

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SKV/AJ/ 2024-25/30942]**

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

Way2Wealth Brokers Private Limited (PAN: AAACW3290M) Registered Office: Rukmini Towers, 3 rd & 4 th Floor, No. 3/1, Platform Road, Sheshadripuram, Bangalore – 560020 Email: raghavendrat@way2wealth.com compliance@way2wealth.com	Way2Wealth Brokers Private Limited (PAN: AAACW3290M) Corporate Office: EFC Office Infre, 14 th Floor, D Wing, Empire Tower, Cloud City, Gut No. 31, Airoli, Off Thane – Belapur Road, Navi Mumbai - 400708
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in the matter of Way2Wealth Brokers Private Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted a thematic inspection on September 01, 2023 with respect to 'Common mobile number and email id linked to multiple UCC' in the matter of M/s Way2wealth (**hereinafter referred to as "Noticee" / "Company" / "Way2Wealth"**) for the period of April 01, 2022 to May 31, 2023 to check compliance with the provisions of SEBI Act, 1992 ("hereinafter referred to as "**SEBI Act, 1992**"). The Noticee is registered with SEBI as a Stock Broker, having SEBI registration number INZ000103838.
2. The findings/ observations made during the course of inspection were communicated to the Noticee by SEBI vide its letter dated November 02, 2023. After examining the replies submitted by the Noticee vide letters dated November 23, 2023, November 28, 2023 and November 30, 2023, it has been alleged that the Noticee violated provisions of SEBI (Stock

Brokers) Regulations, 1992 (hereinafter referred to as “Stock Brokers Regulations, 1992”) and applicable SEBI Circulars.

3. SEBI initiated adjudication proceedings against the Noticee under section 15HB of SEBI Act, 1992 for the alleged violations of the provisions of Stock Brokers Regulations, 1992 and applicable SEBI Circulars.

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as Adjudicating Officer (**AO**) vide order dated February 01, 2024, under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ‘**Adjudication Rules 1995**’) to inquire into and adjudge under the provisions of Section 15HB of the SEBI Act, 1992, the various violations of aforesaid provisions, alleged to have been committed by Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice No. SEBI/HO/EAD-8/SKV/AJ/2024/13391 dated April 04, 2024 (hereinafter referred to as “**SCN**”) was issued to the Noticee in terms of Section 15-I of the SEBI Act, 1992 and Rule 4 of Adjudication Rules, to show cause as to why an inquiry should not be held against it and why penalty, if any, under Section 15HB of SEBI Act, 1992 be not imposed on the Noticee.

6. The SCN issued to the Noticee alleged:

6.1 that (i) the Noticee failed to take declaration forms from the clients at the time of onboarding them, (ii) there was a mismatch of mobile number and email id with the Noticee’s database and the sample culled out before the inspection, (iii) there was a mismatch of mobile number with KYC form in the sample culled out before the inspection, and (iv) non-obtaining of preference of running account settlement from clients, the Noticee violated SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992.

6.2 that market rates at which orders were placed were not obtained from the clients by the Noticee in the pre-order confirmation form, therefore the Noticee violated SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO Regulation

7. The aforesaid SCN was issued through digitally signed email dated April 04, 2024 and vide Speed Post Acknowledgement Due (hereinafter referred to as "**SPAD**") to the Noticee and served to the Noticee on April 10, 2024 as per the signature and date on the SPAD card. Vide email dated April 09, 2024, the Noticee sought extension of time to file the response to the SCN. The request of the Noticee for extension of time to file its reply was acceded to. Vide email dated May 02, 2024, the Noticee forwarded letter dated April 30, 2024 in response to the SCN.
8. In compliance with the principles of natural justice, an opportunity of personal hearing was granted to the Noticee on May 08, 2024. On behalf of the Noticee, Mr. Manjit Singh, Director, Mr. Shridhar G S, Designated Director, attended the hearing in person while Mr. Raghavendra T K, Compliance Officer and Ms. Sandhya V, Head – Registration and DP services attended the hearing via Cisco webex link. They submitted that they would be relying upon reply dated April 30, 2024 filed in response to the SCN. Summarized version of the detailed reply to the SCN dated April 04, 2024 was submitted during the hearing.
9. The Noticee completely denied all allegations made against it in the Notice and stated that the Noticee has been in compliance with the relevant circulars mentioned in the Notice.
10. Further, the Noticee stated that as evidenced by the submissions and explanations detailed in its response, the observations and allegations made by SEBI in the Notice do not in any manner establish any contravention of the Relevant Circulars by the Noticee. The Noticee submitted that it has responded to every adverse observation, allegation, contention or statement set out in the Notice in its reply and nothing contained in the Notice ought to be taken as admitted by the Noticee merely for want of specific evidentiary corroboration.
11. In the light of its response, the Noticee urged SEBI to discharge the Notice in its entirety.

CONSIDERATION OF ISSUES AND FINDINGS

Issue No. I - Whether the Noticee is in violation of the provisions of SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011; Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO Regulation?

Issue No. II If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15HB of the SEBI Act, 1992?

Issue No. III If yes, what would be the quantum of monetary penalty that should be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

12. The applicable provisions of SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011; Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO Regulation are reproduced hereunder

SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 is available at https://www.sebi.gov.in/legal/circulars/aug-2011/sms-and-e-mail-alerts-to-investors-by-stock-exchanges_20373.html

Clause A (1) & A (2) of Schedule II of Code of Conduct

“.....

7.1 General

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

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

.....”

Regulation 9 of 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,-*

(a) the stock broker holds the membership of any stock exchange;

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

(c) where the stock broker proposes change in control, he shall obtain prior approval of the Board for continuing to act as such after the change;

(d) he shall pay fees charged by the Board in the manner provided in these regulations;

(e) he shall take adequate steps for redressal of grievances, of the investors within

31[twenty-one calendar days]of the date of receipt of the complaint and inform the Board as and when required by the Board;

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

(g) he shall at all times maintain the minimum networth as specified in Schedule VI.

32 *[(h) Every stock broker who act as an underwriter shall enter into a valid agreement with the body corporate on whose behalf it is acting as underwriter and shall abide by the regulations made under the Act in respect of the activities carried on by it as underwriter.*

(i) Every Stock Broker shall be entitled to act as an underwriter only out of its own net worth/funds as may be prescribed from time to time.]

33 (1) Approval for operation in other stock exchange(s) or segment(s) of stock exchange.

31 Substituted for “one month” by the Securities and Exchange Board of India (Facilitation of Grievance Redressal Mechanism) (Amendment) Regulations, 2023 w.e.f. 18-08-2023.

32 Inserted by SEBI (Stock Brokers) (Amendment) Regulations, 2021 w.e.f. 30-03-2021.

33 Substituted by the SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2014 w.e.f. 08-

10-2014. Prior to substitution the Regulation read as follows: ‘Approval for operation in segments of stock exchange.

10.(1) Approval for operating in segments of a stock exchange shall be granted by the concerned stock exchange.

(2) A stock broker registered with the Board, who desires to operate in any segment(s) of the stock exchange of which it holds a membership, shall apply to the concerned stock exchange, in the manner specified by the Board.

.....”

SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017

“.....

II. The current regulatory requirements in commodity derivative markets require

that “The members shall execute the trade of clients only after keeping evidence of the client placing such order; it could be, inter alia, in the form of sound recording.” There are no such requirements in Equity, Equity Derivative and Currency Derivative Market side.

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, it 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 SMS messages,*
- f. Any other legally verifiable record.*

When dispute arises, the burden of proof will be on the broker to produce the above records for the disputed trades.

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.

.....”

SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017

“.....

- 1. SEBI vide circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017 has inter-alia specified that brokers shall execute trades of clients only after keeping evidence of the client placing such order. Further, SEBI has made it mandatory to use telephone recording system to record client instructions and maintain telephone recordings wherever the order instructions are received from clients through the telephone.*
- 2. Subsequently, SEBI has received representations from stock brokers and their associations expressing operational difficulties caused to stock brokers. Accordingly, in view of operational difficulties faced by stock brokers, it has been decided as under.*

- i. *Brokers are required to maintain the records specified at para III of aforementioned circular for a minimum period for which the arbitration accepts investor 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.*
- ii. *If SEBI desires that specific records be preserved then such records shall be kept till further intimation by SEBI.*
- iii. *The above mentioned SEBI circular also prescribes that 'when dispute arises, the burden of proof will be on the broker to produce the above 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.*

.....”

SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO Regulation

“....

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.*

VI. *If SEBI desires that specific records be preserved then such records shall be kept till further intimation by SEBI.*

.....”

Regulation 3.2.1 of NSEIL CM regulation - National Stock Exchange of India Limited Regulations – Part A (Capital Market Segment)

“.....

3.2 TRADE OPERATIONS

3.2.1 Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof. Notwithstanding the above, wherever the order instructions are received

from clients through the telephone, Members shall mandatorily use telephone-recording system to record the instructions and maintain telephone recordings as part of its records.

.....”

Regulation 3.4.1 of NSEIL FO Regulation - National Stock Exchange of India Limited Regulations (F&O Segment)

“.....

3.4 TRADE OPERATIONS

3.4.1 Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the NEAT system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof. Notwithstanding the above, wherever the order instructions are received from clients through the telephone, Members shall mandatorily use telephone-recording system to record the instructions and maintain telephone recordings as part of its records.

.....”

13. The aforesaid alleged violations, if established, make Noticees liable for monetary penalty under Section 15 HB of the SEBI Act, which read as under:

SEBI 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 ¹[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees].*

Issue No. I - Whether the Noticee is in violation of the provisions of SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011; Clause A (1) & A (2) of Schedule II of Code of

¹ Substituted for the words “liable to a penalty which may extend to one crore rupees” by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO Regulation?

14. The allegations made in the SCN and replies filed by the Noticees vide letter dated April 30, 2024 and summarized version of the detailed reply to the SCN which was submitted during the course of hearing on May 08, 2024, along with my findings are dealt with in the following sub-paragraphs:

15. **Declaration form / consent letters from clients, was not taken by the Stock Broker**

Allegation in the SCN:

15.1.1. During the course of the inspection it was observed that in 16 instances, the Noticee did not take the declaration form/consent letters from clients (Client code : FG171557, FG171558, FG160276, FG160290, FG160241, FG16327, H0172, U0071, R565, H0579, H0794, D1021,P593, FG170706, V534, FG171234) during the time of onboarding. The Noticee had allegedly admitted to not obtaining declaration form/consent letters from clients for using same mobile no./email. Further, Noticee submitted that it had initiated steps to obtain the same from the clients.

Reply of Noticee

15.1.2. *SEBI issued Circular No. CIR/MIRSD/15/2011 dated August 02, 2011 issuing guidelines for Uploading of mobile number and E-mail address of Clients on Stock Exchange platforms by stock brokers. This circular directed the Stock exchanges to provide a platform to stock brokers to upload the details of their clients, preferably, in sync with the UCC up-dation module. It further stated that the Stock brokers :*

- (i) shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.*
- (ii) shall ensure that the mobile numbers/E-mail addresses of their employees/sub-*

- brokers/ remisiers /authorized persons are not uploaded on behalf of clients.*
- (iii) shall ensure that separate mobile number/E-mail address is uploaded for each client.*
 - (iv) However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents.*

15.1.3. Main objective of this circular was to enable the Stock exchanges to send transaction details generated based on investors' Permanent Account Number, directly to the Investors to prevent "Unauthorised Trades" by Stock Brokers. The Stock Exchanges took time to carry out necessary changes in their systems to enable Stock Brokers upload these details on their platform. The Noticee modified its KYC Form to capture mobile number & email address along-with declaration as to whether the Mobile/ Email belonged to the Client (self) or a family Member and made provisions in the software to upload these details on the Stock Exchanges as part of UCC Module.

15.1.4. As regards the clients registered prior to August 2011, the Noticee devised and circulated a Declaration Form / Consent letter to be signed by the existing Clients confirming their Mobile Number/ Email address and giving consent to utilize the same in case the said Mobile Number/ Email address belonged to a family member.

15.1.5. It is submitted that out of 16 cases mentioned in Para 7.1, 12 (twelve) Clients with UCC code D1021, FG160241, FG160276, FG160290, FG170706, H0172, H0579, H0794, P593, R565, U0071 and V534 were onboarded prior to implementation of SEBI Circular of August 2011 by the Stock Exchanges. In these cases declaration/ consent letter was obtained from the Client at the time of Re-KYC or up-dation of client mobile number/ email address. Clients with UCC FG16327, FG171557, FG171558 and FG171234 were on-boarded post implementation of SEBI Circular of August 2011. In these four cases, personal contact details cum declaration was

obtained not only as part of the primary Account Opening Form but also a supplementary declaration/ consent letter was obtained from the Client at the time of on boarding for use of same Mobile number and email id.

15.1.6. FG16327(Atul Kumar Gunwant Lal Shroff) has signed the primary and Supplementary declaration at the time of opening the account on 21-04-2016 and third declaration was obtained from the Client as part of Re-KYC on 31-07-2023. Both FG171557 (Jikesh Vastimal Kothari) and FG171558 (Ahish Kumar Vastimal Kothari) have given consent letter for use of email-id of their mother FG 171230 (Kamlaben Vastimal Kothari) while FG171234 (Kalpana Ahish Kumar Kothari) has given consent letter for use of email id of her husband.

15.1.7. Details of all the primary and supplementary Declaration-cum-Consent letters obtained for each of the sixteen UCC instances mentioned in para 7.1 of the Notice are given in Table 7.1. Scanned copies of consent letters obtained in sixteen instances has been provided as per Annexure 7.1.1a to 7.1.16b (Total annexures 32) to prove that observation made in para 7.1 of the Notice is not true.

Findings

15.1.8. As per the submission of the Noticee, the following was observed in respect of the aforementioned sixteen clients whose declaration form/consent letters in respect of email, mobile number etc. were allegedly not taken by the Noticee at the time of on boarding:

Sl. No.	UCC	Findings
1	D1021	Noticee has submitted that the account of the client, Dilip Valji Mali was activated on January 10, 2008, i.e. prior to implementation of the SEBI Circular dated August 02, 2011. The application form for addition/modification of client details dated December 08, 2011, showed a change in email id. Noticee submitted that the email was updated in 2011 and since the declaration as per the KRA-KYC

		form was blank, voice recorded confirmation was taken as "Self". Submission of the Noticee is accepted.
2	FG160241	The Noticee submitted that the client, Ruchik Atulkumar Shroff was onboarded prior to implementation of the SEBI Circular dated August 02, 2011. Consent letter was obtained from the client at the time of Re-KYC. The Noticee submitted the KYC modification form dated July 31, 2023 where the consent / declaration has been obtained and the email had been updated. Hence, the submission of the Noticee is accepted.
3	FG160276	The Noticee submitted that the account of the client, Ravi Ashishkumar Ghael was activated in February 05, 2013 i.e. post implementation of the SEBI Circular dated August 02, 2011. The Noticee also submitted that the declaration was collected online, however, no proof of the same was submitted. Re-KYC was done on April 08, 2023 and March 31, 2022 wherein the consent / declaration of the client had been obtained. I note that though there has been considerable delay in obtaining consent, since the Re-KYC was obtained prior to the inspection, the submission of the Noticee is accepted.
4	FG160290	As per the AOF dated June 10, 2014, submitted by the Noticee, it was observed that client, Hiraak Dipakkumar Ghael, was on boarded post to implementation of the SEBI Circular dated August 02, 2011 and declaration/consent was obtained from the client. The KYC modification form dated October 16, 2023 wherein the email was updated. As mentioned above, since on-boarding was post implementation of SEBI Circular and KYC modification was done post SEBI inspection, the submission of the Noticee is not accepted. However, since the Noticee did try to rectify the lacunae and obtain details during Re-KYC or up-dation of client mobile number / email address, the same may be considered as a mitigating factor.
5	FG170706	Noticee has submitted that the account of the client, Shital Mukeshbhai Shah was activated in April 30, 2009, i.e. prior to implementation of the SEBI Circular dated August 02, 2011. However, no supporting document has been provided for the same. Noticee also submitted "new" KYC forms dated March 25, 2021 and September 14, 2023 wherein declaration/consent was

		obtained from the client. Noticee should have obtained consent subsequent to implementation of circular and not wait for more than 10 years to obtain the same. However, since the KYC was obtained prior to the SEBI inspection, the submission of the Noticee is accepted.
6	H0172	Noticee has submitted that the account of the client, Harish Chandak was activated in July 30, 2005, i.e. prior to implementation of the SEBI Circular dated August 02, 2011. The individual client registration form which has been submitted is similar to the Client Registration form prescribed by SEBI vide circular dated August 26, 2004. Noticee also submitted KYC form dated December 13, 2022, wherein declaration/consent was obtained from the client. In view of the above, the submission of the Noticee is accepted.
7	H0579	Noticee has submitted that the account of the client, Hiren Bhogilal Khandor was activated in July 13, 2007 and also submitted an account opening form dated November 23, 2009 i.e. prior to implementation of the SEBI Circular dated August 02, 2011. Subsequently, Noticee also submitted KYC form dated July 10, 2022, wherein declaration/consent was obtained from the client. In view of the above, the submission of the Noticee is accepted.
8	H0794	Noticee has submitted that the account of the client, Hemlata Nilesh Mehta was activated in January 01, 2008 i.e. prior to implementation of the SEBI Circular dated August 02, 2011. However, no supporting document has been provided for the same. Noticee has submitted an undated application of the client to Techno Shares & Stocks Ltd. requesting for necessary changes in trading account and demat account as well as submission of statement of policies and procedures/authorisation letter to maintain running account Further, Noticee has submitted KYC modification form dated December 06, 2023 wherein declaration/consent was obtained from the client. Since (i) no supporting documents were submitted at the time of on-boarding (ii) an undated application addressed to Techno Shares & Stocks Ltd. by the client was submitted by the Noticee the submission of the Noticee is not accepted. However, given the fact that the Noticee tried to rectify the error by seeking modification of KYC

		(which was sought vide form dated December 06, 2023 i.e. post SEBI inspection), the same may be considered as a mitigating factor.
9	P593	Noticee has submitted that the account of the client, Poornima Soni was activated on August 04, 2005, i.e. prior to implementation of the SEBI Circular dated August 02, 2011. The individual client registration form which has been submitted is similar to the Client Registration form prescribed by SEBI vide circular dated August 26, 2004. Noticee also submitted KYC form dated August 28, 2021, wherein declaration/consent was obtained from the client. In view of the above, the submission of the Noticee is accepted.
10	R565	Noticee has submitted that the account of the client, Rajesh Soni was activated in 2003, i.e. prior to implementation of the SEBI Circular dated August 02, 2011. However, proof of the same has not been submitted. The declaration was updated as per modification KRA-KYC form dated December 29, 2020. Noticee also submitted Client Registration Form where the trading Code is that of the client and the same is dated January 22, 2021. Considering the modifications were done prior to the SEBI inspection, the submission of the Noticee is accepted.
11	U0071	Noticee has submitted that the account of the client, Urmila Devi Chandak was activated in 2005, i.e. prior to implementation of the SEBI Circular dated August 02, 2011. The individual client registration form which has been submitted is similar to the Client Registration form prescribed by SEBI vide circular dated August 26, 2004. Noticee also submitted Client Registration Form wherein the KYC form dated December 12, 2022 depicted that declaration/consent was obtained from the client. In view of the above, the submission of the Noticee is accepted.
12	V534	Noticee has submitted that the account of the client, Venugopal Soni was activated in 2003, i.e. prior to implementation of the SEBI Circular dated August 02, 2011. The individual client registration form which has been submitted is similar to the Client Registration form prescribed by SEBI vide circular dated August 26, 2004. Noticee also submitted KYC form which was verified on November 15, 2022, wherein declaration/consent was obtained from the

		client. In view of the above, the submission of the Noticee is accepted.
13	FG16327	It was observed that the declaration was collected along with the AOF in April 21, 2016, i.e. post implementation of the SEBI Circular dated August 02, 2011. Noticee also submitted KYC form dated July 31, 2023, wherein declaration/consent was obtained from the client. In view of the above, the submission of the Noticee is accepted.
14	FG171557,	It was observed that consent/declaration was part of the Client Registration Form having KYC dated July 08, 2016. KYC dated February 23, 2024 reflected a new email id which was updated as per the submission of the Noticee and consent/declaration was also obtained from the client. Submission of the Noticee is accepted.
15	FG171558	It was observed that consent/declaration was part of the Client Registration Form having KYC dated July 08, 2016. Submission of the Noticee is accepted.
16	FG171234	The Noticee submitted that the account of the client, Kalpana Ashishkumar Kothari was activated on August 16, 2014 i.e. post implementation of the SEBI Circular dated August 02, 2011. Noticee also submitted that the email and mobile belongs to the spouse and due diligence was done by verifying the email and mobile written in nominee details and re-confirmation was taken on email from the client on January 09, 2023. No consent / declaration obtained from the client was submitted. Vide email dated January 09, 2023, clients husband has confirmed the ownership of the mobile/email id as that of his wife. Considering the client was on-boarded post implementation of the SEBI Circular mentioned above, and the due diligence in verifying the email and mobile number of the client was done prior to the SEBI inspection, the submission of the Noticee is accepted.

Summary of Findings:

- 15.1.9. During the course of inspection, it was observed that in 16 instances the Noticee did not take declaration from/client letter from the clients. However, taking into consideration the submissions of the Noticee mentioned in para

15.1.2 to 15.1.7 and the observations made above at para 15.1.8 it is held that the allegation against the Noticee of the violations w.r.t. SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, are not established.

Allegation in SCN

15.1.10. In 6 instances (Client code: KA01864, KA011034, FG160064, S0086, A3356, FR010037), the Noticee had provided KYC forms in response to the inspection findings. However, during inspection it was observed that no declaration form/consent letters from clients for using same mobile no./email id had been obtained by the Noticee at the time of client onboarding.

Reply of Noticee

15.1.11. *Client with UCC KA01864 (Noratamal Dugar), KA011034 (Suraj Devi Dugar), A3356 (Akansha Kailash Bang) and FR010037 (Madhavi Jeemmish Vimawala) were on boarded post implementation of SEBI Circular of August 2011. Declaration and consent letters were obtained from these four clients as part of the Accounting Form.*

15.1.12. *Clients with UCC FG160064 (Ghael Bela Dipak Kumar) and S0086 (Sangeeta Deepak Bang) were activated prior to implementation of SEBI Circular of August 2011. Declaration/ Consent letters in both these cases were obtained at the time of Re-KYC.*

15.1.13. *Details of all the primary and supplementary Declaration-cum-Consent letters obtained for each of the six UCC instances mentioned in para 7.2 of the Notice are given in Table 7.2. Scanned copies of consent letters obtained in these six instances has been provided as per Annexure 7.2.1a to 7.2.6a (Total Annexures 15). It appears that Inspection team has missed the relevant declarations while scrutinising the Account Opening Forms and Re-KYC documents and erroneously inferred that no declaration form/consent letters are obtained from these six clients.*

Findings

15.1.14. As per the submission of the Noticee the following was observed in respect of the aforementioned six clients:

Sl. No.	UCC	Findings
1	KA01864	The Noticee submitted that the client, Noratamal Dugar was onboarded post implementation of the SEBI Circular dated August 02, 2011. It was observed from the AOF submitted by the Noticee that the client was onboarded on November 24, 2016 and the declaration / consent was obtained from the client as part of the AOF. Submission of the Noticee has been accepted.
2	KA011034	The Noticee submitted that the client Suraj Devi Durga was onboarded post implementation of the SEBI Circular dated August 02, 2011. It was observed from the AOF submitted by the Noticee that the client was onboarded on December 12, 2016 and the declaration / consent was obtained from the client as part of the AOF. Submission of the Noticee has been accepted
3	FG160064	As per the client registration form dated November 10, 2008, submitted by the Noticee, Client, Bela D Ghael (FG160064) was onboarded prior to the SEBI Circular August 02, 2011. Further, the KYC verification in respect of KYC modification was done on June 22, 2021 wherein declaration / consent of the client was obtained. Re-KYC was done for a second time where the in person verification was done on August 29, 2023 and declaration / consent of the client was obtained. Submission of the Noticee is accepted.
4	S0086	As per the client registration form dated October 29, 2004, submitted by the Noticee, Client, Sangeeta Bang was onboarded prior to the SEBI Circular August 02, 2011. Subsequent application (2 in number) for addition/modification of client details where the date could not be deciphered did not have any declaration/consent of the client. KYC submitted wherein in person verification was done on November 20, 2012 did not have any declaration/consent of the client. KYC form dated August 27, 2020 had the declaration/consent of the client. Submission of the Noticee is accepted.

5	A3356	The Noticee submitted that the client Akansha Kailash Bang was onboarded prior to the SEBI Circular August 02, 2011. However the client registration form submitted to Techno Shares & Stocks Pvt. Ltd. was dated April 27, 2015. Subsequently supplementary KYC and FATCA – CRS Declaration submitted by the client to the Noticee was dated May 09, 2017. Client Registration Form /DP Account submitted by the client to the Noticee was dated August 27, 2020. Considering the submission were made prior to the SEBI inspection, the submission of the Noticee has been accepted.
6	FR010037	The Noticee submitted that the client Madhavi Jeemmish Vimawala was onboarded post implementation of the SEBI Circular dated August 02, 2011. It was observed from the KYC submitted by the Noticee that the client was onboarded on November 18, 2022 and the declaration / consent was obtained from the client. Submission of the Noticee has been accepted

Summary of Findings:

15.1.15. As observed during the inspection, in 6 instances, no declaration form/consent letters were obtained from the clients for using same mobile number/email id. However, on scrutiny of the Noticee's reply and submissions as mentioned in para 15.1.11 to 15.1.13 and observations given at 15.1.14 it is held that the allegation against the Noticee of the violations w.r.t. SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, are not established.

Allegation in the SCN

15.1.16. It was also observed that in 3 instances (Client code: FG171658, FG171659, FG171660), Noticee had provided the declaration form/consent letters obtained from the clients. However, the client code mentioned on the forms were incomplete. (e.g.: the client code should have been FG171658, instead of FG17).

Reply of Noticee

- 15.1.17. *We have stated in para 14.1 that post implementation of SEBI circular of August 2011, the Noticee modified the Account Opening Form such that personal contact details cum declaration was obtained as part of the primary Account Opening Form and in addition a separate declaration/ consent letter was obtained from the Client for use of same Mobile number and email id.*
- 15.1.18. *The three instances of UCCs mentioned in para 7.3 belong to the family of Shantilal Hagamilal Jain. These were onboarded post implementation of SEBI circular of August 2011 and hence all the three account holders have signed the personal contact details cum declaration form as part of the primary Account Opening Form.*
- 15.1.19. *Observation made in para 7.3 of the Notice relate to supplementary declaration/ consent letter obtained from each of these three Clients. It may please be noted that UCC code is a combination of Branch Code + Client Serial number for that branch. In this case FG17 is the Branch code and clients while signing the supplementary declaration/ consent letter have mentioned only the Branch code and forgot to mention complete client code.*
- 15.1.20. *Details of all the primary and supplementary Declaration-cum-Consent letters obtained for each of the three UCC instances mentioned in para 7.3 of the Notice are given in Table 7.3. Scanned copies of consent letters obtained in these three instances has been provided as per Annexure 7.3.1a to 7.3.3b. (Total annexures 4)*
- 15.1.21. *We submit that as in these three instances clients have signed personal contact details cum declaration form which is integral part of Account Opening Form, the supplementary declaration/ consent letter being redundant may please be ignored.*

Findings

- 15.1.22. It was observed from the client registration forms dated November 23, 2021, October 17, 2016 and October 20, 2016 submitted by the Noticee that the

client code was complete in respect of all the 3 clients. (Client code: FG171658, FG171659, FG171660). The SCN had alleged that the Noticee had provided the declaration form/consent letters from clients obtained from the client. However, the client code mentioned on the forms were incomplete.

15.1.23. In this regard, the Noticee submitted that the clients while signing the supplementary declaration/consent letter had provided only the Branch code and forgot to mention the complete client code.

15.1.24. As observed above, since the client registration forms November 23, 2021, October 17, 2016 and October 20, 2016 already had the complete client codes, the contention of the Noticee that the clients provided incomplete client codes while signing the supplementary declaration/consent letter is redundant may be accepted.

Summary of Findings:

15.1.25. In light of the submissions of the Noticee mentioned in para 15.1.17 to 15.1.21 and the observations made above at para 15.1.22 to 15.1.24 it is held that the allegation against the Noticee of the violations w.r.t. SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, are not established.

Allegation in the SCN

16.1 Mobile number and Email id not matching with Stock Broker database:

16.1.1 From the pre-inspection questionnaire data, a sample was culled out wherein it was observed that in 3 instances (Client code: M1730, FG160274, KA011056), the mobile numbers and email id's mentioned on client modification form did not match with those given in the Stock broker's database. In response, the Noticee had submitted modification forms dated July 27, 2023 & August 14, 2023 respectively for these UCCs, containing different emails and mobile numbers. Though the Noticee had submitted modification forms, vide email dated November 23, 2023,

the Noticee/Trading Member had not updated the said details in its database, as the database contained different emails and mobile numbers on September 01, 2023 (viz which is the date of Inspection). The inconsistencies have been enumerated below:

UCC	Email and Mobile submitted at the time of Pre Inspection Questionnaire (Stock Broker database)	Email and Mobile found on the KYC form during inspection
M1730	aashwiinshah@gmail.com 9890927999	info@pelicaninvestments.co.in 7020108776
FG160274	ashishdip2007@yahoo.com 9825054201	Rajghael1@gmail.com 8237401020
KA011056	shokinoagencies@yahoo.co.in 9314527532	NIRANJAN.DUGAR@GMAIL.COM 9312230365

Reply of Noticee

16.1.2 *We have thoroughly verified the data with the documents and submit that changes were made prior to 01-09-2023 as per the request for modification received from the Clients. We have generated an Audit Log containing details of date and time when these modifications were made in the system for the aforesaid UCCs. Details of changes are mentioned in Table 7.4 and screenshots of audit log recording these changes have been provided as per Annexure 7.4.1a to 7.4.3e. (Total annexures 11)*

16.1.3 *It may please be noted that Database provided to Inspection team was extracted as on 20-07-2023. Inspection team has erroneously compared the changes made in data base with the data provided as on 25-07-2023 and hence reported the inconsistencies.*

Findings

16.1.4 The Noticee submitted KYC forms pertaining to UCC M1730, FG160274, KA011056 wherein a request was made by the clients for change in mobile number and email id. The audit log in respect of the aforesaid three UCCs reflect both the old mobile number and email id and the subsequent change to the new mobile number and email id. The Noticee also submitted that the database provided to the Inspection team was extracted as on July 20, 2023 and the inspection team had compared it to the changes made in the database on July 27, 2023, hence there were inconsistencies. In view of the supporting documents provided by the Noticee, I am inclined to accept the submission of the Noticee

Summary of Findings:

16.1.5 In light of the submissions of the Noticee mentioned in para 16.1.2 to 16.1.3 and the observations made above at para 16.1.4 it is held that the allegation against the Noticee of the violations w.r.t. SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, are not established.

16.2 Mobile number not matching with KYC form

Allegation in the SCN

16.2.1 As per the pre-inspection questionnaire data, a sample was culled out wherein it was observed that in 2 UCCs (Client code: KA011034 & KA011056), the number mentioned on KYC forms was not matching with Stock broker database. In response, vide email dated November 30, 2023, the Noticee/Trading Member submitted modification forms. On perusal of the same, it was observed that the Noticee had submitted the same forms during inspection also. Thus it is alleged that the mobile numbers mentioned in the Noticees database and the modification forms did not match. The discrepancies are reflected below:

UCC	Email and Mobile submitted at the time of Pre Inspection Questionnaire (SB database)	Email and Mobile found on the KYC form
KA011034	shokinoagencies@yahoo.co.in 9314527532	shokinoagencies@yahoo.co.in 9214512349
KA011056	shokinoagencies@yahoo.co.in 9314527532	NIRANJAN.DUGAR@GMAIL.COM 9312230365

Reply of Noticee

16.2.2 *We are once again submitting the requests received in respect of aforesaid UCCs seeking modification of mobile numbers. We have also gone through the audit log and found that execution of requests for modification of mobile numbers in both the accounts have been correctly carried out. On verification we found that mobile numbers in our data base do match with those given in the modification form.*

Findings

16.2.3 On perusal of the submissions of the Noticee, it was observed from the audit log in respect of UCC KA01156 and KA011034 that the new number of the client had been updated. Further, the Noticee had submitted the AOF dated December 05, 2016, reflected the old number viz. 9314527532 of the client (UCC KA01156) and the KYC wherein modification was made of the new number viz. 9312230365 of the client. The Noticee also submitted the AOF dated December 05, 2016, reflecting the old number viz. 9314527532 of the client (UCC KA011034) and the KYC wherein modification was made of the new number viz. 9214512349 of the client. The Noticee also submitted that the database provided to the Inspection team was extracted as on July 20, 2023 and the inspection team had compared the request for change in mobile number in the two accounts made in the database provided on July 25, 2023, hence there were inconsistencies. In view of the supporting documents provided by the Noticee, I am inclined to accept the submission of the Noticee.

Summary of Findings:

16.2.4 In light of the submissions of the Noticee mentioned in para 16.2.2 and the observations made above at para 16.2.3 it is held that the allegation against the Noticee of the violations w.r.t. SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, are not established.

16.3 Preference of running account settlement was not obtained:

Allegation in SCN

16.3.1 In 1 UCC (Client code: FG171657), it was observed that preference of running account settlement was not obtained by the stock broker. In response, vide email dated November 23, 2023, the Noticee submitted that the account was being settled on a quarterly basis, however, it still did not provide the form indicating preference of running account settlement. Further, allegedly the Noticee failed to provide adequate clarification as sought by SEBI vide email dated November 23, 2023

Reply of Noticee

16.3.2 **FG171657** is registered with Way2wealth on October 21, 2016. Although the Client has signed the optional form for “Maintenance of running account” but she forgot to tick whether settlement of funds is to be made once in a month or once in a quarter at the time of registration of her account.

16.3.3 We approached the client to obtain clarification in this regard and she indicated her preference for settlement of the funds on a quarterly basis by signing relevant authorisation form on 24th November 2023 and the same was submitted to SEBI on 24th November 2023 itself. Copy of the same is attached as **Annexure-7.6.2** It appears that Authorisation form mailed by us on 24th November 2023 has escaped the Notice of inspection team.

- 16.3.4 We informed the Inspection team that funds settlement is being considered on a quarterly basis after obtaining telephonic confirmation from the client on November 23, 2023 and written confirmation on November 24, 2023.
- 16.3.5 As regards the funds settlement prior to November 23, 2023, it may please be noted that in the absence of clarity from the Client on Monthly/Quarterly preference, funds pay-out was being carried out by us on Bill to Bill basis only. We have thus fully complied with the guidelines given vide SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016 and there is no violation of SEBI guidelines in this regard.
- 16.3.6 We are attaching herewith Client ledger of FG171657 since the date of opening of Trading/Demat account with us for your consideration. It may be noted that client has carried only sale transactions in these financial years and funds pay-out has been carried out by us on Bill to Bill basis only. Further we also wish to bring to your kind notice that Client also has an option to request for funds pay-out during the availability of credit in his ledger. Once this request is received, funds payout is released within 24 hours. Client can request for funds pay-out either through his log-in or through the servicing Branches.
- 16.3.7 As per SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, the settlement of funds and / or securities shall be done within 1 working day of the pay-out, unless client specifically authorizes the trading member in writing to maintain a running account.
- 16.3.8 We once again submit that we have fully complied with SEBI guidelines with regard to maintenance of running account and there is no violation of the regulations.

Findings

- 16.3.9 As observed from the submissions of the Noticee, the client ledger reflected that funds pay-out was being carried out by the Noticee on a bill to bill basis in respect

of the fund settlement prior to November 2023. The Noticee also submitted that the fund settlement was considered on a quarterly basis after obtaining telephonic confirmation from the client on November 23, 2023 and the Noticee also submitted a written confirmation from the client on November 24, 2023. The Noticee's submission that in the absence of clarity from the client on monthly/quarterly preference regarding funds settlement prior to November 23, 2023, funds pay-out were being carried out on a bill to bill basis is accepted.

Further, Noticee has also submitted that:

- 16.3.9.1 Noticee has fully implemented the provisions of SEBI Circular No. CIR/MIRSD/15/2011 dated August 02, 2011 by making Declaration Form/ Consent Letter an integral part of the Account opening form for all the new clients registered after aforesaid SEBI circular was made effective by the Stock Exchanges. It obtained specific declaration-cum-consent letter from the active Clients onboarded before August 2011. In case of dormant accounts, the clients were made active only after going through the process of Re-KYC account which included signing of Declaration Form/ Consent Letter by the Client for use of same mobile number/ email id.
- 16.3.9.2 Noticee has all the Declaration Form/ Consent letters sought by SEBI on record and thus it has not violated any provision of SEBI Circular No. CIR/MIRSD/15/2011 dated August 02, 2011. It has maintained high standards of integrity, promptitude and fairness and acted with due skill, care and diligence in conduct of business. It is thus fully compliant to Clauses A(1) and A(2) of Schedule II of Code of Conduct read with Regulation 9 of the SEBI(Stock Brokers) Regulation, 1992. .
- 16.3.9.3 The submissions of the Noticee in respect of the violations of the aforesaid provisions of SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 has already been dealt with in the preceding paragraphs.

Summary of Findings:

16.3.9.4 In light of the submissions of the Noticee mentioned in para 16.3.2 to 16.3.8 as also 16.3.9.1 to 16.3.9.3 and the observations made above at para 16.3.9 it is held that the allegation against the Noticee of the violations w.r.t. SEBI Circular no. CIR/MIRSD/15/2011 dated August 02, 2011 and Clause A (1) & A (2) of Schedule II of Code of Conduct read with Regulation 9 of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, are not established.

16.4 Pre Order Confirmation:

Allegation in the SCN

16.4.1 During the inspection, it was observed that in the case of 31 instances (14 UCCs), market rate at which orders are placed were not obtained from the client by the Noticee in the pre order confirmation form. In its reply of November 11, 2023, the Noticee/Trading Member apparently submitted that henceforth, it had instructed its Dealers / Authorized Persons (Aps) to take confirmation from it's clients at the time of order placement. Vide email dated November 28, 2023, the Noticee/Trading Member was requested to share the correspondence made with AP / Dealers. In response, Noticee/Trading Member had shared the email communication made to its APs. From the perusal of the email, it was noted that the Noticee vide email dated November 20, 2023 had instructed the APs to accept the client orders through VRM linked telephone lines and ensure compliance. Thus, it was observed during inspection, that the Noticee had not instructed its AP to obtain the order at market rate.

16.4.2 In view of the foregoing, it is alleged that the Noticee has violated the following provisions:

- SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017;
- SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and

- SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO Regulation

Reply of Noticee

16.4.3 Inspection team sought Order confirmation in 31 instances, which related to 13 UCCs (not 14 UCCs). In case of 2 UCCs date/period of trade and scrip details were not provided by the Inspection team and therefore no order confirmation proofs could be furnished. In case of 2 UCCs, orders were taken on recorded lines and Call Records were provided to the Inspection team. These call records contained the prices at which orders were to be placed.

16.4.4 In the remaining 9 UCCs, physical records in the form of Pre-order confirmation letters duly signed by the clients were provided to the Inspection team. . WhatsApp Order confirmation received from clients was also provided for 2 UCCs as an additional proof. In case of one UCC, post order confirmation was sought by notice as pre-order confirmation was not visibly clear. It is further submitted that SMS transaction value confirmation as trade confirmation process at the end of the day has been sent to the clients in all the UCCs referred above. Clients have consented to the trades executed and these trades have been fully settled and there are no disputes, which further confirms that all trades executed were authorised and confirmed.

16.4.5 Details of pre-order confirmation are attached in excel file format as Annexure- 7.8.1. Physical order confirmation details, SMS transactional value confirmation as trade confirmation and call recordings of order confirmations are attached as Annexure- 7.8.2

16.4.6 We admit that physical pre-order confirmation provided by clients in 9 UCCs were was not in the prescribed format as the form did not have column where the Client could mention whether it is a limit order at a specified price or a market order. It is a practice across industry that where the client has not specified Limit or Market Order, the default would be treated as a Market Order. We have advised all the

Authorised Persons to strictly use the correct formats of pre-order confirmation in future.

16.4.7 Observation in para 7.8 of the Notice seems to suggest that the Noticee had not instructed its APs to obtain the order at the marked price prior to the instructions being conveyed to the APs by the Noticee vide its mail dated November 17, 2023.

16.4.8 We wish to submit that our e-mail dated November 17, 2023 is not the first communication sent to Authorised Persons to obtain orders from clients either as a Limit order at a given price or as a market order. It may please be noted that we had issued a communication containing similar instructions to our Authorised Persons/Dealers as early as December 6, 2017. Copy of the same is attached herewith as Annexure- 7.8.3 for your consideration.

16.4.9 We have not only been sending written communications to our Authorised Persons/ Dealers relating compliance to SEBI/ Exchange guidelines/ regulations but these latest compliance requirements are brought to the notice of Authorised Persons/ Dealers during periodic review meetings held by the Regional Heads.

16.4.10 Following are the recent communications sent to Authorised Persons/Dealers

- Mail dated October 20, 2023 advising strict adherence to SEBI Circulars No. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017 and CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and acceptance of orders from clients through VRM linked telephone lines only.
- Communication sent vide letter dated November 17, 2023 to accept client orders only through VRM linked telephone lines, with clear instruction from the client whether it is limit order with specified price or a Market order. Revised format of Pre-order was attached as Annexure- 7.8.5 to the said letter. It was also mentioned that Pre-order confirmation letter be collected from clients who visit the Branch/outlet in person before placement of orders. It is to be noted that column 5 of the Pre-order confirmation letter format provides that client is required to specifically indicate order price or Market order before placement of the order.

- 16.4.11 Copies of both the recent communications were attached to our mail sent to SEBI inspection team on November 28, 2023. Copy of the same is attached herewith as Annexure E. It appears that our mail sent to SEBI inspection team on November 28, 2023 has escaped the Notice of inspection team.
- 16.4.12 We submit that we have repeatedly instructed our Authorised Persons on multiple occasions to take orders from clients either at market rate or a limit order at specified price. It would not therefore be correct to suggest that the Noticee had not instructed its Authorised Persons to obtain the order at marked price.
- 16.4.13 Additionally, Noticee also inter-alia submitted that post transaction value confirmation was sent by the Noticee, trades had been accepted by concerned clients and settled and no dispute had been raised by the Clients, no irregularity has been committed by the Noticee that may attract or call for any penalty, Noticee had not derived any economic benefit from the allegations made, allegations made against the Noticee pertain to violations that are technical in nature.
- 16.4.14 Further, the Noticee reiterated that it had produced all Declaration Form/ Consent Letters from the Clients; audit logs to prove there were no inconsistency in the database, clarity on the Mode and Frequency of settlement of funds, relevant call records. Noticee also submitted discrepancies reported in the Inspection report have arisen either due to communication gap or due to relevant documentary proofs provided by Operations team of the Noticee missing the attention of inspection team. There were no investor complaint of “unauthorised trade” pending against the Noticee.

Findings:

- 16.4.15 Noticee submitted that in case of 2 clients viz. (UCCs FG16434 and FR014045) the date/period of trade and scrip details were not provided by the Inspection team and therefore no order confirmation proofs could be furnished. Submission of the Noticee is accepted.
- 16.4.16 Noticee submitted that in case of 2 clients viz (UCCs N0092 and V534) orders were taken on recorded lines and Call Records were provided to the Inspection team. These

call records contained the prices at which orders were to be placed. Submission of the Noticee is accepted.

- 16.4.17 Noticee has submitted physical copies of orders for 5 clients viz (UCC: FG160276 (in two instances), FG160290, FG16327 and FG16445 and stated that SMS confirmation was sent on the same day. Further, Noticee submitted SMS confirmation to 8 clients viz (UCC FG160276, FG160290, FG16327, FG16445, N0053, R565, R341 and A315) Submission of the Noticee is accepted.
- 16.4.18 On perusal of the submissions, it was observed that the rate at which orders are to be placed were not obtained from the client by the Noticee in the pre order confirmation form. Noticee has submitted that as a practice if client has not specified order as limit or market order then by default it is treated as a market order. Further, the SMS confirmation sent by the Noticee after receipt of instructions for order placement indicates the ledger balances and debits/credits., Noticee also inter-alia submitted that post transaction value confirmation was sent by the Noticee, trades had been accepted by concerned clients and settled and no dispute had been raised by the Clients, no irregularity has been committed by the Noticee.
- 16.4.19 With regards to the observation of inspection, that the Noticee had not instructed its AP to obtain the order at market rate, Noticee submitted that multiple times the Noticee has sent communications advising the AP's to indicate order price or market order. In this regard the Noticee has submitted an email dated December 06, 2017 wherein it has instructed all its brokers and Authorized Persons to compulsorily execute trades only after keeping valid evidence like voice recordings of the clients placing orders. Noticee also submitted an email dated October 20, 2023 advising acceptance of orders from clients through VRM linked telephone lines only. Noticee also submitted an email dated November 17, 2023 to accept client orders only through VRM linked telephone lines, with clear instructions from the client whether it is limit order with specified price or a Market order. The revised format of pre-order form, which was attached to the email, dated November 17, 2023 depicted a prescribed format capturing the scrip name, quantity, buy/sell/price/market order, order time, client name, client code etc.

16.4.20 In light of the submissions of the Noticee mentioned in para 16.4.3 to 16.4.14 and the observations made above at para 16.4.15 to 16.4.19 it is held that the allegation against the Noticee of the violations w.r.t SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017; SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 read with Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO Regulation are not established.

16. In view of the abovementioned observations and findings and having considered all the facts and circumstances of the case, the material available on record including the submissions of the Noticee, I hold that the violations alleged against the Noticee are not established. In view of the same Issues II and III do not merit consideration and accordingly disposed off.

ORDER

16. In view of the findings noted in the preceding paragraphs, the adjudication proceedings initiated against the Noticee (PAN: AAACW3290M) vide SCN dated April 4, 2024 is disposed off.

17. In terms of Rule 6 of the Adjudication Rules, copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date: October 30, 2024

Place: Mumbai

SHASHI KUMAR VALSAKUMAR

ADJUDICATING OFFICER