

## SECURITIES AND EXCHANGE BOARD OF INDIA

## SETTLEMENT ORDER

Under Section 15JB of the Securities and Exchange Board of India Act, 1992 read with Regulation 23(1) of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018

In respect of:

Applicant No.	Name of the Applicant	Settlement Application No.
1.	National Stock Exchange of India Limited (NSE)	7216/2023
2.	Mr. Vikram Limaye	7214/2023
3.	Mr. Umesh Jain	7213/2023
4.	Mr. G. M. Shenoy	7217/2023
5.	Mr. Narayan Neelakantan	7221/2023
6.	Mr. V. R. Narasimhan	7219/2023
7.	Mrs. Kamala K.	7218/2023
8.	Mr. Nilesh Tinaikar	7222/2023
9.	Mr. R. Nandakumar	7212/2023
10.	Mr. Mayur Sindhvad	7215/2023

*(The aforesaid entities are hereinafter referred to by their respective names / Applicant No. and collectively as the "Applicants")*

**In the matter of Trading Access Point ("TAP") Architecture and Network Connectivity of the National Stock Exchange of India Limited ("NSE")**

1. Securities and Exchange Board of India ("**SEBI**") conducted an examination with respect to the TAP Architecture and Network Connectivity of NSE to ascertain:

- (a) The possibility of a bypass of TAP by Trading Members (“**TMs**”)
  - (b) The manner in which a complaint dated November 20, 2013 was dealt with by NSE
  - (c) Whether there had been lapses on the part of NSE and whether such lapses led to any violation of securities laws.
  
2. TAP was a software application deployed by NSE in 2008 on the servers of Trading Members (“**TMs**”) for managing connections and messages (orders/trades) of such TMs. TMs, registered with NSE, connected to TAP to establish communication with the NSE trading system. While NSE introduced ‘Trimmed TAP’ in December 2013 and ‘Direct Connect’ in February 2016 as an alternative to TAP, it continued with TAP till September 2019 in Equity segment and till November 2020 in Securities Lending and Borrowing segment.
  
3. After conclusion of the examination, a show cause notice dated February 28, 2023 (hereinafter referred to as “**SCN**”) was issued to eleven entities, including the Applicants, under Sections 11, 11B(1) and 11B(2) of the SEBI Act, 1992 read with Rule 4 of SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995, wherein, *inter alia*, following violations on part of the Applicants were alleged:
  - (a) NSE did not take remedial measures to prevent / discourage any possible bypass of TAP.
  - (b) The complaint dated November 20, 2013 and the deficiencies of the TAP system were not brought to the notice of NSE’s Standing Committee on Technology (“**SCOT**”) even after coming into effect of SEBI Circular dated July 06, 2015 on ‘Cyber Security and Cyber Resilience Framework of Stock Exchanges, Clearing Corporations and Depositories’.
  - (c) Further, there was alleged delay in appointment of Chief Information Security Officer by NSE, non-implementation of encryption feature in TAP etc., in apparent violation of the provisions of SEBI Circular dated July 06, 2015.

- (d) The Chief Technology Officer (“**CTO**”) was not designated as a Key Management Personnel (“**KMP**”) by NSE.
- (e) Similar charges were framed against key NSE employees involved in handling of the complaint dated November 20, 2013.
- (f) Further, charges were framed against subsequent Managing Director (“**MD**”) / CTO of NSE for delaying discontinuation of TAP and not providing SCOT with full picture of issues involved with TAP.

4. The SCN alleged the violation of the following provisions of securities laws by the Applicants:

<b>Applicant No.</b>	<b>Name of the Applicant</b>	<b>Alleged Violations</b>
1.	National Stock Exchange of India Limited (NSE)	<ul style="list-style-type: none"> <li>a. Reg. 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (“<b>PFUTP Regulations, 2003</b>”).</li> <li>b. Reg. 41(2) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (“<b>SECC Reg., 2012</b>”) read with Reg. 52 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (“<b>SECC Reg., 2018</b>”) and Reg. 39(3) of SECC Reg., 2018.</li> <li>c. Para 7.1 of SEBI Circular dated December 13, 2012 on Procedural Norms on Recognitions, Ownership and Governance for Stock Exchanges and Clearing Corporations.</li> <li>d. Paras 6, 7, 8, 30, 43 and 45 of Annexure A of SEBI Circular dated July 06, 2015 on Cyber Security and Cyber Resilience Framework of Stock Exchanges, Clearing Corporations and Depositories.</li> <li>e. Reg. 7(3)(a) read with Reg. 12(5) of SECC Reg., 2012 and Reg. 52 of SECC Reg., 2018 and Reg. 7(3)(a) read with Reg. 12(5) of SECC Reg., 2018.</li> <li>f. Reg. 2(i) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.</li> </ul>
2.	Mr. Vikram Limaye	<ul style="list-style-type: none"> <li>a. Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Section 27 of SEBI Act, 1992 and Reg. 39(3) of</li> </ul>

Applicant No.	Name of the Applicant	Alleged Violations
		<p>SECC Reg., 2018 read with Section 27 of SEBI Act, 1992.</p> <p>b. Para iv.a &amp; b and v.a &amp; h under the Code of Conduct under Reg. 26(1) and 3<sup>rd</sup> bullet point of Para i, Para iii.e &amp; f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.</p> <p>c. Para 4.a &amp; b and 5.a &amp; h under the Code of Conduct under Reg. 26(1) and Para 1.c, 3.e &amp; f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2018.</p>
3.	Mr. Umesh Jain	<p>a. Reg. 4(1) of PFUTP Regulations, 2003 and Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Section 27 of SEBI Act, 1992.</p> <p>b. 3<sup>rd</sup> bullet point of Para i of the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.</p> <p>c. Para iii.e under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.</p> <p>d. Para iii.f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.</p>
4.	Mr. G. M. Shenoy	<p>a. Reg. 4(1) of PFUTP Regulations, 2003 and Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg. 2018 and Section 27 of SEBI Act, 1992.</p> <p>b. Reg. 39(3) of SECC Reg., 2018 read with Section 27 of SEBI Act, 1992.</p> <p>c. 3<sup>rd</sup> bullet point of Para i of the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.</p> <p>d. Para iii.e under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.</p> <p>e. Para iii.f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Para 3.f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2018.</p> <p>f. Para 30 of Annexure A of SEBI Circular dated July 06, 2015 on Cyber Security and Cyber Resilience Framework of Stock Exchanges, Clearing Corporations</p>

<b>Applicant No.</b>	<b>Name of the Applicant</b>	<b>Alleged Violations</b>
		and Depositories read with Section 27 of SEBI Act, 1992.
5.	Mr. Narayan Neelakantan	a. Reg. 4(1) of PFUTP Regulations, 2003 and Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Section 27 of SEBI Act, 1992.
6.	Mr. V. R. Narasimhan	a. Reg. 4(1) of PFUTP Regulations, 2003 and Reg. 32(1) of SECC Reg., 2012. b. Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Section 27 of SEBI Act, 1992. c. 3 <sup>rd</sup> bullet point of Para i and Para iii.e of the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018. d. Para iii.f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.
7.	Mrs. Kamala K.	a. Reg. 4(1) of PFUTP Regulations, 2003, Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Section 27 of SEBI Act, 1992. b. 3 <sup>rd</sup> bullet point of Para i and Para iii.e of the Code of Ethics under Reg. 26(2) of SECC 2012 read with Reg. 52 of SECC Reg., 2018. c. Para iii.f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.
8.	Mr. Nilesh Tinaikar	a. Reg. 4(1) of PFUTP Regulations, 2003, Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Section 27 of SEBI Act, 1992.
9.	Mr. R. Nandakumar	a. Reg. 4(1) of PFUTP Regulations, 2003, Reg. 41(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018 and Section 27 of SEBI Act, 1992. b. 3 <sup>rd</sup> bullet point of Para i and Para iii.e of the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018. c. Para iii.f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.

Applicant No.	Name of the Applicant	Alleged Violations
10.	Mr. Mayur Sindhwad	a. Para i and Para iii.e under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018. b. Para iii.f under the Code of Ethics under Reg. 26(2) of SECC Reg., 2012 read with Reg. 52 of SECC Reg., 2018.

5. Vide the SCN, the Applicants were called upon to show cause as to why appropriate direction(s) under Sections 11 and 11B(1) of SEBI Act, 1992 should not be issued against them for the alleged violations mentioned in the SCN. Further, Applicants 1 and 3 to 9 were called upon to show cause as to why penalty should not be levied upon them under Section 15HA of the SEBI Act, 1992 read with Sections 11 and 11B(2) of the SEBI Act, 1992 for the alleged violations mentioned in the SCN. Additionally, the Applicants were called upon to show cause as to why penalty should not be levied upon them under Section 15HB of SEBI Act, 1992 read with Sections 11 and 11B(2) of the SEBI Act, 1992 for the alleged violations mentioned in the SCN.
6. While the proceedings were pending, the Applicants filed applications (hereinafter referred to as "**Settlement Applications**") for settling the proceedings initiated vide the SCN, without admitting or denying the findings of facts and conclusions of law, through a settlement order, in terms of the provisions of the SEBI (Settlement Proceedings), 2018 (hereinafter referred to as "**Settlement Regulations, 2018**").
7. After attending meetings with the Internal Committee of SEBI on November 06, 2023, December 20, 2023, February 07, 2024 and February 14, 2024, in terms of the Settlement Regulations, 2018, the Applicants vide letter dated March 05, 2024 proposed revised settlement terms. The Settlement Applications filed by the Applicants, along with revised settlement terms proposed by them, were placed before the High Powered Advisory Committee (hereinafter referred to as "**HPAC**"), during its meeting held on March 18, 2024. The HPAC suggested

that the Internal Committee of SEBI re-examine the calculation of the settlement amount in line with the revenue generated and profits made through TAP subscriptions. Further, the HPAC recommended that the Internal Committee also consider imposition of non-monetary settlement terms. Thereafter, the Applicants attended the meeting with Internal Committee of SEBI on May 24, 2024 and filed their revised settlement terms on June 14, 2024. The revised settlement terms were placed before the HPAC at its meeting held on July 29, 2024. The HPAC recommended that in addition to the combined settlement amount of Rs.6,43,05,30,000/- (Rupees Six Hundred and Forty-Three Crores Five Lakhs Thirty Thousand only), appropriate non-monetary settlement terms be recommended by the Panel of Whole Time Members (hereinafter referred to as "WTMs").

8. In terms of Regulation 14(3) of the Settlement Regulations, 2018, the recommendations of the HPAC were placed before the Panel of WTMs. The Panel of WTMs accepted the recommendations of the HPAC to settle the matter on composite payment by NSE (for itself and other Applicants) for an amount of Rs.6,43,05,30,000/- (Rupees Six Hundred and Forty-Three Crores Five Lakhs Thirty Thousand only). Further, the Panel of WTMs was of the view that the Settlement Applications be accepted if, in addition to the aforementioned settlement amount, pro-bono community service of at least 14 days during the current Financial Year was undertaken by all the Applicants, except NSE (Applicant 1) and Mr. G. M. Shenoy (Applicant 4), as a non-monetary settlement term.
9. Vide email dated September 20, 2024, a notice of demand for Rs.6,43,05,30,000/- (Rupees Six Hundred and Forty-Three Crores Five Lakhs Thirty Thousand only) was issued to the Applicants. Vide emails dated September 26, 2024 and October 01, 2024, the Applicants, except NSE (Applicant 1) and Mr. G. M. Shenoy (Applicant 4), submitted their undertakings to undertake pro bono community service of at least 14 days during the current financial year. Further, NSE, on behalf of itself and other Applicants, has

remitted the abovementioned settlement amount on September 25, 2024, the receipt of which is confirmed.

10. In view of the acceptance of the settlement terms by Panel of WTMs and receipt of settlement amount and undertakings by SEBI, as mentioned above, the proceedings initiated against the Applicants vide the SCN dated February 28, 2023 are hereby disposed of, as per approved settlement terms mentioned in para 8 above, in terms of Section 15JB read with Section 19 of the SEBI Act, 1992 and Regulation 23(1) of the Settlement Regulations, 2018.
11. Further, in terms of Regulations 28 and 31 of the Settlement Regulations, 2018, this order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating proceedings in respect to which this settlement order is passed, if:
  - (a) the Applicants have not made full and true disclosure;
  - (b) the Applicants have breached any of the clauses / conditions of undertakings / waivers filed during the present settlement proceedings; and
  - (c) there was a discrepancy while arriving at the settlement terms and the Applicants fail to pay any difference due to such discrepancy.
12. This settlement order shall come into force with immediate effect.
13. In terms of Regulation 25 of the Settlement Regulations, 2018, a copy of this order shall be sent to the Applicants and this order shall also be published on the website of SEBI.

**DATE: OCTOBER 04, 2024**

**PLACE: MUMBAI**

**ASHWANI BHATIA**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**