

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AA/AR/2019-20/3796]

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 OFFICER) RULES, 1995.

In respect of
India Infoline Ltd
(now known as IIFL Securities Ltd)
(PAN: AAACI7105D)

In the matter of
Saint-Gobain Sekurit India Ltd

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation into the suspected insider trading by one of the clients of the stock broker, India Infoline Ltd (now known as '**IIFL Securities Ltd**') and hereinafter referred to as '**IIFL**' / '**Noticee**') in the scrip of Saint-Gobain Sekurit India Ltd (hereinafter referred to as '**SGSIL**'). During the course of investigation, SEBI observed certain irregularities on the part of the Noticee while executing trades on behalf of its client viz. Ms. Vimala Devi Kalantri (hereinafter referred to as '**Vimala**'), during the period from March 01, 2011 to May 18, 2011 (hereinafter referred to as '**Investigation period**').
2. It was observed by SEBI that IIFL accepted orders in the trading account of its client viz. Ms. Vimala from a person other than the particular client viz. Ms. Sapna Saraogi (daughter of Ms. Vimala), without obtaining proper authorization & only on the basis of verbal instructions, thereby, failing in exercising due skill,

care and diligence in the conduct of its business in violation of provisions of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II r/w Regulation 7 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as '**Stock Brokers Regulations**').

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed as the Adjudicating Officer in the matter, and the proceedings was communicated vide communique dated March 27, 2019, under section 19 read with section 15I(1) of the SEBI Act, 1992 (hereinafter referred to as '**SEBI Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to conduct the adjudication proceedings in the manner specified under Rule 4 of the Adjudication Rules read with sections 15I(1) and 15I(2) of the SEBI Act, and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of Rule 5 of the Adjudication Rules and section 15HB of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A common Show Cause Notice no. A&E/EAD3/AA/9150/2019 dated April 09, 2019 (herein after referred to as '**SCN**') was issued to the Noticee under Rule 4(1) of the Adjudication Rules 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, for the violations alleged to have been committed by it. Briefly, the major allegations made in the SCN are mentioned below:

a) On receiving letters dated December 12, 2016 and December 19, 2016 from JM Financial Institution Securities Ltd. (hereinafter referred to as 'JMFL') regarding alleged insider trading activities of Noticee 3 / Ms. Vimala and her son-in-law Noticee 1 / Mr. Atul, SEBI conducted a preliminary examination

into the matter and observed that Ms. Vimala traded in the scrip of SSIL during the period when Mr. Atul was involved in an advisory transaction with the SSIL. Subsequently, a detailed investigation was conducted by SEBI in the dealings of the Noticees in the scrip of SSIL.

- b) SGSIL is a subsidiary of Compagnie de Saint-Gobain, a transnational group. SGSIL is in the business of processing of glasses to manufacture windshields, door glasses and backlites for the Automobile sector. Its office is located at Plot No.616/617, Village Kuruli, Pune Nashik Road, Chakan, Pune. The company is listed only on BSE.*
- c) It is observed from the email dated October 23, 2018 (Annexure – 12) of IIFL that the orders in the account of Ms. Vimala, in the scrip of SGSIL during the UPSI period, were placed by wife of Mr. Atul Saraogi viz. Ms. Sapna Saraogi, from the mobile number 9320086222, belonging to Mr. Atul himself. IIFL has also confirmed that they had received verbal instruction from Ms. Vimala to accept trade orders/communication from Ms. Sapna and Mr. Atul and execute accordingly.*
- d) It is alleged that the abovementioned discussion in transcript matches with corresponding trading in the scrip of SGSIL on April 27, 2011 in the account of Ms. Vimala. It is also observed that mobile number used by Sapna Saraogi to place orders in the scrip, belonged to Atul Saraogi.*
- e) Therefore, it is alleged that Ms. Sapna Saraogi, being wife of Mr. Atul Saraogi (who was an insider in relation to the UPSI of delisting offer of SGSIL), is also deemed to be a connected person in terms of Regulation 2(h)(vi) of PIT Regulations, 1992. Further, Ms. Sapna, allegedly, had a joint bank account with Mr. Atul and was also using his phone number to place orders in the account of her mother viz. Ms. Vimala. It is further alleged that Ms. Vimala is the mother-in-law of Mr. Atul Saraogi and she had provided the phone number and email address belonging to Mr. Atul in her KYC documents. On the basis of the email dated October 23, 2018 of IIFL, it is alleged that IIFL had received verbal instruction from Ms. Vimala Devi Kalantri to accept trade*

orders/communication from Ms. Sapna Saraogi and Mr. Atul Saraogi and execute accordingly. It is further alleged that Mr. Atul was aware of the dealings in the scrip of SGSIL during investigation period, through the account of Ms. Vimala, as the contract notes for the aforesaid trades were sent to his email id by IIFL.

f) Further, in view of the observed conduct of IIFL wherein it continued to accept orders in the trading account of its client viz. Ms. Vimala from a person other than the particular client viz. Ms. Sapna and Mr. Atul, without proper authorization & only on the basis of verbal instructions, it is alleged that IIFL has failed in exercising due skill, care and diligence in the conduct of its business which is allegedly, in violation of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II r/w Regulation 7 of Stock Brokers Regulations.

g) In view of the above, Noticees are required to Show Cause as to why an inquiry should not be held against them in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with Section 15 I of the SEBI Act and why penalty, if any, should not be imposed on them under the provisions of Section 15 G and 15 HB of the SEBI Act, wherever applicable.

5. IIFL vide its letter dated May 20, 2019 filed its reply to the SCN and made following major submissions:

a. At the outset, IIFL denies any violation of the provisions of the rules, regulations and bye-laws and the Code of Conduct as alleged in the aforesaid notice and it also denies all other interpretation, allegations and contentions made in the aforesaid notice that are contrary to or inconsistent with what is stated herein and specifically submitted hereunder.

b. We understand from the notice that the SEBI investigation pertains to the dealings in the scrip of Saint-Gobain Sekurit India Limited ("SGSIL") and the alleged violations were made out against the client Ms. Vimala Devi Kalantri, her son-in-law Mr. Atul Saraogi and her daughter Ms. Sapna Saraogi

dealing in the scrip. However, while there were no specific findings against IIFL on the above count i.e. in dealings in the scrip of SGSIL, the notice had only brought out observations with regard to accepting orders in the trading account of the client Ms. Vimala Devi Kalantri, from a person other than a client without due authorization and on verbal instruction. In this regard, we submit that IIFL acted only as a broker in executing and servicing the client as per the system and process put in place as per SEBI/Exchange norms in the process of normal course of servicing its over 10 lakh clients wherein this client Ms. Vimala Devi Kalantri was dealt by IIFL as one of the client.

- c. By way of background, it is stated that the client viz., Smt. Vimala Devi Kalantri [the Client] (Pan No - AAHPK8935D and UCC No - VIMALA19) had opened her account with IIFL through the Relationship Manager Mr. Vinay Jain on April 22, 2010. The client's trading account was opened after executing the Member Client Agreement and also upon executing the combined Risk Disclosure Document as prescribed by SEBI/Exchanges which were duly signed and accepted by the client and on submission of required KYC documents along with proofs like Identity, Address, Pan, Bank Accounts proofs etc., and due verification of the same on the website of Income Tax Department , Prohibited/Debarred entities list as provided by SEBI/RBI/Government/Exchanges etc., in the normal course of due diligence, verification and registration of the client as per our system put in place as per SEBI/Exchange norms.
- d. The details submitted by the client including address, contact number and email address in the KYC were updated in our records at the time of registration and uploaded to the Exchange and Depositories. We had followed necessary due diligence as is normally followed for all our clients as per our systems while registration of this client.
- e. At the time of registration in April 2010, the client in her KYC documents provided the following contact details:

Mobile Number: 9320086222
Email ID:atul.saraogi@gmail.com

Residential Address: 10, EVK Sampath Road, Vepery, Chennai - 600007

- f. The above details were captured in the client master system and were also uploaded to the Exchange and Depositories in April 2010. Subsequently, in the month of May 2010, the client informed the relationship manager that Ms. Sapna Saraogi -Kalantri (Daughter)/ Mr. Atul Saraogi (Son-in-law) being members of her family would be communicating her orders with IIFL through her registered mobile number (9320086222) and email id (atul.saraogi@gmail.com). Since the communications were from one of the family members of the client and through the registered mobile number /email address of the client, we had noted the request received from the client in good faith. Further, in the scrip of Saint Gobain Sekurit India Limited (SGSIL), the instructions have been placed by the client through Ms. Sapna Saraogi (Daughter and were executed by IIFL and the confirmations were provided to the client on her registered mobile number and email id and the same were also successfully delivered. The Client was regularly trading since May 2010 with IIFL and had never raised any issue or complaint against any of the trades or services with IIFL or its officials. Initially, the client at the time of registration provided her email id as (atul.saraogi@gmail.com) to which all the communications were made. Subsequently, the client also informed us the following modification through letters /email about the changes in the contact details as follows:*
- g. Based on the above, the updation in our systems was carried out and the relationship managers were in communication and executed the client's trades accordingly. We had re-verified with the concerned relationship managers who dealt with the client right from the time of the client registration in April 2010 till December 2014. The relationship managers who dealt with the client have confirmed in writing vide letters that based on the client's introduction of Ms. Sapna Saraogi (Daughter)/ Mr. Atul Saraogi (Son-in-law) for placement of orders and correspondence with IIFL, the orders were received from Ms. Sapna Saraogi and were executed and confirmed*

to the client on her registered mobile number and email id at every point of time. The client had never raised any issue or complaint against any of the trades or servicing all along. Resultantly, the client had impliedly acknowledged and ratified all the trades done on her behalf by her daughter Sapna and her son in law Mr. Atul Saraogi.

- h. In view of the above, we did not suspect anything abnormal by the client in placing orders through Ms. Sapna Saraogi. Accordingly, SEBI's findings in this regard is without considering the factual position and the execution/confirmations /communication sent to the client's registered mobile number and email id on each and every transaction as also periodical statements and settlements etc., which confirms compliance with the due process followed by IIFL as per SEBI/Exchange norms for executing and servicing the clients on a continuous basis.*
- i. As per the Indian Contract Act, 1872, an oral contract is valid and binding on the parties executing the contract. The basic reason why oral contracts and verbal agreements are often looked warily upon is that they tend to present difficulties when it comes to enforcement. In the instant matter, there was not a single instance when the client has raised any dispute about the trades executed in her account. Further there being no deficiencies in the trading pattern of the client, it is submitted that there was no wrong doing on the part of IIFL who was acting only as a broker to execute the orders of the client in good faith.*
- j. Without prejudice to the above submissions, IIFL submits that similar Show Cause notice was received from SEBI dated August 10, 2017 bearing Ref No-A&E/EAD/PM/AE/19157/2017 [the earlier SCN] alleging among others, the same / identical violations, as detailed in the present Show Cause notice under reply dated April 09, 2019, bearing ref no- SEBI/EAD-I/AA/9150/2019 [the present SCN], The earlier SCN was responded in detailed by IIFL vide letter dated November 24, 2017 and a personal representation was also made during the hearing held on November 28, 2017. Based on the written*

responses and the representations of the officials from IIFL, SEBI adjudicated the matter and had imposed a monetary penalty of Rs.2,00,000/and the same was also complied with and paid by IIFL.

- k. From the records available, it is clearly observed that the dealings by the client in the scrip of United Spirits limited (USL) was through Mr. Atul Saraogi, and in the present SCN, the dealings by the client through Ms. Sapna Saraogi (Daughter) in the scrip of Saint-Gobain Sekurit India Limited [SGSIL].*
- l. Further, in both the earlier SCN as well as the present SCN, there was no specific findings as against IIFL on the dealings in the aforementioned scrip i.e., USL/SGSIL. Both these notices had only brought out observations with regard to accepting orders in the trading account of the client, Ms. Vimala Devi Kalantri, from a person other than a client, without due authorization and based on verbal instructions. It is submitted that IIFL had acted only as a broker in executing and servicing the clients as per the systems and process put in place in line with the SEBI/ Exchange norms and IIFL had acted in good faith and earnest to provide best services to the client, Ms. Vimala Devi Kalantri who had enabled her orders through Ms. Sapna Saraogi (Daughter) based on the verbal authorization of the client Ms. Vimala Devi Kalantri.*
- m. The earlier SCN was adjudicated against IIFL for the alleged violations of the Code of Conduct and SEBI had vide its order dated February 23, 2018, imposed a monetary penalty of Rs.2,00,000/= under Section 15 HB of the SEBI Act for the violation of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of the Broker Regulations, 1992. The said order was duly complied with and the penalty amount paid and was also confirmed to SEBI by IIFL vide letter dated March 28, 2018.*
- n. The allegation as contained in the present SCN from SEBI as against IIFL is identical to the allegations as contained in the earlier SCN from SEBI*

addressed to IIFL, in respect of the violation of Clause A(2) of the code of Conduct for Stock Brokers as specified under Schedule II Read with Regulations 7 of the Stock Brokers Regulations. It is submitted that IIFL having complied with the adjudication order of SEBI in respect of the earlier SCN, cannot now be said to be in violation of the Clause A (2) of the Code of Conduct once again in the same matter arising out of and relating to the same client, excepting the scrip in which the client had a dealing.

- o. Further, the allegations as contained in the present SCN that IIFL continued to accept orders in the trading account of its client Ms. Vimala Kalantri from a person other than the particular client, i.e. Ms. Sapna Saraogi (Daughter) without proper authorization and only on the basis of the verbal instructions is factually incorrect. The alleged violation by IIFL was only during the time when Ms. Vimala Kalantri was the client and her dealings between April 2010 till December 2014 and not thereafter. Further, there have been no transactions whatsoever in the client's account from January 01, 2015 till date. The client's account was also frozen by IIFL, immediately upon having knowledge of the investigation by SEBI against this client. In any event the alleged violation was adjudicated and the penalty was also paid by IIFL. Therefore, the present SCN on the same/ identical subject of violating the Code of Conduct in respect of the same parties is in complete violation of the "**Doctrine of Res Judicata**".*

6. In the interest of the principles of natural justice, an opportunity of hearing was given to IIFL on July 23, 2019. During the course of hearing, the authorized representatives of IIFL reiterated the submission made in their earlier letter dated May 20, 2019.

CONSIDERATION OF ISSUES

7. I have carefully perused the charges levelled against the Noticees, its reply and the documents / material available on record. I note that the issues that arise for consideration in the present case are :

- (a) Whether IIFL accepted orders in the trading account of its client viz. Ms. Vimala from Ms. Sapna Saraogi and Mr. Atul Saraogi without obtaining proper authorization & only on the basis of verbal instructions, thereby, violating Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II r/w Regulation 7 of Stock Broker Regulations.
 - (b) Does the violation, if any, attract monetary penalty under Section 15HB of the SEBI Act?
 - (c) If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15J of the SEBI Act?
8. Before proceeding further, I would like to refer to the relevant provisions of the Stock Brokers Regulations, alleged to have been violated by IIFL, as below:

Stock Broker Regulations

SCHEDULE II

CODE OF CONDUCT FOR STOCK BROKERS

A. General

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

Whether IIFL accepted orders in the trading account of its client viz. Ms. Vimala from Ms. Sapna Saraogi without obtaining proper authorization & only on the basis of verbal instructions, thereby, violating provisions of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II r/w Regulation 7 of Stock Brokers Regulations.

9. I note that the allegation against IIFL is regarding the trading done in the account of one of its client viz. Ms. Vimala by her daughter, Ms. Sapna. I note from the material available on record that the fact that during the Investigation period, the instructions to trade in the scrip of SGSIL, in the account of Ms. Vimala were being given by Sapna Saraogi and the account was managed by Ms. Sapna and Mr. Atul is an admitted fact by IIFL. IIFL has submitted that it had received oral instruction from Ms. Vimala to allow Ms. Sapna and Mr. Atul to place orders on her behalf for trading in her account and it is only in good

faith that IIFL accepted orders from Ms. Sapna to execute trades in the account of Ms. Vimala. In this regard, IIFL has also stated that the orders received from Ms. Sapna on behalf of Ms. Vimala were in the normal course of business and there appeared no reason for IIFL to doubt the intention in the placement of orders by Ms. Sapna on behalf of Smt. Vimala. In this regard, all trade related communications, trade confirmation, contract notes, bills were duly sent to her registered email id and also SMS intimating trade details was sent to her registered mobile number. Further, it may be noted that at no point of time, Ms. Vimala had disputed trades done in her account and also duly met her required margin/pay-in obligations in respect of her trades. Therefore, the only issue to deliberate in this matter is whether proper authorisation was available with IIFL to accept instructions from Ms. Sapna to trade in the account of Ms. Vimala.

10. I note from the Investigation report and the SCN issued to IIFL that the KYC form and the Account opening form of Ms. Vimala does not mention the names of Ms. Sapna or Mr. Atul. Ms. Vimala was the sole signatory to her account. I note that the Investigation report also mentions that clause 20 of the Member Client agreement between IIFL and Ms. Vimala states that a written authorization letter is required to be obtained by the broker from the client to allow any other person to trade in the client's account. In this regard, the fact is admitted by IIFL that it had not obtained any written authorization letter from Ms. Vimala and IIFL had allowed Ms. Sapna to trade in the account of Ms. Vimala only on the basis of her oral instructions.
11. In this regard, I am not in agreement with the contention of IIFL that Oral instruction of Ms. Vimala was sufficient authorization for IIFL to accept orders in the account of Ms. Vimala from Ms. Sapna. As noted above, the member client agreement of Ms. Vimala with IIFL clearly mentions that a written authorization letter is required to authorize another person to trade in the account of Ms. Vimala. Thus it is clear that there was a specific requirement of obtaining written authorization from the client (Ms. Vimala) in order to authorize another person to deal in the client's account. Once there is a specific mention

about the terms for the agreement between a member and its client, there cannot be any overriding verbal understanding/instruction between the client and IIFL. As a prudent Stock broker who is expected to deal on behalf of its clients with utmost skill, care and diligence, IIFL should have ensured obtaining written authorization from its client Ms. Vimala for allowing her daughter Ms. Sapna to deal in her account and not relied on a mere oral instruction.

12. The model member client agreement has been issued by SEBI in conformity with the requirements of the regulations relating to the conduct of stock brokers and accordingly has got a statutory force and so the brokers are bound to abide by the requirements. Therefore, I conclude that by accepting orders from Ms. Sapna for trading in the account of Ms. Vimala in the scrip of SGSIL, IIFL has breached the terms of the member-client agreement and therefore IIFL has failed to exercise due skill, care and diligence in the conduct of its business in violation of provisions of Clause A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II r/w Regulation 7 of Stock Brokers Regulations.
13. It is necessary that registered intermediaries follow the various procedures and practices prescribed for smooth and transparent functioning of the securities market. As a registered stock broker, the Noticee was expected to act diligently and comply with all the statutory requirements of law. A stock broker is expected to play the role of a gatekeeper and not conduct its business in a mechanical manner and flout the various provisions of law prescribed by the Regulator from time to time. Going by the submission of the Noticee that it had obtained oral instructions from the client, in my view, Noticee still acted in a callous manner by allowing other persons to trade in its client's account without proper authorisation. Such lapse on the part of the Noticee is a serious violation and shows lack of due diligence and care undertaken by the Noticee. The irregularities committed by the Noticee, gist of which has been mentioned above, are serious in nature, and cannot be viewed leniently.
14. I note that one of the contentions raised by IIFL is that the principle of *res judicata* is applicable in the instant matter as they were imposed with penalty

for the same violation, but in a different scrip. In this regard, I note that vide Adjudication Order dated February 23, 2018, a penalty of ₹ 2,00,000 was imposed on IIFL for accepting orders in the account of Ms. Vimala from Mr. Atul for trading in the scrip of United Spirits Ltd. In this regard, I note that the cause of action in both the matters are not the same. The previous Adjudication proceedings were with respect to the trading done in the scrip of United Spirits Ltd for which the instructions were given by Mr. Atul whereas the current proceedings are for the trading done in the scrip of SGSIL for which instructions were given by Ms. Sapna. Further, the period of investigation for which violations have been alleged are also different in both the SCNs. While in the instant matter, IIFL was found to be accepting orders in the account of Ms. Vimala from others during the period May 01, 2011 to May 18, 2011, in the matter of United Spirits Ltd, IIFL was observed to be committing same violation during the period January 01, 2014 to April 17, 2014. The Noticee can at best say that the nature of violations on two occasions are similar. The rule of *res judicata* envisages that finality should attach to the binding decisions pronounced by courts of competent jurisdiction so that individuals are not made to face the same litigation twice. However, in view of the facts and circumstances, as explained above, the said principle will not apply in the instant case.

15. The repetitive nature of a default is a criteria for determining penalty under Section 15J of the SEBI Act. In the instant matter, it is clear that the lapse on the part of the Noticee of accepting orders from persons other than its client is w.r.t. not only the scrip of SGSIL but also observed in the scrip of United Spirits Ltd. Therefore, due to the respective failure of the Noticee as mentioned above, I am of the view that violation by the Noticee is to be seen seriously.
16. In this context, I deem it appropriate to refer to the Hon'ble Supreme Court order in the matter of Chairman, SEBI vs. Shriram Mutual Fund{[2006] 5 SCC 361} wherein following was observed:

"In our view, the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the intention of the parties committing such violation becomes immaterial. Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary."

Does the violations, if any, attract monetary penalty under Section 15HB of the SEBI Act?

17. In view of the facts mentioned above, I conclude that Noticee accepted orders in the trading account of its client viz. Ms. Vimala from a person other than the client, without proper authorization & only on the basis of verbal instructions, thereby failing in exercising due skill, care and diligence in the conduct of its business. In view of the aforementioned lapses committed by the Noticee, I conclude that it is a fit case for imposition of monetary penalty on the Noticee under the provisions of section 15HB of the SEBI Act for violation of provisions of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Stock Brokers Regulations. The provision of Section 15HB of the SEBI Act are mentioned below:

SEBI Act

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees

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

Factors to be taken into account by the adjudicating officer.

15J. While adjudging quantum of penalty under section 15-I, 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.

19. With regard to the above factors to be considered while determining the quantum of penalty, it may be noted that the investigation department of SEBI has not quantified the profit/loss for the violations committed by the Noticee in the said matter. No quantifiable figures or data are made available on record to assess the disproportionate gain or unfair advantage made by the Noticee or the amount of loss caused to an investor/clients or group of investors/clients as a result of the default by the Noticee. I am of the view that the abovementioned lapses on the part of the Noticee cannot be ignored because Stock Brokers are expected to act in securities markets in the most professional manner and even minor lapses and violations on the part of the Stock Brokers may have wide ramifications in the securities markets. Various regulations and circulars prescribed by SEBI in this regard have put clear onus on the registered intermediaries in the market to monitor the transactions of the clients with necessary diligence and due skill. It is also the responsibility of the stock broker to give guidance to its clients so that frauds and market abuses do not occur. Therefore, it is of utmost importance that under no circumstances a Stock Broker breaches the terms and conditions of the member-client agreement.

ORDER

20. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of ₹

3,00,000/- (Rupees Three Lakh) on Noticee / IIFL under Section 15HB of the SEBI Act.

21. I am of the view that the said penalties are commensurate with the lapse/omission on the part of the Noticee. 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.
22. 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, Division of Regulatory Action-4, Enforcement Department (EFD1 – DRA IV), Securities and Exchange Board of India, SEBI Bhavan 2, Plot No. C – 7, “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 order details)	

23. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties. Payment can also be made online by following the below path at SEBI website www.sebi.gov.in: ENFORCEMENT ->Orders->Orders of AO ->PAY NOW.

24. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to IIFL Securities Ltd (earlier known as 'India Infoline Ltd') and also to the Securities and Exchange Board of India.

Date: July 31, 2019
Place: Mumbai

Dr. ANITHA ANOOP
CHIEF GENERAL MANAGER
& ADJUDICATING OFFICER