BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/GR/BM/2021-22/13339)

ORDER 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 AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956, READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005.

In respect of:

Shreni Shares Private Limited

SEBI Registration Number: IMB/F 011410934, IMB/F 231410938, IN-DP-CDSL-663-2012

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an inspection of books of accounts, documents and other records of Shreni Shares Private Limited (hereinafter referred to as **"the Noticee/ Shreni /SSPL"**) (Stock Broker in NSE, BSE and Depository Participant in CDSL) during September 16, 2019 to September 20, 2019 (hereinafter referred to as **"inspection period/IP"**). The inspection was conducted *inter-alia* to understand the practices and systems put in place by the Noticee with regard to segregation of client's and its own funds and securities, settlement of running account, margin verification, client related issues, investor grievance handling mechanism, PMLA, KYC and Account opening process, pledge, DIS and transfer related aspects.

2. Based on the findings of inspection, SEBI initiated adjudication proceedings against the Noticee under the provisions of Section 15HB of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and Section 23D of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the "**SCRA**") for the following alleged violations of the relevant provisions of the securities law:

A. Misuse of clients funds: Provisions of Clause 1 of Annexure of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993; and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

B. Client funding: Provisions of Clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR /P/2017/64 dated June 22, 2017.

C. Enhanced Risk Based Supervision: Provisions of Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/ 2016/95 dated September 26, 2016.

D. Verification of data submitted towards Weekly Monitoring of Client Funds: Provisions of Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

E. Client Registration Process (KYC and KRA Process): Provisions of SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular no. CIR/MIRSD/66/2016 dated July 21, 2016.

F. Net worth Verification: Provisions of Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Rule 32 of Chapter III of the Rules of NSEIL and NSE Circular NSE/MEM/4300 dated July 25, 2003.

APPOINTMENTOF ADJUDICATING OFFICER

3. The undersigned was appointed as the Adjudicating Officer vide Communiqué dated December 29, 2020 to conduct adjudication proceedings in the manner specified under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**SEBI AO Rules**") and Rule 4 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as "**SCRA AO Rules**") for the alleged violations committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A Show Cause Notice dated March 04, 2021 (hereinafter referred to as **'SCN'**) was issued to the Noticee under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15-I of SEBI Act, 1992 and Rule 4 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 23-I of Securities Contracts (Regulation) Act, 1956 to show-cause as to why an inquiry should not be initiated against the Noticee and why penalty should not be imposed upon the Noticee under Section 15HB of the SEBI Act and Section 23D of the SCRA act for the violations alleged to have been committed by the Noticee mentioned at para-2 above. The SCN was duly served upon the Noticee on March 18, 2021.

5. The Noticee, vide email dated April 08, 2021, submitted its reply to the SCN which is summarised as below:
    A. The Noticee has submitted that they have not misused any client funds and there is no compliant by client about misuse of funds.
    B. The mismatches, if any, were principally due to administrative oversight rather than a malafide intent on their part.
    C. With regards to the allegation that the Noticee has done wrong reporting for details of client assets under enhance supervision, the Noticee submitted that the said incorrect reporting was inadvertent.
    D. In 67 instances, KRA for the directors of limited companies/private limited companies were already in place and CKYC was not mandated for them. Similarly, for HUFs, KRA was in place for the Karta of the HUF and hence, CKYC was not required. For remaining 27 clients, the Noticee had been constantly following up with them to update their KYC details but the reminders sent to them on their registered e-mail id had bounced.
    E. With regards to the allegation of networth verification, the Noticee has submitted that these were never doubtful debts and/or advances as the debits pertained to delayed payment charges, DP charges etc which amounts have since been received from clients.

6. Subsequently, in the interest of natural justice and in order to conduct an inquiry in terms of Rule 4 (3) of the Adjudication Rules, vide hearing Notice dated March 16, 2021, the Noticee was granted an opportunity of personal hearing on April 06, 2021. Thereafter, the Noticee, vide email dated March 31, 2021 sought time of 2 weeks for submission of reply to the SCN. Meanwhile, the Noticee, vide email dated April 08, 2021, submitted its reply to the SCN. Further, acceding to the request of the Noticee, the hearing was also rescheduled on April 23, 2021. However, in view of the circumstances owing to Covid-19 pandemic, the said hearing was rescheduled on July 07, 2021. The Noticee did not attend the hearing and vide mail dated June 21, 2021 submitted that they have already filed their reply vide mail dated April 08, 2021.

7. Taking into account the aforesaid facts, I am of the view that principles of natural justice have been followed in the matter by granting the Noticee opportunities of being heard and submit its reply. Therefore, I deem it appropriate to decide the matter on the basis of facts/material available on record including the replies of the Noticee.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

8. I have carefully perused the charges levelled against the Noticee in the SCN, written submissions made and all the documents available on record. In the instant matter, the following issues arise for consideration and determination:

   I. *Whether the Noticee has violated the aforesaid Provisions and Circulars mentioned under point no 2 above?*

   II. *Whether the Noticee is liable for imposition of monetary penalty under Section 15HB of the SEBI Act and Section 23D of the SCRA?*

   III. *If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act and Section 23J of the SCRA?*

9. Before moving forward, it is pertinent to refer to the relevant provisions of law which reads as under:

Relevant provisions of SEBI Circular no SMD/SED/CIR/93/23321 dated November 18, 1993

Details of the above SEBI Circular can be found at the below mentioned link: https://www.sebi.gov.in/legal/circulars/nov-1993/regulation-of-transactions-between-clients-and-brokers_19445.html

Relevant provisions of SEBI Circular no SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

Details of the above SEBI Circular can be found at the below mentioned link: https://www.sebi.gov.in/legal/circulars/sep-2016/enhanced-supervision-of-stock-brokers-and-depository-participants_33334.html

Relevant provisions of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017

Details of the above SEBI Circular can be found at the below mentioned link: https://www.sebi.gov.in/legal/circulars/jun-2017/clarification-to-enhanced-supervision-circular_35165.html

Relevant provisions of SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016

Details of the above SEBI Circular can be found at the below mentioned link: https://www.sebi.gov.in/sebi_data/attachdocs/1478778244223.pdf

Relevant provisions of SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016

Details of the above SEBI Circular can be found at the below mentioned link: https://www.sebi.gov.in/sebi_data/attachdocs/1478778244223.pdf

Relevant provisions of Securities Contracts (Regulation) Act, 1956:

Section 23D:

If any person, who is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) as a stock broker or sub-broker, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be liable to a penalty not exceeding one crore rupees.

Relevant provisions of SEBI Act, 1992:

Section 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 –I:- Whether the Noticee has violated the aforesaid provisions mentioned at point no.2 above?

10. In this regard, based on the material available on record and on the submissions made by Noticee vide email dated April 08, 2021 against these allegations, I Proceed to discuss Allegations against Noticee, Noticee's replies and my observations thereon:

(i) Misuse of clients funds: I observe that in the inspection report (provided to the Noticee as well) the details of misutilisation of client funds by the Noticee have been provided, which is reproduced herein below:

A: Total fund balance available in all Client and Settlement Bank Accounts maintained by the stock broker

B: Aggregate Value of Collateral deposited with clearing corporations and/or clearing broker (in cases where the traders are settled through (clearing broker)

in form of Cash and Cash Equivalents (FD, BG, etc.). Only funded portion of the Bank Guarantee shall be considered as part of B.

C: Aggregate value of Credit Balances of all clients as obtained from trial balance across stock exchanges after adjusting for open bills and uncleared cheques.

D: Aggregate value of Debit Balances of all clients as obtained from trial balance across stock exchanges after adjusting for open bills and uncleared cheques.

G: (A+B)-C ; Negative value depicts extent of misuse of client funds by broker for debit balance clients or for own purpose.

The total available funds i.e. cash and cash equivalents with the stock broker and with the clearing corporation/ clearing broker, i.e., A+B should always be equal to or greater than clients' funds as per ledger balance (C).

As per SEBI Circular SMD/SED/CIR/93/23321 dated Nov 18, 1993, no money shall be drawn from client's account other than- money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the Broker from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Broker, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client. Consequently, money given by clients has to be available with broker all the time. Value of BG extended to a broker is usually twice of the value of funds deposited for availing such facility. Since leveraged portion of BG is over and above money held for clients, it cannot be taken into account while calculating B.

In the present case, it was observed that out of 38 instances, in 14 instances there was misuse of client funds by Noticee for debit balance clients. The mis-utilization was in the range of ₹9,31,884.40 to ₹1,03,79,845.19 i.e. (from 1.79% to 18.23%). Aforesaid 14 instances are tabulated below:

Sr. No.	Date	Total fund balance available in all client bank accounts, including the settlement account, maintained by the stock broker across stock exchanges	Collateral deposited with clearing corporation/ clearing member in form of Cash and Cash Equivalents (Fixed deposit (FD), Bank guarantee (BG), etc.) across all Stock Exchanges. Only funded portion of the BG, i. e. the amount deposited by stock broker with the bank to obtain the BG, shall be considered	Total credit balances of all clients as obtained from trial balance across stock exchanges (after adjusting for open bills for clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligation)	Total debit balances of all clients as obtained from trial balance across stock exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients, uncleared cheques issued to clients and the margin obligations)	The value of G may indicate utilization of clients' funds for other purposes i.e. funds of credit balance clients are being utilized either for settlement obligations of debit balance clients or for the stock brokers' own purposes. The negative value of G acts as an alert to the Stock Exchanges.
		A	B	C	D	G= (A+B)-C
1	05/10/2018	20,30,997.35	5,93,00,000.00	6,43,29,039.59	1,15,78,688.28	-29,98,042.24
2	08/10/2018	21,13,469.23	6,08,00,000.00	6,51,07,254.63	1,12,03,779.86	-21,93,785.40
3	09/10/2018	26,17,788.73	6,23,00,000.00	6,61,00,137.39	1,26,52,846.39	-11,82,348.66
4	10/10/2018	23,22,637.43	6,23,00,000.00	6,61,45,034.45	1,24,89,316.49	-15,22,397.02
5	01/03/2019	81,01,867.46	4,21,00,000.00	5,36,32,540.59	1,32,20,213.94	-34,30,673.13
6	05/03/2019	24,77,926.59	4,21,00,000.00	5,25,33,611.27	1,31,33,794.40	-79,55,684.68
7	06/03/2019	30,83,590.81	4,32,00,000.00	5,42,29,692.06	1,39,89,290.53	-79,46,101.25
8	07/03/2019	9,70,200.52	4,56,00,000.00	5,69,50,045.71	1,27,58,494.27	-1,03,79,845.19
9	08/03/2019	62,42,947.79	3,91,00,000.00	5,19,51,678.18	70,35,698.49	-66,08,730.39
10	11/03/2019	26,80,337.07	4,37,00,000.00	5,51,55,173.33	42,71,310.53	-87,74,836.26
11	12/03/2019	42,70,849.42	4,37,00,000.00	4,90,53,596.60	57,81,262.58	-10,82,747.18
12	13/03/2019	63,28,304.52	4,17,00,000.00	5,10,22,701.70	50,76,487.20	-29,94,397.18
13	18/03/2019	45,26,750.56	4,45,00,000.00	5,02,77,164.67	94,02,388.69	-12,50,414.11
14	27/03/2019	8,85,035.48	4,32,00,000.00	4,50,16,919.88	1,00,83,156.45	-9,31,884.40

Further, in one instance it was noted that the extent of mis-utilization for own purpose was ₹45,03,525.73 (i.e. 8.17%). It was also observed that the amount of proprietary margin obligation funded from clients' assets by the Noticee ranged from ₹71,451.81 to ₹22,57,795.63 on 3 days. Further, clients' funds were utilized towards margin obligations of debit balance clients and proprietary margin obligations in 36 instances ranging from ₹2,61,247.70 to ₹99,53,692.35.

With regards to the above, the Noticee has submitted that there have been no complaints from any clients till date alleging non-payment of their dues by the Noticee. This is irrelevant in the present proceedings for determining the moot

question of using the funds of credit balance clients for the purposes of debit balance clients. Therefore, I am of the opinion that the charges of misuse of funds and securities of the credit balance client for the debit balance clients and/or for its own purpose (margin obligation of proprietary trading) by the Noticee sufficiently established.

(ii) Client funding:

In terms of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/ P/2016/95 dated September 26, 2016 read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR /P/2017/64 dated June 22, 2017, Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in. However, it was observed that the Noticee had funded its 2 clients beyond T+2+5 in 2 instances out of 30 sample instances. The amount of funding was ₹24,98,779.86. Therefore, it was observed that the Noticee engaged in business other than that of securities. Aforesaid 2 instances are tabulated below:

Client Code	Date of Debit	Amount of Debit (Across Exchanges)	Amount recovered till T+2+5 days / Exposure day	Difference amount not recovered during T+2+5 days	Further Exposure beyond 7 working days (Yes/ No)	Date of exposure	Amount of Exposure beyond T+2+5 days	Running debit balance as per ledger	Amount Funded
SM 343	12/09 /2018	8,29,11 5.96	1,94,58 7.70	6,34,52 8.26	Yes	09/10 /2018	21,44 5.75	6,65,55 0.91	6,55,97 4.01
SM 361	16-11-2018	30,46,4 15.96	13,76,0 80.48	16,70,3 35.48	Yes	29-11-2018	1,72,4 70.37	41,24,7 67.42	18,42,8 05.85

Further it was also observed that the total delayed payment charges collected by the Noticee for the year ended on March 31, 2019 was ₹17,41,475.61, whereas brokerage income was ₹1,17,99,935.27 and net profit was ₹7,73,151.

In this regard, I observed that the Noticee has not made any submission on the same and also not denied the allegation of funding to the client beyond the 5th trading day. Further, in terms of modified Clause 2.6 of Circular CIR/MRD/DP/54/2017 dated June 13, 2017, "Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in, except, in accordance with the margin trading facility provided vide SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017 or as may be issued from time to time."

I find that the Noticee has provided funding to clients outside of the Margin Trading facility beyond T+2+5 days, which is in violation of clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 and NSE circular NSE/INSP/20638 dated April 26, 2012.

(iii) Enhanced Risk Based Supervision:

As per enhanced supervision, the Noticee is required to report the details of the assets of its client and all Bank A/c's of the Noticee. However, I observe that the Noticee had done wrong reporting for details of client assets under enhance supervision. I also observe that the Noticee had not reported all Bank A/c's under enhance supervision. And also the Noticee had not given uniform nomenclature Naming/Tagging of Bank accounts:

A) Wrong reporting of Clients assets is as stipulated in table below:

CLEARING NO	6219		
MEM NAME	SHRENI SHARES PVT.LTD.		
ASONDATE	23/08/2019		
	As per broker (Amt In Rs.)	As per exchange calculation (Amt In Rs.)	Difference (Amt In Rs.)
TOTAL OF DAY END BALANCE IN ALL CLIENT BANK ACCOUNTS - (A)	3,89,723.32	5,44,245.46	1,54,522.14

COLLATERAL DEPOSITED WITH CLEARING CORPORATIONS IN FORM OF CASH AND CASH EQUIVALENTS - (B1)	4,10,00,000.00	4,20,00,000.00	10,00,000.00
COLLATERAL DEPOSITED WITH CLEARING MEMBER IN FORM OF CASH AND CASH EQUIVALENTS - (B2)	-	-	-
TOTAL CREDIT BALANCE OF ALL CLIENTS - (C)	3,89,15,683.30	3,89,15,683.30	-
DIFFERENCE = G=(A+B1+B2)-C	24,74,040.02	36,28,562.16	11,54,522.14
TOTAL DEBIT BALANCE OF ALL CLIENTS - (D)	2,43,78,442.82	2,43,78,442.82	-

The amount of mismatch in assets between broker and exchange was ₹11.54 lakh.

B) Noticee had not reported following bank accounts under enhanced supervision:

Sr. No.	Clg_No	Member_Name	Bank_ Name	Account_No	Account_Name	Account_Purpose
1	6219	SHRENI SHARES PVT.LTD.	HDFC BANK	990610013630	SHRENI SHARES PVT LTD	NSE Cash Settlement
2	6219	SHRENI SHARES PVT.LTD.	HDFC BANK	990630005270	SHRENI SHARES PVT LTD	NSE F&O Settlement
3	6219	SHRENI SHARES PVT.LTD.	HDFC BANK	15770340010062	SHRENI SHARES PVT LTD	NSE Cash client A/C
4	6219	SHRENI SHARES PVT.LTD.	HDFC BANK	15770340010079	SHRENI SHARES PVT LTD	NSE F&O client A/C

With respect to the same, I note that, the Noticee has admitted its deficiency however the Noticee has expressed it as inadvertent.

Therefore, I am of the view that the Noticee has violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.

(iv) Verification of data submitted towards Weekly Monitoring of Client Funds:

With respect to verification of data submitted towards Weekly Monitoring of Client Funds, I observe that mismatch found in the following areas:

Sr. No.	Particulars	Exchange Working (Amt In Rs.)	TM Reporting (Amt In Rs.)	% Change
1	Total of day end balance in all Client Bank Accounts (In Rs.)	4,62,212.89	8,46,760.11	-45.41%
2	Collateral deposited with exchanges in form of Cash and Cash Equivalents (In Rs.)	3,39,00,000.00	3,30,00,000.00	2.73%
3	Proprietary margin Obligation (In Rs.)	17,50,255.51	17,23,296.10	1.56%
4	Margin utilized for positions of Credit Balance Clients (In Rs.)	1,96,64,764.66	1,97,60,139.87	-0.48%
5	Free/unblocked Collateral deposited with Clearing corporation (In Rs.)	1,09,16,957.56	1,00,16,956.00	8.98%

With regards to the above allegation, I note that, the Noticee, in its reply to SEBI, has stated that as SEBI inspection mentions that no principles have been violated is so far, the findings of inspection do not call for any explanation. However, I note that, the Noticee has not given any significant proof of compliance.

Therefore, I am of the view that the Noticee has violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

(v) Client Registration Process (KYC and KRA Process):

As per SEBI circular dated November 10, 2016 read with SEBI circular dated July 21, 2016, Broker is required to submit CKYC details of Clients in CERSAI Portal. However, it was observed from SEBI inspection that Noticee had not uploaded CKYC details of its following clients in CERSAI Portal.

Ucc Code	Name	PAN No	Status	Remarks
SMCS103	JITENDRA AMRITLAL SHAH	AAEPS5742B	Enabled	Not uploaded in portal

Ucc Code	Name	PAN No	Status	Remarks
SM444	AJIT LAXMICHAND JAIN HUF	AAHHA8560Q	Enabled	Not uploaded in portal
SM360	CANOPY FINANCE LIMITED .	AAFCK5317C	Enabled	Not uploaded in portal
SM181	SANJEEV MOHAN GUPTA	AELPG7974E	Enabled	Not uploaded in portal
SMDD38	NISHANT LALITBHAI GANDHI HUF	AAHHN3574K	Enabled	Not uploaded in portal
SM164	RAKESH N SHETH (HUF)	AAFHR0827P	Enabled	Not uploaded in portal
SMCS105	RAJESH UNNI RAJ	AEUPR0670R	Enabled	Not uploaded in portal
SM6	RUTUJA PANDURANG RAUL	BEOPP9751A	Enabled	Not uploaded in portal
SM279	KRUSHNAKUMAR BRAHMBHATT (HUF)	AAKHK7760D	Enabled	Not uploaded in portal
SMCS102	HINA KISHORE KOTHARI	ARFPK2939J	Enabled	Not uploaded in portal
SM15147	GANESH TOSHNIWAL	AACHG1306D	Enabled	Not uploaded in portal
SM216	NARAYANI NIVESH NIGAM PRIVATE LIMITED	AACCN6745Q	Enabled	Not uploaded in portal
SM214	KAUSHIK MAHESH WAGHELA	AAUPW0334R	Enabled	Not uploaded in portal
SM173	TRUPTI BHAVIN PASAD	ACMPL7334C	Enabled	Not uploaded in portal
SM376	SHRI NILESH K SHAH HUF .	AANHS7660H	Enabled	Not uploaded in portal
SM375	NARESH KANTILAL SHAH	AABHN9281P	Enabled	Not uploaded in portal
SM134	SHRENI MARKETING PVT LTD	AANCS9335E	Enabled	Not uploaded in portal
SM082	MANOJJ H SHETH HUF	AAHHM6396L	Enabled	Not uploaded in portal
SM040	HIMMATLAL C SHAH HUF	AABHH3647D	Enabled	Not uploaded in portal
SM356	HASMUKH DAYALAL SHAH (HUF) .	AAEHH4876F	Enabled	Not uploaded in portal
OTHR	OTHER CHARGES CONTROL A/C	AANCS4073K	Enabled	Not uploaded in portal

Ucc Code	Name	PAN No	Status	Remarks
SM014	KIRTI H SHAH HUF	AAHHK5521M	Enabled	Not uploaded in portal
14109	SHRENI SHARES PRIVATE LIMITED	AANCS4073K	Enabled	Not uploaded in portal
SM501	MERAKI BUSINESS ADVISORS	ABKFM4619A	Enabled	Not uploaded in portal
SM915	JITENDRA TATER HUF	AAIHJ2759M	Enabled	Not uploaded in portal
SM357	VIMAL HASMUKH SHAH (HUF) .	AAHHV9863M	Enabled	Not uploaded in portal
SM235	NIKHIL H SHAH	AABHN6378M	Enabled	Not uploaded in portal
SMCS002	CHIRAG J SHAH HUF	AACHC8236J	Enabled	Not uploaded in portal
SMCS004	JITENDRA V SHAH HUF	AAAHJ3243G	Enabled	Not uploaded in portal
SM125	DEVAN NAVIN MEHTA	AJSPM0440M	Enabled	Not uploaded in portal
SMDD44	AVNI MERCHANTS PRIVATE LIMITED	AAICA2733M	Enabled	Not uploaded in portal
SMCS101	KISHORE JETHALAL KOTHARI	AAEPK0854C	Enabled	Not uploaded in portal
SM420	MAHESH KHANDELWAL (HUF) .	AAMHM2360R	Enabled	Not uploaded in portal
SMDD62	STARWINGS FASHION TRADING LIMITED .	AAOCS7904C	Enabled	Not uploaded in portal
SM394	AMBE SECURITIES PRIVATE LIMITED .	AAACA7950L	Enabled	Not uploaded in portal
SMDD35	COMPASS SECURITIES PRIVATE LIMITED	AADCC0164H	Enabled	Not uploaded in portal
SMDD40	CHIRAG LALITBHAI GANDHI HUF	AADHC8740E	Enabled	Not uploaded in portal
SM1007	MANOJ GAJJAR (HUF) .	AAEHM1125J	Enabled	Not uploaded in portal
SMCS007	NIRAV J SHAH HUF	AAEHN8091C	Enabled	Not uploaded in portal
SMCS041	PRATIK S SHAH	AQVPS3147D	Enabled	Not uploaded in portal

Ucc Code	Name	PAN No	Status	Remarks
BENCDSL	BENFICARY CDSL A/C	AANCS4073K	Enabled	Not uploaded in portal
SMSD019	HARESHKUMAR C SHAH HUF	AAEHH2397M	Enabled	Not uploaded in portal
SM017	DIMPLE K SHAH HUF	AAFHD6089P	Enabled	Not uploaded in portal
SM355	MAULIK HASMUKH SHAH (HUF) .	AAMHM6861R	Enabled	Not uploaded in portal
SM093	CHETAN H GANDHI HUF	AACHC5369Q	Enabled	Not uploaded in portal
SM435	H & N ADVISORY SERVICES LLP	AAKFH9799K	Enabled	Not uploaded in portal
SMDD52	GAGANBASE VINCOM PRIVATE LIMITED	AAACG9996N	Enabled	Not uploaded in portal
SM189	REKHA HIRALAL PAREKH	COZPP7715N	Enabled	Not uploaded in portal
SM314	RAKESH NATVARLAL SHAH HUF	AANHR9499B	Enabled	Not uploaded in portal
SM307	SHAH NATWERLAL PANNALAL HUF	AACHS9446N	Enabled	Not uploaded in portal
SM205	SUNIL PRANLAL SHETH	FQBPS9986K	Enabled	Not uploaded in portal
SMDD31	VENKAT GOVIND MOGAVEERA	CMRPM3021N	Enabled	Not uploaded in portal
SM1009	VIPUL UTTAMLAL PATWA (HUF) .	AAFHV7393L	Enabled	Not uploaded in portal
SM154	MIHIR UDAY DHAMECHA	ALAPD6930H	Enabled	Not uploaded in portal
SGNP001	NILESHKUMAR UDAYSINH PARMAR	BBHPP8464L	Enabled	Not uploaded in portal
SM487	ALTINA FINANCE PRIVATE LIMITED	AAACM5825C	Enabled	Not uploaded in portal
SM525	PAZEL INTERNATIONAL LIMITED	AAACR2634Q	Enabled	Not uploaded in portal
SM914	PAWAN KUMAR SONI HUF	AAAHP6630F	Enabled	Not uploaded in portal
SM412	SANGHAVI COMMODITY PRIVATE LIMITED	AARCS1364F	Enabled	Not uploaded in portal

Ucc Code	Name	PAN No	Status	Remarks
SM200	MERA PHEROZE SHROFF	AACPS4378M	Enabled	Not uploaded in portal
SMDD59	SHRENI CONSTRUCTION PRIVATE LIMITED .	AAOCS0858F	Enabled	Not uploaded in portal
SM184	JITESH VADERA	AVFPV9943F	Enabled	Not uploaded in portal
SM318	KAMAL P DOSHI HUF .	AAHHK2051C	Enabled	Not uploaded in portal
SM177	DHIRAJ SHANTILAL PARMAR	CDQPP2388K	Enabled	Not uploaded in portal
OWN	PRO A/C.	AANCS4073K	Enabled	Not uploaded in portal
SM133	SHRENI IMPEX PVT LTD	AANCS9338K	Enabled	Not uploaded in portal
ERROR	ERROR	AANCS4073K	Enabled	Not uploaded in portal
SM024	NIRMAL H SHAH	AABHN6377E	Enabled	Not uploaded in portal
SM555	ARNI SHARES PRIVATE LIMITED	AAICA5619E	Enabled	Not uploaded in portal
SM406	ANIL JAIKISANDAS MISTRY HUF	AAPHA0675L	Enabled	Not uploaded in portal
SM1046	HITESH BHAILALBHAI PANCHASARA HUF	AABHH5049H	Enabled	Not uploaded in portal
SM238	NIRAV A SHAH (HUF) .	AAHHN9985N	Enabled	Not uploaded in portal
SM188	USHA AVINASH WATWE	ADGPW3909B	Enabled	Not uploaded in portal
SMNS015	KIRTIKUMAR RASIKLAL GANDHI	AJXPG1284C	Enabled	Not uploaded in portal
SMDD21	TRINITY LAKE SPA PRIVATE LIMITED	AAECT5424C	Enabled	Not uploaded in portal
SM123	TARUN GURUVACHAN BRAHMBHATT (HUF)	AACHT5584J	Enabled	Not uploaded in portal
SM025	MITESHKUMAR SHAH	AFEPS2258B	Enabled	Not uploaded in portal
SMCS037	DEEPAK GORADIA HUF	AADHD9986K	Enabled	Not uploaded in portal

Ucc Code	Name	PAN No	Status	Remarks
SMCS047	BHAVINI PRASHANT MEHTA	AQHPM9518L	Enabled	Not uploaded in portal
SMDD37	MADHAVI BHAVESH JAJAL	AHKPJ6496L	Enabled	Not uploaded in portal
SMCS010	AALOK MAHESH SHAH HUF	AALHA0644M	Enabled	Not uploaded in portal
SM3006	MAC HOTELS LIMITED .	AABCM5171G	Enabled	Not uploaded in portal
SM460	IND RENEWABLE ENERGY LTD .	AADCV7752J	Enabled	Not uploaded in portal
SM449	MANDEEP TRADELINK PRIVATE LIMITED	AAFCM9408A	Enabled	Not uploaded in portal
SMSD040	DARSHAN H SHAH HUF	AAIHD6054R	Enabled	Not uploaded in portal
SM144	KREATIVE FINSOL PRIVATE LIMITED	AADCK8879M	Enabled	Not uploaded in portal
SM315	SUNIL N SHAH HUF	AAQHS9938F	Enabled	Not uploaded in portal
SMDD41	LALIT NEMCHAND GANDHI HUF	AACHL2046M	Enabled	Not uploaded in portal
SMCS021	KAVITA DEEPAK GORADIA	AEGPG7795C	Enabled	Not uploaded in portal
SMSD018	TARAK H SHAH HUF	AACHT5306A	Enabled	Not uploaded in portal
SMDD20	SARVAIYA HEMANT KUMAR	AABHS0370L	Enabled	Not uploaded in portal
SM057	BHAVESH H SHAH	AACHB8116J	Enabled	Not uploaded in portal
SM124	NIPA DEVEN MEHTA	ADAPM5564E	Enabled	Not uploaded in portal
SM3003	SULTANA JAVED QURESHI	AAVPQ7399H	Enabled	Not uploaded in portal

With regards to the above allegation, I note that, the Noticee has stated that out of above 94 instances, in 67 instances, KRA for the directors of limited companies/private limited companies were already in place and CKYC was not mandated for them. Similarly, for HUFs, KRA was in place for the Karta of the HUF and hence, CKYC was not required. The Noticee has further stated that for remaining 27 clients, the Noticee had been constantly following up with them to

update their KYC details but the reminders sent to them on their registered e-mail id had bounced.

However, with regards to the above allegation, I note that, the Noticee has not given any substantial proof of documents in support of his claim as mentioned above.

Therefore, I am of the view that the Noticee has violated SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular no. CIR/MIRSD/66/2016 dated July 21, 2016.

(vi) Net worth Verification:

It was observed that Noticee had not considered Doubtful Debts and Advances in the Net-worth valuation. Hence, Net-worth was overstated by Rs.14,32,000.90. Net-worth as per Exchange working was Rs.4,21,49,005.10 and as per TM Submission was Rs.4,35,81,006.00. Hence it is alleged that the Noticee had submitted incorrect net worth certificate to the exchange which is stipulated below:

Particulars	As per Certificate	Amount (Rs)	As per working	Amount (Rs)	Difference	Change in %
Capital			7,99,99,000.00			
Free Reserves			-1,98,37,723.99			
PROFIT & LOSS	-	**6,01,61,276.00**	-	**6,01,61,276.00**	-	**0.00%**
Less: Non-allowable assets viz.,		1,65,80,270.00		1,80,12,271.41		
(a) Fixed Assets (including capital advances)	1,60,94,116.00		1,60,94,116.00		-	**0.00%**
(b) Pledged Securities	-		-		-	-
(c) Member's Card	-		-		-	-
(d) Non-allowable securities (unlisted securities)	-		-		-	-

Particulars	As per Certificate	Amount (Rs)	As per working	Amount (Rs)	Difference	Change in %
(e) Bad deliveries	-		-		-	-
(f) Doubtful Debts and Advances	-		14,32,001.41		14,32,001.41	100.00%
(g) Prepaid expenses, losses	2,12,390.00		2,12,390.00		-	-
(h) Intangible Assets*	10,500.00		10,500.00		-	-
Marktable securities	-		8,77,546.50		-	-
(i) 30% value of Marketable securities	2,63,264.00		2,63,264.00		-	-
Networth		**4,35,81,006.00**		**4,21,49,004.59**	**-14,32,001.41**	**-3.29%**

With regards to the above allegation, I note that, the Noticee, in its reply to SEBI, has submitted that these were never doubtful debts and/or advances as the debits pertained to delayed payment charges, DP charges etc which amounts have since been received from clients.

However, with regards to the above allegation, I note that, the Noticee has not given any credible submission in support of his claim that these were never doubtful debts and/or advances.

Therefore, I am of the view that the Noticee has violated Clause 6.1.1(j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Issue II: Does the violation, if any, attract monetary penalty under Section 23D of SCRA, 1956 and Section 15 HB of SEBI Act, 1992?

11. The provisions of Section 15HB of the SEBI Act, 1992 and Section 23D of SCRA, 1956 read as under:

15HB of SEBI Act. 1992 –

"Penalty for contravention where no separate penalty has been provided.

"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."

Section 23D of SCRA, 1956 –

"Penalty for failure to segregate securities or moneys of client or clients."

"If any person, who is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) as a stock broker or sub-broker, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

12. The Hon'ble Supreme Court of India in the matter of *Chairman, SEBI Vs Shriram Mutual Fund* { [2006]5 SCC 361 } has held that:

"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant....."

13. Hence, in view of the findings cited in para 10 above, I am convinced that the Noticee is liable for monetary penalty under **(A)** Section 23D of SCRA, 1956 for violation of Clause 1 of Annexure of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993; and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and **(B)** Section 15HB of the SEBI Act for violation of (i) Clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, (ii) SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular no. CIR/MIRSD/66/2016 dated July 21, 2016, (iii) Clause 6.1.1 (j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Rule 32 of Chapter III of the Rules of NSEIL and NSE circular NSE/MEM/4300 dated July 25, 2003.

Issue III: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 23J of the SCR Act, 1956 and Section 15J of SEBI Act?

14. The provisions of Section 23J of the SCR Act, 1956 and Section 15J of SEBI Act, require that while adjudging the quantum of penalty, 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.

15. With regard to the above factors to be considered while determining the quantum of penalty, it is noted that no quantifiable figures or data are available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors as a result of the default committed by the Noticee. I note that the Noticee has violated the provisions of **(A)** Section 23D of SCRA, 1956 for violation of Clause 1 of Annexure of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993; and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and **(B)** Section 15HB of the SEBI Act for violation of (i) Clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, (ii) SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular no. CIR/MIRSD/66/2016 dated July 21, 2016, (iii) Clause 6.1.1 (j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Rule 32 of Chapter III of the Rules of NSEIL and NSE circular NSE/MEM/4300 dated July 25, 2003.

ORDER

16. After taking into consideration all the facts and circumstances of the case, gravity of violations, material available on record and the factors stipulated in Section 23J of SCRA, 1956 and Section 15J of SEBI Act, 1992, I, in exercise of the powers conferred upon me under Section 23I of SCRA read with Rule 5 of SCRA AO Rules, and Section 15I of SEBI Act read with Rule 5 of SEBI AO Rules, hereby impose penalty of Rs. 3,00,000/- (Rupees Three Lakhs Only) on Shreni Shares Private Limited under the provision of Section 23D of SCRA, 1956 for violation of Clause 1 of Annexure of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993; and Clause 3 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and under Section 15HB of the SEBI Act for violation of (i) Clause 2.6 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clause 2(d) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, (ii) SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 read with SEBI circular no. CIR/MIRSD/66/2016 dated July 21, 2016, (iii) Clause 6.1.1 (j) of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Rule 32 of Chapter III of the Rules of NSEIL and NSE circular NSE/MEM/4300 dated July 25, 2003. I am of the view that the said penalty is commensurate with the violation committed by the Noticee.

17. The amount of penalty shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by e-payment in the account of "SEBI - Penalties Remittable to Government of India", A/c No. 31465271959, State Bank of India, Bandra Kurla Complex Branch, RTGS Code SBIN0004380 within 45 days of receipt of this order.

18. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR 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

19. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to "The Division Chief, Enforcement Department (EFD1 – DRA II), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051.

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with	

20. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, consequential proceedings including, but not limited to,

recovery proceedings may be initiated 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.

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

Date: September 13, 2021 **G RAMAR**

Place: Mumbai **ADJUDICATING OFFICER**