ his representative through calls, whatsapp calls. However, he failed to provide any details regarding the identity of such person in support of his claim. However, Client M has stated that trades were placed by AP Rusbha without his knowledge.

7.4. As conflicting claims were made by the suspected entity and the AP, the stock broker of the AP viz. Inventure, vide email dated February 25, 2025, was requested to provide the documents regarding communication of the trade orders between Client M and the AP before execution of such trades which are required to be maintained by the broker in terms of the SEBI Circular. However, Inventure vide email dated March 6. 2025 submitted that it could not get any documentary proof for the order placement.

7.5. According to the SEBI Circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009 read with Regulations 29 and 30 of SB Regulations, Inventure, as a SEBI registered trading member bears the statutory responsibility for all acts of omission and commission of his authorised person(s) as the offices of the APs where the trading member has provided its trading terminal, are considered branch offices of the trading member.

7.6. Therefore, by failing to provide documents regarding communication of the trade orders between Client M and the AP before execution of such trades, it is alleged that the stock broker and its AP are in non-compliance with the SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 and MIRSD/DR-1/Cir-16/09 dated November 06, 2009 read with Regulations 29 and 30 of the SB Regulations r/w Regulation 25 of the SB Regulations.

Analysis of the connection logs of the trading terminals of the AP

7.7. Inventure had submitted the connection logs containing MAC IDs and IP addresses of trading terminals were used for placing trade orders in the account of Client M during the period from April 2020 to March 2022 vide email dated December 06 & 11, 2024.

7.8. It was also observed from IP address captured in the connection logs that CTCL logins were made by the dealers of the AP from various locations outside Mumbai, India, and in several occasions, the logins were made from locations outside of India as well.

7.9. Mr. Rushbha Nisar, vide his emails dated December 12 & 16, 2024, provided travel history of its dealers during the investigation period. It is observed from the details provided by the

AP that the dealers had travelled to various locations across India during the IP. However, none of the dealers had gone outside of India.

7.10. Based on the IP geolocation data obtained from publicly accessible information on internet (source: https://www.iplocation.net which provides IP geolocation from multiple publicly available sources), it was observed that CTCL terminal logins were made using Dealer ID "1RN13" on certain days from Dubai in United Arab Emirates.

7.11. It is noted that as the trading terminal no. 400001313014 (Dealer user ID -1RN13) of Inventure allocated to its AP, Mr. Rushbha Nisar was not only accessed from an unregistered location but also by an unauthorised person as the dealer (approved person) in whose name the terminal was taken had never travelled to Dubai during the specified period.

7.12. On account of the above, it was alleged that Inventure and its AP Mr. Rushbha Nisar have violated the provisions laid down by NSE Circular No. 282 dated August 29, 2002 (Ref. NSE/MEM/3574), Circular No. NSE/INSP/ 3800 dated December 13, 2002 (Ref. NSE/ INSP/2002/16), Circular No. 517 dated April 20, 2006 (Ref. NSE/MEM/7400) and NSE Circular no. NSE/MSD/34638 dated April 13, 2017 read with SEBI Circular No. MIRSD/ DR-1/Cir-16 /09 dated November 06, 2009 and clauses 1, 2 & 5 of Code of Conduct for Stock Brokers under Schedule II of SB Regulations r/w Regulation 26 (xvi), (xix) and Regulation 9 of the SB Regulations.

Examination w.r.t Internal Audit of the AP by Inventure (Trading Member/Stock Broker)

7.13. In terms of SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009, the trading members are required to conduct periodic inspection of branches assigned to their APs and records of the operations carried out by these APs.

7.14. In accordance with NSE circular Ref. No. 37/2019 dated October 18, 2019, the Members are obligated to ensure that all relevant regulatory requirements are complied with while undertaking the inspection of Branches and AP offices including the following:

"… 3. Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients.
…6. All terminals observed at the inspection location is as per the information reported to the Exchange."

7.15. The statement under oath u/s 11C(5) of the SEBI Act of Mr. Kanji Bachubhai Rita, Promoter & Director of Inventure, was recorded before the Investigating Authority on January 03, 2025 (Annexure-15). With regard to the question as to whether Inventure used to verify that the trading terminals provided to its AP 'Mr. Rushbha Vinay Nisar' were placed and operated from the premises of the AP during the period from March 2020 to March 2022, Mr. Kanji Bhachu Rita submitted the following:

"I personally knew father of Rushbha Vinay Nisar. Rushbha's father introduced our ex-CMD Nagjibhai Rita to Rushbha around 2012 after he had completed his MBA. He took our AP registration and started carrying his business on brokerage sharing with Inventure. As Rushbha was known to me and it was covid period during 2020-2021, the independent verification of trading terminals could not be done during that period by Inventure. We relied on trust during that period."

7.16. Mr. Kanji Bachubhai Rita was also advised to submit the internal audit reports of the AP Mr. Rushbha Vinay Nisar, carried out during the period from March 2020 to March 2022. In regard to this, the copies of two undated internal audit reports for FY 2021-22 and FY 2023-24 were received from Inventure vide its email dated January 03, 2025.

7.17. SEBI observed the following from the audit reports submitted by Inventure:

a) The audit reports are undated, therefore, the date and period of audit cannot be verified.

b) It appears that the audits have not been carried out by any auditor appointed by Inventure or by the compliance team of Inventure. Both the audit reports have solely been signed by the AP Mr. Rushbha Nisar, indicating the claimed audit reports are, in fact, self-declarations made by the AP rather than independent audits that should have been carried out by the trading member.

c) Neither of the audit report cover the audit points mandated by the NSE regarding verification of availability of adequate systems for recording client order placements.

d) No independent verification has been carried out by Inventure regarding the NSE mandated audit point pertaining to the verification of location of trading terminals. It appears from the audit report that Inventure has relied on the self-declaration provided by the AP in the audit report.

e) Therefore, it is observed from the above that Inventure failed to carry out independent audit of its AP Mr. Rushbha Nisar in accordance with the framework for supervision of the APs specified by the NSE. Furthermore, it is also noted from the above-mentioned statement of Mr. Kanji Bachubhai Rita that instead of carrying out independent verification of the systems of its AP Mr. Rushbha Nisar as per regulatory requirements, Inventure relied on 'trust'.

7.18. In view of the above observations, therefore, it is alleged that Inventure has violated the provisions under NSE Circular Ref. No. 37/2019 dated October 18, 2019 r/w SEBI Circular No. MIRSD/ DR-1/Cir-16/09 dated November 06, 2009 and clauses 1, 2 & 5 of (Code of Conduct for Stock Brokers) under Schedule II of SB Regulations r/w Regulation 26 (xvi) & Regulation 9 of the SB Regulations.

8. Vide letters dated February 11, 2026 and August 20, 2026, Noticee 1 submitted the reply to the SCN in response to the specific allegation on the SCN as which have been dealt in the consideration of issues and findings.

9. Vide letter dated February 10, 2026, Noticee 2 submitted the reply to the SCN

9.1. Failure to maintain the relevant record/ documents w.r.t. orders received by the trading member/ AP

a) SEBI had given exemption from time to time for maintaining records during the covid period.

9.2. The trading member & its AP extended the use of trading terminal to certain unauthorized person from an unauthorised location

b) Noticee denied the allegation and submitted that without a corresponding data from the ISP and an investigation into use of proxy IP, a conclusion cannot be drawn especially when none of my dealer has gone outside India during the investigation period.

10. Sequence of events in chronological order with respect to current proceedings:

Sr. No.	Date (DD-MM-YYYY)	Remarks
1	11-11-2025	Common SCN issued against the Noticees
2	04-12-2025	Noticees sought inspection of documents
3	21-01-2026	Noticees were provided the inspection of documents
4	10-02-2026	Noticee 2 submitted the reply to the SCN
5	11-02-2026	Noticee 1 sought cross examination of Client M and submitted the reply to the SCN
6	05-08-2026	Noticee 1 was informed that the request for cross examination of Client M was rejected on the ground that the allegations levelled against Noticee 1 did not rely on oral submissions made by Client M.
7	20-08-2026	Noticee 1 made submissions as reply to the SCN
6	03-09-2026	Pursuant to appointment of undersigned as AO, the Noticees were provided an opportunity of hearing vide Hearing Notice dated September 03, 2026.
7	22-09-2026	Noticee 1 appeared for online hearing through its AR though Webex wherein AR relied upon and reiterated the submissions made vide letter dated August 20, 2026. Further, the AR inter alia submitted that there were no further/additional submissions to be made and the submissions made vide letter dated August 20, 2026 be taken as final and complete submissions in the matter.
8	22-09-2026	Noticee 2 appeared for online hearing through its AR though Webex wherein AR relied upon and reiterated the submissions made vide letter

		dated February 10, 2026. Further, the AR inter alia submitted that there were no further/additional submissions to be made and the submissions made vide letter dated February 10, 2026 be taken as final and complete submissions in the matter.

D. CONSIDERATION OF ISSUES AND FINDINGS

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

Issue No. I: Whether Noticees had violated the provisions of Stock Brokers Regulations and circulars issued by SEBI/ NSE?

Issue No. II: Do the violations, if any, on part of Noticees attract monetary penalty under Section 15HB of SEBI Act, 1992?

Issue No. III: If yes, then what should be the monetary penalty that can be imposed on the Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?

12. Before proceeding further, it is noted that as per SEBI Circular MIRSD/DR-1/CIR-16/09 dated November 06, 2009, "…*The stock broker shall be responsible for all acts of omission and commission of the authorized person…*" and "…*All acts of omission and commission of the authorized person shall be deemed to be those of the stock broker…*" and "…*If any trading terminal is provided by the stock broker to an authorised person, the place where such trading terminal is located shall be treated as branch office of the stock broker…*" and "…*Stock Broker shall conduct periodic inspection of branches assigned to authorised persons and records of the operations carried out by them…*". Therefore, it is noted that any lapses on part of the AP are deemed to be those of the stock broker and it is difficult to hold Noticee 2 liable for the alleged violations herein.

13. Also, before proceeding further, I would like to deal with technical contention raised by Noticee 1 as below:

<u>NSE Regulations and NSE circulars are not enforceable by SEBI in an adjudication under Section 15HB</u>

Inventure has contended that the regulations and circulars of a recognised stock exchange are enforceable by the exchange in exercise of its own disciplinary jurisdiction, and that a breach of them is not by itself a contravention of the SEBI Act, the rules or the regulations for which a penalty

may be imposed under Section 15HB. Section 15HB is attracted only where there is a failure to comply with a provision of the SEBI Act, the rules or the regulations made, or the directions issued, by the Board. To the extent that the charges rest on the NSE Regulations and NSE circulars, they are not maintainable in these proceedings.

14. In this regard, it is noted that Regulation 9(b) of the SEBI (Stock Brokers) Regulations, 1992 explicitly provides that the registration granted to a stock broker is subject to the condition that he shall abide by the rules, regulations and bye-laws of the stock exchange. Therefore, compliance with the rules, regulations, bye-laws and circulars of the stock exchange is a statutory condition of registration under the SEBI Regulations**.** Any breach of the Exchange circulars directly translates to a violation of the conditions of registration, making the Noticee liable for adjudication under Section 15HB of the SEBI Act, 1992. Therefore, the Noticee 1's contention is devoid of merit and hence not acceptable.

15. It is pertinent to refer to the relevant provisions of Stock Brokers Regulations and circulars issued by SEBI/ NSE alleged to have been violated, which reads as under:

Securities and Exchange Board of India (Stock Brokers) Regulations 1992

"…

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; and

…

CHAPTER VI

PROCEDURE FOR ACTION IN CASE OF DEFAULT

Liability for contravention of the Act, rules or the regulations.

25. A stock broker who contravenes any of the provisions of the Act, rules or regulations framed thereunder shall be liable for any one or more of the following actions—

(i) Monetary penalty under Chapter VIA of the Act.

(ii) Penalties as specified under 64[Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008] including suspension or cancellation of certificate of registration as a stock broker,

(iii) Prosecution under section 24 of the Act.

….

Liability for monetary penalty.

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

….

(xvi) Failure to exercise due skill, care and diligence.

….

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

….

Power to remove difficulties

29. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars.

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

Securities and Exchange Board of India (Stock Brokers)
Regulations, 1992

CODE OF CONDUCT FOR STOCK BROKERS

A. General.

(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(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.

…"

SEBI Circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009

"…

7. <u>Obligations of Stock Broker</u>

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.

b) If any trading terminal is provided by the stock broker to an authorised person, the place where such trading terminal is located shall be treated as branch office of the stock broker.

c) Stock broker shall display at each branch office additional information such as particulars of authorised person in charge of that branch, time lines for dealing through authorised person, etc., as may be specified by the stock exchange.

d) Stock broker shall notify changes, if any, in the authorised person to all registered clients of that branch at least thirty days before the change.

e) Stock broker shall conduct periodic inspection of branches assigned the authorised persons and records of the operations carried out by them.

f) The client shall be registered with stock broker only. The funds and securities of the clients shall be settled directly between stock broker and client and all documents like contract note, statement of funds and securities would be issued to client by stock broker. Authorised person may provide administrative assistance in procurement of documents and settlement, but shall not issue any document to client in its own name. No fund/securities of clients shall go to account of authorized person.

…"

SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

"..

Prevention of Unauthorised Trading by Stock Brokers

…

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

a. Physical record written & signed by client,

b. Telephone recording,

c. Email from authorized email id,

d. Log for internet transactions,

e. Record of messages through mobile phones,
f. Any other legally verifiable record.

When a dispute arises, the broker shall produce the above mentioned records for the disputed trades. However for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

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

V. The Brokers are required to maintain the records specified at Para III above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.
…"

NSE Circular No. 282 dated August 29, 2002 (Ref. NSE/MEM/3574)

"….
3.CTCL terminals need to be located only in the office of the Trading Member or in the office of their registered sub-brokers.
4.If it is found that the CTCL terminal is at a place which is not the office of their registered sub-broker, such a place shall be deemed to be the office of the Trading Member.
…
6.Trading Members shall not entrust the CTCL terminals to their clients or to any unregistered intermediary …other than Approved Persons. Approved Person may be an employee of the Trading Member, a registered sub-broker, an Approved User or an Authorised Person who has been approved by the Exchange.
…."

NSE Circular No. NSE/INSP/3800 dated December 13, 2002 (Ref. NSE/ INSP/2002/16)

"….trading terminals shall be located only in the main / branch offices of the trading member or in the office of a registered sub-broker of the trading member for the operations of the trading member. It was also clarified vide circular no 282 dated 29/08/2002 that CTCL terminals need to be located only in the office of the Trading Member or in the office of a registered sub-broker."

NSE Circular No. 517 dated April 20, 2006 (Ref. NSE/MEM/7400)

"….
The terminals of trading members in the Capital Market segment shall be located only in their main or branch offices or in the offices of registered sub brokers. All terminals of trading members in the Futures and Options segment shall be located only in their main or branch offices or in the offices of approved authorised persons (provided the authorised person is a registered sub broker in the Capital Market segment or applied for registration as sub broker in the Capital Market segment).
…"

NSE Circular no. NSE/MSD/34638 dated April 13, 2017

"….
Applicable Observances
• Trading terminals
a) Location: The location of the trading terminal is required to be only in the main/branch offices or in the office of the registered Sub-broker (only in CM segment) / approved Authorised Person (CM / FNO / CD Segment) of the trading member or at the co-location facility provided by the Exchange or at the Thirdparty

data centres/service providers' site. However, internet trading terminal used by the clients for sourcing information or order placing may be located at the premises of the clients. No bills / contract notes etc. should be issued by such clients from their premises. For this purpose, a client is a person who buys and sells securities on his own account.

…

- *Trading Member:*

a) Responsibility: The trading member would be fully responsible for all orders put through and all deals done through the trading terminal, whether contract notes or purchase/sale notes issued or not and for all acts of commission and/or omission. If the trading terminal is located in the branch office of the trading member, then the branch office shall be managed and supervised by the trading member's own employee or by a registered Sub-broker / approved Authorised Person.

b) Dealings: No trading member shall deal through any unregistered intermediary, Further, trading members shall entrust CTCL terminals only to Approved person and not to any unregistered intermediary or clients. For this purpose, the persons who handle each CTCL terminal of the Trading Member are known as Approved Persons. Approved Person may be an employee of the Trading Member, a registered Sub-broker, an Approved User or an Authorised Person who has been approved by the Exchange. In case the unregistered intermediary is allowed to trade / deal by any trading member, such trading member shall be fully responsible for all the sale and/or purchase contracts, whether contract notes or (purchase / sale notes) issued or not, and for all the acts of commission and/or omission. Further, such trading members shall render themselves liable for noncompliance in terms of fines, penalty and/or other disciplinary action as may be deemed necessary by the relevant authority.

….

d) Penal/ Disciplinary Action:

i. If any terminal is found located at a place other than what is declared to the Exchange, penalty shall be levied in accordance to the Exchange Circular issued by Inspection department from time to time. Moreover, it is re-iterated that the trading members shall continue to be responsible for all obligations arising out of their terminals.

ii. No CTCL terminal(s) shall be allotted by trading member without prior approval of the Exchange and use of terminal(s) shall be treated as Unauthorised and in violation of the requirements. Such trading members shall be liable for disciplinary action as may be deemed fit including withdrawal of the User Id that is granted to the CTCL server from which the Trading Member has extended the CTCL trading facility to such locations, without notice and / or reference, or withdrawal of trading rights entirely.

….."

NSE Circular Ref. No. 37/2019 dated October 18, 2019

" ….

…. the following guidelines, framed in joint consultation with SEBI & other Exchanges, are being issued:

i..Every Trading Member shall be required to inspect every year at least 30% of its active Authorized Persons/ Branches and also ensure that each active AP/ Branches is inspected at least once in every three years. For this purpose, an active AP/ Branches would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.

ii. APs/Branches meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:

a) APs/Branches with more than 500 registered clients across Exchanges

b) APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges.

c) APs/Branches against which more than 3 complaints have been received during the previous year.

In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, Members shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

iii. The indicative scope of the Inspection to be carried out is outlined in Annexure A.

…"

Note: for detailed/ complete text of the provisions, relevant Acts, Circulars etc., may please be referred.

16. The issues raised in this matter are dealt with in the following paragraphs.

Issue No. I: Whether Noticee had violated the provisions of Stock Brokers Regulations and circulars issued by SEBI/ NSE?

Violation 1: Failure to maintain the relevant record/ documents w.r.t. orders received by the trading member/ AP

17. It was alleged that the trading member/ AP did not provide any documents regarding order placement by client M

18. It is noted from the material available on record that the trade orders in the trading account of client M have been executed from trading terminals allocated to the AP. Client M submitted in his statement that his trading account was completely handled by Mr. Rushbha Nisar. However, the AP and his dealer Mr. Milind Pawar submitted that Client M was placing the trade orders in his account through calls, whatsapp calls and visit to AP office. As the AP and Client M made opposing claims with regard to trade order decision making, information/ documents regarding placement of trade orders were sought from the AP and the trading member Inventure. However, neither AP nor trading member could provide any documents regarding order placement by Client M.

19. It is noted that SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 inter alia states that,

"…

all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:

a. Physical record written & signed by client,

b. Telephone recording,

c. Email from authorized email id,

d. Log for internet transactions,

e. Record of messages through mobile phones,

f. Any other legally verifiable record.

When a dispute arises, the broker shall produce the above mentioned records for the disputed trades.

…

V. The Brokers are required to maintain the records specified at Para III above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.

…"

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

20.1. Inventure has contended that SEBI itself relaxed the requirement to record client orders from March 23, 2020 to September 30, 2021, which covers some eighteen of the twenty five months of the investigation period. The live period is therefore, at its very highest, October 1, 2021 to March 31, 2022, and the Show Cause Notice does not identify a single order placed within it, giving neither the number, nor the dates, nor the value, nor the scrips. Separately, and not as an answer to the obligation itself, the Circular required the specified records to be retained for three years only, extended only where a dispute has been raised, and no dispute was ever raised by this client.

20.2. When production was first sought from the Noticee on February 25, 2025 the Circular no longer required it to hold records for any order placed before February 25, 2022.

20.3. <u>The Circular itself provides for the situation where order placement evidence cannot be produced</u>

SEBI Circular dated March 22, 2018 does not create an absolute and unforgiving obligation. It contemplates, in terms, that where a broker cannot produce order placing evidence, other appropriate evidence including post trade confirmation by the client and the receipt and payment of funds and securities by the client shall be considered.

21. In this regard, it is noted that as per SEBI's observations and the submissions of Noticee 1 that relaxations from maintaining call recording of orders/ instructions received from clients were provided due to COVID, vide SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/61 dated April 16, 2020. SEBI also observed that the said relaxation was applicable from March 23, 2020 and extended vide various circulars till September 30, 2021 (last extension circular - SEBI/HO/MIRSD/DOP/P/CIR/ 2021/60 dated July 30, 2021).

22. It is noted from the material available on record that 140 orders were placed from account of Client M after September 30, 2021 as follows:

Sr. No.	Date	Security Name /Contract
1	11/10/2021	TORNTPHARM
2	20/10/2021	HINDUNILVR
3	25/10/2021	ZEEL
4	04/10/2021	DIVISLAB
5	25/10/2021	ULTRACEMCO
6	01/10/2021	BAJFINANCE
7	11/10/2021	TCS
8	26/10/2021	HINDALCO
9	22/10/2021	CHOLAFIN
10	01/10/2021	HINDALCO
11	18/10/2021	ULTRACEMCO
12	06/10/2021	RELIANCE
13	25/10/2021	GLAND
14	04/10/2021	CUMMINSIND
15	07/10/2021	CIPLA
16	04/10/2021	CUMMINSIND
17	05/10/2021	SUNPHARMA
18	25/10/2021	SBILIFE
19	21/10/2021	ULTRACEMCO
20	26/10/2021	BANKBARODA
21	05/10/2021	TATACONSUM
22	22/10/2021	CHOLAFIN
23	25/10/2021	ZEEL
24	21/10/2021	CHOLAFIN
25	21/10/2021	INFY
26	11/10/2021	KOTAKBANK
27	22/10/2021	KOTAKBANK
28	04/10/2021	IRCTC
29	18/10/2021	ZOMATO
30	26/10/2021	BHARTIARTL
31	21/10/2021	MCDOWELL-N
32	21/10/2021	MCDOWELL-N
33	26/10/2021	BANKBARODA
34	22/10/2021	DMART
35	01/10/2021	PIDILITIND
36	22/10/2021	KOTAKBANK
37	21/10/2021	ULTRACEMCO
38	04/10/2021	PIIND
39	25/10/2021	HINDALCO
40	18/10/2021	HDFCLIFE
41	12/10/2021	RELIANCE
42	12/10/2021	TECHM
43	25/10/2021	HINDALCO
44	11/10/2021	BAJAJFINSV
45	22/10/2021	EICHERMOT
46	12/10/2021	PEL
47	14/10/2021	CHOLAFIN
48	04/10/2021	PIIND
49	22/10/2021	JSWSTEEL
50	01/10/2021	ONGC
51	05/10/2021	HINDALCO
52	20/10/2021	ULTRACEMCO
53	07/10/2021	DMART
54	07/10/2021	HDFCLIFE
55	07/10/2021	HDFCLIFE
56	20/10/2021	NAVINFLUOR
57	11/10/2021	HINDALCO
58	14/10/2021	BHARTIARTL
59	21/10/2021	MCDOWELL-N
60	21/10/2021	MCDOWELL-N
61	21/10/2021	ULTRACEMCO
62	06/10/2021	NAUKRI
63	11/10/2021	INFY
64	18/10/2021	HDFCLIFE
65	26/10/2021	HINDALCO
66	07/10/2021	CHOLAFIN
67	04/10/2021	CUMMINSIND
68	11/10/2021	ICICIBANK

69	13/10/2021	SONACOMS
70	05/10/2021	PERSISTENT
71	22/10/2021	KOTAKBANK
72	14/10/2021	KOTAKBANK
73	14/10/2021	KOTAKBANK
74	11/10/2021	TORNTPOWER
75	21/10/2021	RELIANCE
76	06/10/2021	NAUKRI
77	20/10/2021	EICHERMOT
78	05/10/2021	CIPLA
79	14/10/2021	ITC
80	06/10/2021	BHARTIARTL
81	14/10/2021	HCLTECH
82	07/10/2021	PIDILITIND
83	01/10/2021	BAJAJ-AUTO
84	07/10/2021	TATAMOTORS
85	12/10/2021	RELIANCE
86	22/10/2021	JSWSTEEL
87	12/10/2021	IRCTC
88	14/10/2021	SBILIFE
89	21/10/2021	CHOLAFIN
90	07/10/2021	CIPLA
91	01/10/2021	ZEEL
92	12/10/2021	KOTAKBANK
93	14/10/2021	WIPRO
94	12/10/2021	PEL
95	04/10/2021	HINDALCO
96	14/10/2021	CHOLAFIN
97	25/10/2021	NAVINFLUOR
98	11/10/2021	TCS
99	25/10/2021	NAVINFLUOR
100	25/10/2021	INDUSINDBK
101	11/10/2021	IRCTC
102	21/10/2021	CHOLAFIN
103	11/10/2021	KOTAKBANK
104	22/10/2021	CHOLAFIN
105	21/10/2021	RELIANCE
106	25/10/2021	INDUSINDBK
107	11/10/2021	ICICIBANK
108	11/10/2021	BAJAJFINSV
109	08/10/2021	IRCTC
110	11/10/2021	RELIANCE
111	11/10/2021	RELIANCE
112	21/10/2021	TECHM
113	14/10/2021	SAIL
114	05/10/2021	TATACONSUM
115	20/10/2021	HEROMOTOCO
116	14/10/2021	GAIL
117	01/10/2021	BAJAJFINSV
118	25/10/2021	INDUSINDBK
119	18/10/2021	KOTAKBANK
120	25/10/2021	ULTRACEMCO
121	20/10/2021	IRCTC
122	25/10/2021	ULTRACEMCO
123	05/10/2021	COALINDIA
124	06/10/2021	MOTHERSUMI
125	04/10/2021	CUMMINSIND
126	13/10/2021	MOTHERSUMI
127	25/10/2021	HINDALCO
128	22/10/2021	JUBLFOOD
129	18/10/2021	TITAN
130	07/10/2021	BAJAJFINSV
131	25/10/2021	BHARTIARTL
132	07/10/2021	HDFCLIFE
133	07/10/2021	HDFCLIFE
134	21/10/2021	RELIANCE
135	25/10/2021	KOTAKBANK
136	21/10/2021	MCDOWELL-N
137	21/10/2021	MCDOWELL-N
138	11/10/2021	BANKBARODA

139	18/10/2021	HDFCBANK
140	25/10/2021	KOTAKBANK

23. The details of orders executed from the account of Client M after September 30, 2021 were provided to the Noticees as Annexure 2 and 3 of the SCN. Therefore, the Noticee 1's contention that the Show Cause Notice does not identify a single order placed after October 01, 2021, is devoid of merit and hence not acceptable.

24. The Noticee has further submitted that, "…*When production was first sought from the Noticee on February 25, 2025 the Circular no longer required it to hold records for any order placed before February 25, 2022…".* In this regard, it is noted from the material available on record that SEBI vide email dated November 15, 2023 sought details from Inventure regarding orders placed by Client M during March 01, 2020 to March 31, 2022 inter alia including mode of order placement, KYC records, connection logs etc. It is noted that in terms of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018, brokers are required to maintain the records specified at Para III above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute. Therefore, I am of the opinion that the Noticee was required to keep the Client M's order placement records till the completion of investigation in the matter. Therefore, the Noticee's contention is devoid of merit and hence not acceptable.

25. The Noticee has also submitted that as per Paragraph III of the SEBI Circular dated March 22, 2018, where a broker cannot produce order placing evidence, other appropriate evidence including post trade confirmation by the client and the receipt and payment of funds and securities by the client shall be considered. In this regard, it is noted that on plain reading of Paragraph III of the SEBI Circular dated March 22, 2018 that such exception is applicable only in case of exceptional cases such as technical failure etc. and the material available on record/ the Noticee's reply does not indicate if the Noticee's inability to maintain the requisite client order placement records was on account any such exceptional circumstances such as technical failure etc.

26. In view of the foregoing, I find that the allegation that the trading member & its AP failed to maintain the relevant record/ documents w.r.t. orders received by the trading member/ AP from the clients before execution of such trades, stands established. Therefore, it is established that the Noticee had violated SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 and MIRSD/ DR-1/ Cir-16/09 dated November 06, 2009 read with Regulations 29 and 30 of the SB Regulations r/w Regulation 25 of the SB Regulations.

Violation 2: The trading member & its AP extended the use of trading terminal to certain unauthorized person from an unauthorised location

27. While examining connection logs of the trading terminals used for punching trade orders in the account of client M, SEBI observed that one of the CTCL trading terminal no. 400001313014 was logged in using Dealer ID “1RN13” (allocated to Mr. Sachin Baban Nikam as dealer at the time) on certain days from Dubai in United Arab Emirates. It is observed from the details provided by the AP that none of the dealers travelled to Dubai during the IP and still the trading terminals were accessed from there. Therefore, it was alleged that the trading terminals allocated to the AP Mr. Rushbha Nisar by the stock broker, were accessed by an unauthorised person from outside the premises of the AP’s office.

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

28.1. Inventure has alleged that terminal 400001313014, under dealer identification 1RN13, was accessed from Dubai rests on twelve logins recorded in Table-11 of the SCN on three days in September 2021, and on nothing more than a lookup of the two internet protocol addresses concerned, 87.200.227.24 and 94.203.111.20, on the free public website iplocation.net. The finding sought to be made is a finding as to a named city. On the material annexed to the SCN as Annexure-13 the source states that for internet protocol to region or city databases accuracy ranges "anywhere from 50% to 75% if neighboring cities are treated as correct", and that "there is no official source of IP-to-Region information".

28.2. No outsider has been identified, let alone examined. No admission has been made by anybody. No remote access software is alleged. No terminal software was installed on any machine outside the Authorised Person's premises so far as the record discloses. No user name has been captured. There is a count of address strings and a lookup on a public website. It is respectfully submitted that the gap between the two evidentiary records is the difference between a charge that can be sustained and one that cannot.

28.3. The Noticee did not entrust a terminal to any client, to any unregistered intermediary or to any person other than its approved Authorised Person.

29. It is noted from the material available on record that on the basis of the IP geolocation searched in open source information available on internet (source: https://www.iplocation.net which provides IP geolocation from multiple publicly available sources) (Annexure-18), SEBI observed that CTCL terminal logins were made using Dealer ID "1RN13" on certain days from Dubai in United Arab Emirates as per the details below:

Login Date	Dealer Id	Terminal No.	Login Time	MAC ID	IP Address	IP Location*
28/09/2021	1RN13	400001313014	10:13:11	50-81-40-30-22-E7	87.200.227.24	Dubai, UAE
27/09/2021	1RN13	400001313014	13:26:35	50-81-40-30-22-E7	87.200.227.24	Dubai, UAE
27/09/2021	1RN13	400001313014	12:42:31	50-81-40-30-22-E7	87.200.227.24	Dubai, UAE
27/09/2021	1RN13	400001313014	12:38:10	50-81-40-30-22-E7	87.200.227.24	Dubai, UAE
27/09/2021	1RN13	400001313014	12:29:42	50-81-40-30-22-E7	94.203.111.20	Dubai, UAE
27/09/2021	1RN13	400001313014	12:26:10	50-81-40-30-22-E7	94.203.111.20	Dubai, UAE
27/09/2021	1RN13	400001313014	12:22:04	50-81-40-30-22-E7	94.203.111.20	Dubai, UAE
27/09/2021	1RN13	400001313014	12:07:05	50-81-40-30-22-E7	94.203.111.20	Dubai, UAE
27/09/2021	1RN13	400001313014	09:06:36	50-81-40-30-22-E7	94.203.111.20	Dubai, UAE
24/09/2021	1RN13	400001313014	14:32:02	50-81-40-30-22-E7	87.200.227.24	Dubai, UAE
24/09/2021	1RN13	400001313014	10:12:33	50-81-40-30-22-E7	87.200.227.24	Dubai, UAE
24/09/2021	1RN13	400001313014	09:49:16	50-81-40-30-22-E7	87.200.227.24	Dubai, UAE

30. In this regard, it is noted that the Noticee has pointed out that the source states that for internet protocol to region or city databases accuracy ranges "anywhere from 50% to 75%" and chose to overlook the same document interalia mentioning "IP-based Geolocation will be about 99% accurate at the country level".

31. It is also noted as per the material available on record that for 12 logins across 3 days, the IP address captured Dubai location and the same cannot be treated as a mere co-incidence. Here it is pertinent to refer to Judgment of Hon'ble SC of India in the matter of SEBI of India Versus Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016, wherein it was held that:

"*…2. It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion…*"

32. It is noted that as per the submissions of the AP none of the dealers travelled to Dubai during the investigation period. However, as noted above, the trading terminals were accessed from Dubai for 3 days during the investigation period viz., on September 24, 27 and 28, 2021.

33. The Noticee has also referred to SEBI's Final Order in the matter of front running of the trades of Axis Mutual Funds dated July 24, 2026, wherein the charge that two trading members had extended their terminals to an outsider situated in Dubai was established. In this regard, it is noted that each case is unique in its facts and circumstances and that every regulatory investigation is unique and must be evaluated on its own merits. The standard, quantity, and nature of evidence required to establish a charge in one case cannot operate as a rigid, mathematical blueprint for another. The absence of identical types of material in the present proceedings does not dilute or absolve the Noticee of the independent evidence recorded against the Noticee herein. The Noticee cannot claim immunity by arguing that the investigative material in the present case does not mirror the Axis order. Therefore, the Noticee's contention is dismissed.

34. In view of the foregoing, I find that the allegation that the trading member & its AP extended the use of trading terminal to certain unauthorized person from an unauthorised location stands established. Therefore, it is established that the Noticee had violated NSE Circular No. 282 dated August 29, 2002 (Ref. NSE/MEM/3574), Circular No. NSE/INSP/ 3800 dated December 13, 2002 (Ref. NSE/ INSP/2002/16), Circular No. 517 dated April 20, 2006 (Ref. NSE/MEM/7400) and NSE Circular no. NSE/MSD/34638 dated April 13, 2017 read with SEBI Circular No. MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009 and Clauses 1, 2 & 5 of Code of Conduct for Stock Brokers under Schedule II of SB Regulations r/w Regulation 26 (xvi), (xix) & Regulation 9 of the SB Regulations.

Violation 3: Inventure failed to carry out independent audit of its AP Mr. Rushbha Nisar in accordance with the framework for supervision of APs specified by the NSE in accordance with SEBI guidelines

35. It is noted from the material available on record that Mr. Kanji Bachubhai Rita, Promoter & Director of Inventure, stated in his statement under oath on January 03, 2025 that the independent verification of trading terminals of the AP was not done by Inventure during the IP and it relied on 'trust'. Mr. Kanji Bachubhai Rita was also advised to submit the internal audit reports of the AP Mr. Rushbha Nisar carried out during March 2020 to March 2022. Inventure vide email dated January 03, 2025 submitted the copies of two undated internal audit reports for FY 2021-22 and FY 2023-24.

36. SEBI observed the following from the audit reports:

a) The audit reports are undated, thus, the date and period of audit cannot be verified.
b) It appears that the audits have not been carried out by any auditor appointed by Inventure or by the compliance team of Inventure. Both the audit reports have been only signed by the AP Mr. Rushbha Nisar himself, indicating the claimed audit reports are in reality self-declarations given by the AP and not independent audits which were supposed to be carried out by the trading member.
c) Both the audit reports do not cover the NSE mandated audit points regarding verification of availability adequate systems for recording of order placement from clients.
d) No independent verification has been carried out by Inventure regarding the NSE mandated audit point pertaining to the verification of location of trading terminals. It appears from the audit report that Inventure has relied on the self-declaration given by the AP in the audit report.

37. In this regard, the Noticee's submissions are summarised below:

37.1. Inventure has contended that obligation is to conduct a periodic inspection. It does not prescribe a frequency. It does not prescribe a form. It does not prescribe a scope. It does not require that the inspection be conducted by an appointed auditor or by the compliance department. It does not use the word "audit" at all, still less "independent audit"

37.2. The Noticee did conduct periodic inspections of its Authorised Person. Two of the inspection checklists were furnished to SEBI under cover of the Noticee's email dated January 3, 2025 and are Annexure-15 to the SCN.

37.3. The checklist for financial year 2023-24 contains, at serial number 14, the item "AP/Branch have proper Voice recording system", which is answered in the affirmative, and at serial number 15 the item "Process of Clients registration, order placing mechanisms, Pay in / Pay out of fund and securities"

37.4. The checklist for financial year 2021-22, which is the checklist falling within the investigation period, carries a dedicated printed field headed "Address of verification of Location", against which is recorded "31, Agiary Lane, Opp. Modi Street, Fort, Mumbai 400001". It further records, at serial number 4 under the heading "Terminals", the item "All terminals allotted are used by relevant employee/dealers registered in the name with their Valid NISM certificate", answered in the affirmative.

The threshold said to trigger annual inspection is not established on the record

37.5. NSE Circular Ref. No. 37/2019, as reproduced at page 31 of the SCN, requires a trading member to inspect at least thirty per cent of its active authorised persons every year and to ensure that each active authorised person is inspected at least once in every three years, with annual inspection where the authorised person has more than five hundred registered clients, more than twenty trading terminals, or more than three complaints in the previous year. SEBI has placed no material whatsoever on record as to the number of registered clients of this Authorised Person during the investigation period, as to the number of terminals allotted to him during that period, or as to the number of complaints received against him.

37.6. On the material on record, the applicable requirement is inspection once in every three years, and an inspection of this Authorised Person is on record, and the Noticee will establish the date on which it was carried out.

The standard is due diligence, not perfection or presumed suspicion

37.7. The Noticee 1 has submitted that applicable standard is that of due skill, care and diligence, and it is settled that due diligence means reasonable diligence, that is, doing everything reasonable and not everything possible. The Noticee has cited the judgments of Hon'ble SC in Chander Kanta Bansal v. Rajinder Singh Anand, (2008) 5 SCC 117, Hon'ble SAT in the matters of SMC Global Securities Limited and Almonds Global Securities Limited, in support of its contention.

38. As regards the SEBI’s observation that audit reports do not cover the NSE mandated audit points regarding verification of availability adequate systems for recording of order placement from clients, Noticee 1 has submitted that checklist for financial year 2023-24 contains, at serial number 14, the item "AP/Branch have proper Voice recording system". The Noticee accepted that the corresponding item does not appear on the financial year 2021-22 form.

39. As regards the SEBI’s observation that audit reports are undated, Noticee 1 has accepted that the printed field "Date of Inspection" on both forms was left blank and the same was a lapse in the record keeping.

40. As regards SEBI's observation that no independent verification has been carried out by Inventure regarding the NSE mandated audit points, Noticee 1 has submitted that the it did conduct periodic inspection of the AP and that it does not require that the inspection be conducted by an appointed auditor or by the compliance department.

41. It is noted from the material available on record that Mr. Kanji Bachubhai Rita, Promoter & Director of Inventure was recorded u/s 11C(5) of the SEBI Act on January 03, 2025, wherein he had interalia stated:

"…*I personally knew father of Rushbha Vinay Nisar. Rushbha's father introduced our ex-CMD Nagjibhai Rita to Rushbha around 2012 after he had completed his MBA. He took our AP registration and started carrying his business on brokerage sharing with Inventure. As Rushbha was known to me and it was covid period during 2020-2021, the independent verification of trading terminals could not be done during that period by Inventure. We relied on trust during that period…"*

42. Following the statement recording, Inventure vide email dated January 03, 2025 submitted the copies of two undated internal audit reports for FY 2021-22 and FY 2023-24. It is noted that both the audit reports were signed by the AP itself. Therefore, it is difficult to ascertain the credibility of the audit reports provided by Inventure and it cannot be said to be in accordance with the framework for supervision of APs specified by the NSE/ SEBI guidelines.

43. It is further noted that paragraph 7(e) of the SEBI Circular dated November 6, 2009 inter alia states that, "*e) Stock broker shall conduct periodic inspection of branches assigned the authorised persons and records of the operations carried out by them*" and the NSE Circular Ref. No. 37/2019 dated October 18, 2019 specifies the relevant guidelines regarding the AP inspection.

44. There, it is noted that the broker is responsible for carrying out periodic inspection of the AP and the Noticee's submission that it does not require that the inspection be conducted by an appointed auditor or by the compliance department is flawed in so far the AP audit report as provided by Inventure was signed by the AP itself. The Noticee cannot excuse itself of the requirement of conducting periodic

inspection of AP. The Noticee's lack of oversight is amplified by the fact that Mr. Kanji Bachubhai Rita, Promoter & Director of Inventure, stated in his statement recording that instead of carrying out independent verification of the systems of its AP Mr. Rushbha Vinay Nisar as per regulatory requirements, Inventure relied on trust.

45. The Noticee has further submitted that the threshold said to trigger annual inspection is not established on the record. In this regard, it is noted that as per NSE Circular Ref. No. 37/2019 dated October 18, 2019 each AP of the stock broker is required to be inspected at least once every 3 years. However, the Noticee has not been able to place any document on record at the time if investigation or in reply to the SCN to substantiate if it had conducted any inspection of the AP during the investigation period spanning across 2 years or within 1 year of the investigation period. It is noted that Inventure vide email dated January 03, 2025 submitted the copies of two undated internal audit reports for FY 2021-22 and FY 2023-24 which were signed by the AP itself. As noted above, the said audit reports provided by the Noticee were not in accordance with the framework for supervision of APs specified by the NSE/ SEBI guidelines. Therefore, the Noticee's submissions are devoid of merit and hence rejected.

46. In view of the foregoing, I find that the allegation that Inventure failed to carry out independent audit of its AP Mr. Rushbha Nisar in accordance with the framework for supervision of APs specified by the NSE in accordance with SEBI guidelines, stands established. Therefore, it is established that the Noticee had violated NSE Circular Ref. No. 37/2019 dated October 18, 2019 r/w SEBI Circular No. MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009 and Clauses 1, 2 & 5 of Code of Conduct for Stock Brokers under Schedule II of SB Regulations r/w Regulation 26 (xvi) & Regulation 9 of the SB Regulations.

Issue No. II: Do the violations, if any, on part of Noticees attract monetary penalty under sections 15HB of SEBI Act, 1992?

47. Reliance is placed on the Judgement drawn to the judgment of Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

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

48. Therefore, for the above violation, as brought out in the foregoing paragraphs, I find that the Noticee 1 is liable for monetary penalty under Section 15HB of the SEBI Act which provides as following:

Securities and Exchange Board of India Act, 1992

"…

Penalty for contravention where no separate penalty has been provided

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

…"

Issue No. III: If yes, what should be the monetary penalty that can be imposed on the Noticees taking into consideration the factors mentioned in Section 15HB of the SEBI Act, 1992?

49. The Noticee has contended that applicable standard is that of due skill, care and diligence, and it is settled that due diligence means reasonable diligence, that is, doing everything reasonable and not everything possible. The Noticee has cited the judgments of Hon'ble SC in Chander Kanta Bansal v. Rajinder Singh Anand, (2008) 5 SCC 117, Hon'ble SAT in the matters of SMC Global Securities Limited and Almonds Global Securities Limited, in support of its contention. In this regard, I note that the Noticee's submissions are contradictory in nature, wherein on one hand, the Noticee has submitted that it has exercised necessary due diligence while on the other hand, Mr. Kanji Bachubhai Rita, Promoter & Director of Inventure, stated in his statement that the independent verification of trading terminals of the AP was not done by Inventure during the IP and it relied on 'trust'. Therefore, the Noticee's contentions are devoid of merit and hence not acceptable.

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

Securities and Exchange Board of India Act, 1992

"…

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.

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

…"

51. In the instant matter, I note that the material on record does not indicate the amount of disproportionate gain or unfair advantage made by the Noticee, and the amount of loss caused to an investor or group of investors as a result of the aforesaid violations of Noticee. As regards the repetitive nature of violations, I note from the material available on record that the following SEBI orders have been passed against Inventure:

- 11B proceedings in the matter of Pyramid Saimira Theatre Limited
- Adjudication proceedings in the matters of GFL Financials Limited, Pyramid Saimira Theatre Limited & trading activities of certain entities in Index options contracts of NIFTY
- Adjudication proceedings as stock broker

E. ORDER

52. Considering the facts and circumstances of the instant case, the material available on record, the factors mentioned in preceding paragraphs and in exercise of the powers conferred under section 15-I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, penalty of Rs. 3,00,000/- (Rupees Three Lakhs Only) is being imposed upon the Noticee for the violations committed by him as follows:-

Name of Noticee	Penalty under	Penalty Amount
Inventure Growth and Securities Ltd (PAN: AAACI2044K)	Section 15HB of SEBI Act, 1992	Rs. 3,00,000/- (Rupees Three Lakhs Only)

53. The said penalty will be commensurate with the violation committed on the part of the Noticees.

54. The Noticees 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

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

56. Copy of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

Medha Jeevan Sonparote

Digitally signed by Medha Jeevan Sonparote
Date: 2026.11.06 16:18:14 +05'30'

DATE: November 06, 2026
PLACE: MUMBAI

MEDHA SONPAROTE
ADJUDICATING OFFICER