

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AK/JR/2025-26/31411)**

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

**JRK Stock Broking Private Limited
PAN: AABCJ8648K**

In the matter of inspection of JRK Stock Broking Private Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had conducted thematic inspection of Authorised Persons (hereinafter referred to as "**APs**") of JRK Stock Broking Pvt. Ltd. (a SEBI registered Stock Broker bearing registration number INZ000194836) (hereinafter referred to as "**Noticee**") on December 01, 2023. The period of inspection was from April 01, 2022 till November 30, 2023 (hereinafter referred to as "**Inspection Period**"). The inspection was carried out to examine non-compliance, if any, of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as "**Brokers Regulations**") and circulars thereunder. Noticee had 22 APs registered with National Stock Exchange of India Ltd (hereinafter referred to as "**NSE**") and 8 APs registered with BSE Limited (hereinafter referred to as "**BSE**"), out of which 7 were selected for the random inspection by SEBI.

APPOINTMENT OF ADJUDICATING OFFICER

2. Upon being satisfied that there were sufficient grounds to inquire into and adjudicate upon the violations of provisions of Brokers Regulations by the Noticee, SEBI, in exercise of powers u/s 19 r/w sub-section (1) of section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules,

1995 (hereinafter referred to as the “**Adjudication Rules**”) appointed Ms. Asha Shetty as Adjudicating Officer (hereinafter referred to as “**AO**”), vide communique dated October 3, 2024, to inquire into and adjudge the alleged violations by the Noticee. Upon transfer of the case, undersigned was appointed as AO, vide communique dated December 18, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice Ref. No. SEBI/EAD/EAD-8/AS/DP/31672/1/2024 dated October 8, 2024 (hereafter referred to as “**SCN**”) was issued to the Noticee in terms of rule 4(1) of the Adjudication Rules r/w Section 15-I of SEBI Act requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed u/s 15HB of SEBI Act for the alleged violation, as stated in the SCN.
4. The brief of alleged violations by the Noticee as per the SCN is given hereunder;
 - 4.1 None out of the 7 APs inspected by SEBI had any call recording system in place.
 - 4.2 None of the 7 APs inspected had valid NISM certificate.
 - 4.3 In 2 cases, AP related activities were handled by their respective spouses instead of the AP.
 - 4.4 In 3 cases, terminals were not available at the registered location.
 - 4.5 Mobile numbers of AP were mapped to the clients in spite of not falling under the category “family”.
5. The Noticee, vide letter dated October 30, 2024, submitted its reply to the SCN the relevant portion of the reply is reproduced as under:
 - 5.1 *The requirement of call recording was introduced by SEBI by way of Circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017 and Circular no SEBI/HO/MIRSD/DOP1/CIR/P/2018/ 54 dated March 22, 2018, for the purpose of Prevention of Unauthorized Trading by Stock Brokers, as observed in Para II of the said Circular. SEBI had required keeping evidence of client placing orders in certain forms one of which was telephone recording. As the purpose of the Circular dated March 22, 2018 was to prevent unauthorized trades, it was stated in Para III of the Circular that in case of*

a dispute, the broker shall produce the records for the disputed trades. Para IV of the Circular required mandatory use of telephone recording system to record the instructions and maintain telephone recordings as part of its records.

5.2 No investor complaints of unauthorized trades have been lodged by any of the investors who are our clients, and thus we have not violated the spirit of SEBI Circular no. SEBI/HO/MIRSD/DOP/CIR/P/2018/54 dated March 22, 2018, which is to prevent unauthorized trades. In order to meet the above strict compliance requirement subsequent to the inspection carried out on APs, we have introduced a system for recording and maintenance of telephone call recordings of all our offices and APs and branches and Voice Recorder facility has already been installed to become compliant in this regard.

5.3 Out of 7 APs, finding of non-maintenance of call records has been recorded in the Findings of Inspection in respect of 6 APs only, and no such findings are recorded in respect of Ms Sayantani Ghosh (SN 3). Cancellation of 2 APs (Rajani Gupta (SN 7) and Devang Chokhany (SN 2 out of the remaining 6 APs has been effected by us on 21st December 2023 and 12th January 2024 respectively on their inability to implement the required call recording facility.

5.4 It was our interpretation that there is no requirement of NISM certification for APs. The allegation of requirement of Authorized Persons needing to have NISM Certificate is premised on; SEBI notification no LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010 and the same has been provided to us in the SCN and a plain reading of the same reveals that it is applicable to the following categories of associated persons, who are involved in, or deal with, any of the following:

- (a) Assets or funds on investors or clients*
- (b) Redressal of investor grievances*
- (c) Internal control or risk management*
- (d) Activities having a bearing on operational risk*

5.5 An Authorized Person does not deal in assets or funds of investors or clients, neither does he deal with redressal of investor grievances, nor does he deal with activities having a bearing on operational risk. All these are the tasks performed by the stock broker. Hence, our interpretation of the above was that as an Authorized Person of a stock broker is not involved in any of the above activities, hence no NISM certification of the Authorized Person was required in terms of Notification dated December 10, 2010.

5.6 The approved users and/or sales personnel of the Authorized Persons are required to be certified and not the Authorized Persons themselves. The Notification dated December 10, 2010 was read by us in light of this SEBI Circular dated July 23, 2010. SEBI Circular dated July 23, 2010 was issued in exercise of powers conferred upon SEBI Board under Sec 11 (1) of the SEBI Act, and the said Circular dated July 23, 2010 required the Exchanges to make necessary amendments to the Bye Laws, Rules and Regulations to implement the above. No further Circulars have been issued by SEBI thereafter in this regard and it was not amended after Notification dated December 10 2010, implying that Circular dated July 23, 2010 stands.

5.7 A latest NSE Circular download no NSE/MSD/61823/dated April 30 2024 having its subject as USER ID-CONSOLIDATED Circular also does not state that Authorized Persons require NISM Certification and specifies who requires such certification. Clause 2.2 of the Circular requires Corporate Managers and Branch Managers (in case of NEAT) to be NISM certified for CM segment. Certification issued through SEBI approved Certification programme is required for each User ID in F&O segment.

5.8 Thus it has been understood by us that the Authorized Persons do not require NISM Certification. However, your attention is drawn to our Reply dated January 11, 2024 (submitted to SEBI on 16.01.2024) where we have stated that upon receipt of Findings of Inspection dated January 11, 2024, we have registered our APs in NISM series VII.

5.9 It is reiterated, as submitted by us in our Reply dated January 11, 2024, that no trading terminals were operated by the spouses of the APs, Ms Bhavika Bhwalka and Ms Rajni Gupta. The following Table shows the queries in Findings of Inspection dated January 5, 2024 and our Reply dated January 11, 2024:

<i>Names of AP</i>	<i>Observations in the Findings of Inspection 05.01.2024</i>	<i>Our response 11.01.2024</i>
<i>Ms.Bhavika Bhuwalka</i>	<i>It was observed that the trading terminal (BSE ID-7000170001045001, Log IN AP045) was operated by her spouse Shri Aman Bhuwalka instead of Ms.</i>	

	<i>Bhawika Bhuwalka at the time of inspection on December 1, 2023.</i>	
<i>Ms. Rajni Gupta</i>	<p><i>SEBI team visited her registered address at 77 Garden Reach Road, South Eastern Railway, Kolkata and her spouse Shri Anil Gupta interacted with the team.</i></p> <p><i>He informed that he was handling AP related work on behalf of Ms. Rajni Gupta and they are currently not working as AP of JRK anymore.</i></p> <p><i>It is observed during the inspection period that there is no order placed by the AP.</i></p>	<p><i>We would like to inform you that the trading terminal was not operated by any other person and neither was any terminal and only clerical works corresponding to the Operations as an AP was being done by Anil Gupta. Since the terminal was not operated and no orders were executed..</i></p>

- 5.10 *In case of Ms Bhavika Bhuwalka, it is submitted that if the trading terminal were operated by the spouse then it would have been violation of NSE/SEBI guidelines on handling of trading terminals and would have given rise to regulatory action, but merely handling AP related work does not call for any action. The AP was present at the location of terminal. As per Clause 32.4.3 of the Master Circular on Brokers dated August 9, 2024, the Authorised Person shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the Stock Broker. The presence of manpower at APs place of business is not violative of any law.*
- 5.11 *In case of Ms. Rajni Gupta, it is not recorded in the Findings of Inspection dated January 5, 2024 that the spouse handled the trading terminal or that he placed any order on the trading terminal and on the contrary it is recorded that no orders were placed at all. As explained in the preceding paragraph, handling of AP related work by manpower is not violation of any law and in fact the AP is required to maintain such help.*

5.12 The SCN does not specify the names of clients to which of the mobile numbers/ e-mail addresses of the three APs were mapped. However, a perusal of the findings of inspection dated January 5, 2024 and our reply dated January 11, 2024 reveal the following:

AP Name	Clients Mapped
<i>Bhavika Bhuwalka</i>	<i>Ponam Bhuwalka, Suresh Kumar Chauhan</i>
<i>Devang Chokhani</i>	<i>Gopal Prasad Chokhany</i>
<i>Sayantani Ghosh</i>	<i>Biswojit Sen</i>

5.13 It is submitted that Poonam Bhuwalka is the mother in law of Bhavika Bhuwalka, and both are staying at the same address being Flat no 2B Radha Sagar Apartment, 8 Moira Street Kolkata 700017. Poonam Bhuwalka is dependent upon her son and daughter in law, and hence falls within the definition of 'dependent parents'. However, the AP mobile number has been changed to 9831012700 from earlier 9831282877 to comply with mapping requirement. As regards Suresh Kumar Chauhan, it is submitted that he is residing in Taipei (Taiwan) and has given the AP phone number 9831282877 for ease of communication. However, he has provided his own email idsc0708@gmail.com for receipt of emails from Exchange and Contract notes from the Broker.

5.14 Gopal Prasad Chokhay (HUF) (not Gopal Prasad Chokhany as stated in findings of Inspection dated January 05, 2024), is an HUF whose Karta is Gautam Chokhany and the Karta Gautam Chokhany is the father of Devang Chokhani, the AP and is dependent on the AP. Although HUF is not taken as covered in the concept of family by SEBI as of now, but in view of the fact that SEBI has brought out a Draft Paper for Public opinion, where in HUF is also proposed to be included in Family, it is requested that the same be treated as Family as the Karta is the dependent father of the AP and father' comes within the definition of family as a dependant.

5.15 In case of AP Ms Sayantani Ghosh, the Mobile number of client Biswojit Sen is 9123740778 is as per UCI printout, whereas mobile no of AP Ms Saantani Ghosh is 9230226597 as per Annexure to AP agreement. The e mail id of Biswojit Sen is shown as biswolit818@gmail.com whereas the e-mail id of the AP is biswoitsen@yahoo.co.in. The e mail address of the AP has since been changed to sayantani2ghosh@gmail.com from earlier biswojit_sen@yahoo.co.in.

Our response in regard to terminals not available at the registered location:

AP	<i>Our response dated January 11, 2024</i>
<i>Sayantani Ghosh</i>	<i>We wish to inform you that the AP had started operations from the Office of the TM upon being disguised due to some family issue amongs them. However, since the address of the AP has not been updated on the Exchange platform that the terminal is being operated from the office address of the TM. So temporarily the terminal has been suspended so that there is no non-compliance in the area. ... Trades were placed from the terminal from TM's office and later on the same has been deactivated in order to ensure that the data is correctly updated before operation of the trading terminals.</i>
<i>Uttam Kumar Jhunjhunwala</i>	<i>We would like to inform you that the trading terminal is shifted to other location and due to gap in the Internal communication the same was not updated on the Exchange Platform and in the mean time it was also informed to us that the AP is not interested in operating the terminals anymore. However, it was not deactivated and a trade was carried out by the AP in the meantime. However immediately after the inspection, the terminal has been deactivated to ensure compliance.</i>
<i>Nainshree Jajodia</i>	<i>We would like to inform you that the trading terminal was not being operated from the said location due to not being interested in operating the terminal anymore. However, due to internal communication gap the same was not updated on the Exchange Platform as deactivated and a trade was carried out by the AP. However, immediately after the inspection, the terminal has been deactivated to ensure compliance.</i>

5.16 It is submitted that the delay in updating terminal location is a technical breach of Rules and no loss has been caused to the investors because of it. As on the date of the SCN, this technical breach has been corrected by us and non-compliant APs terminals were deactivated. No investor complaints have been lodged against us. This may kindly be treated as a mitigating factor in treating this alleged violation leniently.

5.17 We draw your attention to the judgement of the Securities Appellate Tribunal in the matter of Religare Securities Ltd. V SEBI (Appeal No. 23 of 2011, dated 16-6-2011) wherein it was held that: “..the purpose of carrying out inspection was not punitive and that the object was to make intermediary comply with the procedural requirements with regard to the maintenance of records etc. The Tribunal held that every minor discrepancy or irregularity found during the course of inspection cannot be converted into a violation for imposition of monetary penalty unless there is a serious lapse which is found in the course of inspection.”

6. An opportunity of a personal hearing was granted to the Noticee on February 7, 2025, vide Hearing Notice dated January 10, 2025. Vide email dated February 5, 2025, Noticee requested to rescheduled the personal hearing. Acceding to its request, another opportunity of personal hearing was given to the Noticee on February 20, 2025, vide email dated February 7, 2025. The Authorised Representative of the Noticee appeared on the scheduled date and reiterated the submissions made vide letter dated October 30, 2024.

CONSIDERATION OF ISSUES AND FINDINGS

7. I have taken into consideration the submissions of the Noticee, facts, and material available on record. The issues that arise for consideration in the present case are as follows:

ISSUE No. I: Whether the Noticee violated various provisions of Brokers Regulations and circulars thereunder, as alleged in the SCN?

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15HB of SEBI Act, as applicable?

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee, after taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

8. Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated by the Noticee. The said provisions are reproduced hereunder:

Brokers Regulations

Code of Conduct

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

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

...

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

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

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.

Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

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.

SEBI notification no. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010

2. Accordingly, it is notified that with effect from the date of this notification, the following category of associated persons, i.e., persons associated with a registered stock-broker/trading member/clearing member in recognised stock exchanges, who are involved in, or deal with, any of the following, namely:-

- (a) assets or funds of investors or clients,*
- (b) redressal of investor grievances,*
- (c) internal control or risk management, and*
- (d) activities having a bearing on operational risk,*

shall be required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the NISM-Series-VII: Securities Operations and Risk Management Certification Examination as mentioned in the NISM communiqué/Press Release NISM/Certification/Series-VII: SORM/2010/01 dated November 11, 2010, read with Annexures-I and II thereto.

Provided that the stock-broker/trading member/clearing member shall ensure that all persons associated with it and carrying on any activity specified in this paragraph as on the date of this notification obtain valid certification within two years from the said date of notification.

Provided further that a stock-broker/trading member/clearing member who employs any associated persons specified in this paragraph after the date of this notification shall ensure that the said associated persons obtain valid certification within one year from the date of their employment.

SEBI Circular no. SMDRP/POLICY/CIR-49/2001 dated October 22, 2001

Grant of trading terminals

It has further come to the notice of SEBI that the trading terminals granted to the stockbrokers at various locations are being mis-utilised for unregistered sub-broking activities. In view of the above, Exchanges are advised to grant trading terminals only at the members' registered office, branch offices and their registered sub-brokers' offices. Trading terminals granted earlier in places other than mentioned above should be withdrawn immediately. The Stock Exchanges shall amend their bye-laws accordingly to take action against the broker who mis-utilises or lets misutilisation of their trading terminals for unregistered sub-broking activities.

SEBI Circular no. MIRSD/DIR-1/Cir-16/09 dated November 06, 2009

Annexure I

7. Obligations of Stock Broker

...

g) On noticing irregularities, if any, in the operations of authorised person, stock broker shall seek withdrawal of approval, withhold all moneys due to authorised person till resolution of investor problems, alert investors in the location where authorised person operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.

CIR/MIRSD/15/2011 dated August 02, 2011

2. As an additional measure, it has now been decided in consultation with the major stock exchanges and market participants that the stock exchanges shall send details of the transactions to the investors, by the end of trading day, through SMS and E-mail alerts. This would be subject to the following guidelines:

...

B. Uploading of mobile number and E-mail address by stock brokers

- i. Stock exchanges shall provide a platform to stock brokers to upload the details of their clients, preferably, in sync with the UCC updation module.*
- ii. Stock brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.*
- iii. Stock brokers shall ensure that the mobile numbers/E-mail addresses of their employees/sub-brokers/remisiers/authorized persons are not uploaded on behalf of clients.*
- iv. Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. 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."*

9. I now proceed to deal with the issues on merits.

ISSUE No. I: Whether the Noticee violated various provisions of Brokers Regulations and circulars thereunder, as alleged in the SCN?

10. In respect of allegation that none out of the total 7 APs inspected by SEBI had any call recording system in place which is allegedly in violation of clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations read with clause III of Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017 and clause III of Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018;

- 10.1 I note from the SCN that during the inspection of 7 APs of the Noticee selected at random, none maintained call recordings/ proof of clients placing orders through telephone.
- 10.2 Noticee has accepted that it did not keep call recordings but submitted that the purpose of the introduction of circulars dated September 26, 2017 and March 22, 2018 was to prevent unauthorized trades so that in case of any dispute, the the call recordings can be referred, however there are no complaints of unauthorized trades by its clients.
- 10.3 I note that the circulars dated September 26, 2017 and March 22, 2018 were introduced to strengthen regulatory provisions against unauthorized trades and also to harmonise the requirements across markets. The broker is mandated to keep evidence of the client placing orders so that in case dispute arises, the broker can produce the records. It is a preventive step to avert disputes at a future date. The submission of the Noticee that there are no investor complaints regarding unauthorized trades does not preclude it from complying with the provisions of the circulars. As a SEBI registered intermediary it was the duty of the Noticee to maintain high standards of integrity, exercise due skill and care and comply with the provisions of the circular for the smooth running of the securities market.
- 10.4 In view of the above, I find that the allegation of violation of clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations read with clause III of Circular CIR/HO/MIRSD/MIRSD2/CIR/ P/2017/108 dated September 26, 2017 and clause III of Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 stands established.
11. W.r.t. allegation that none out of the 7 APs had valid NISM certificate, whether the Noticee had violated clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and Clause 2 of SEBI notification no. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010;
- 11.1 Noticee has confirmed that none of its APs have any NISM certification. However, the Noticee also stated as per its understanding, AP neither deals with assets or funds of investors or clients, nor does he deal with redressal of

investor grievances, nor does he deal with internal control or risk management and nor does he deal with activities having a bearing on operational risk, hence it need not have NISM certification. Further Noticee had also referred to circular SEBI/Cir/MIRSD/AP/8/2010 dated July 23, 2010 wherein it is stated that *“The approved users and/or sales personnel of Authorised Persons shall have the necessary certification of the respective segments at all points of time.”* I further note from the submission of the Noticee that subsequent to the receipt of the findings of the inspection, 5 APs (2 out of 7 have discontinued) has obtained NISM certificates.

11.2 I note that an AP is appointed by a stock broker to provide access to the trading platform of a stock exchange as an agent of the stock broker and is required to obtain a certificate of registration from the stock exchange. The responsibilities of APs include purchasing, selling and dealing in securities, assisting both stock brokers and investors, placing orders with the stock broker on behalf of clients etc. In light of this, the submission of the Noticee that the APs do not deal with the assets or funds of investors or clients cannot be accepted. It is the AP who deals with assets (shares) and funds of the investors on behalf of the stock broker. Further SEBI notification no. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010 was subsequent to the circular dated July 23, 2010 referred to by the Noticee. Therefore, SEBI in its wisdom had introduced the notification dated December 10, 2010 requiring the APs to obtain NISM certification. Noticee cannot find excuse in its belief that only approved users and/ or sales personnel of APs were required to obtain the NISM certification. In view of the above, I find that the allegation of violation of clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and clause 2 of SEBI notification no. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010 stands established.

12. With respect to allegation that AP related activities of 2 APs viz., Ms. Bhavika Bhuwalka and Ms. Rajni Gupta were handled by their spouses who were not authorized to handle those trading terminals, whether the Noticee violated SEBI

clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and Circular no. MIRSD/DIR-1/Cir-16/09 dated November 06, 2009;

12.1 I note from the SCN that it is alleged that in case of two APs viz Ms. Bhavika Bhuwalka and Ms. Rajni Gupta, the AP related activities were handled by their spouses who were not authorized to handle those trading terminals. Noticee submitted that their spouses did not place any order but was just present and were watching the terminal in their wives' absence. Further, Noticee submitted that as per SEBI master circular dated August 9, 2024 AP shall have the necessary infrastructure like adequate office space, equipment and manpower to assist the AP. Therefore, the presence of manpower at APs place of business is not a violation of any law.

12.2 I note that the Noticee accepted that in absence of the AP, their spouses were sitting on the desk and watching the terminal/ handling the premises. However, in absence of the AP, which is authorized by broker, any other person including spouse gets access to the whole operations and any of his act can go unchecked, which is not desirable. The personnel at the premises are supposed to be assisting the AP and not act on their own. Further, SEBI master circular dated August 9, 2024 also specifies that the approved users of the terminals and/ or sales personnel should have the necessary certification of the respective segments at all points. In this case, there is nothing on record to show that the spouses of the APs had the requisite certification.

12.3 In view of the above, I find that the allegation of violation of clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and SEBI Circular no. MIRSD/DIR-1/Cir-16/09 dated November 06, 2009 stands established.

13. W.r.t the allegation that the mobile numbers/ email addresses of three APs viz. Ms. Bhavika Bhuwalka, Ms. Devang Chokhany and Ms. Sayantani Ghosh were mapped to their clients even though those clients did not fall under the category of family, whether the Noticee have violated clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and Clause 2 (B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011, I note from the SCN that the mobile

numbers of the 3 APs were also mapped as mobile numbers of their clients. The Noticee accepted the allegation and gave reasons like clients were the mother-in-law of the AP or resided outside India or was part of the HUF. The Noticee also submitted that the mobile numbers have been duly rectified.

In view of the above, I find that the allegation of violation of clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and Clause 2 (B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011 stands established.

14. W.r.t. the allegation that three APs viz. Ms. Sayantani Ghosh, Shri Uttam Kumar Jhunjhunwala and Shri Nainshree Jajodia, terminals were not available at the registered location. Further, the new address of Ms. Sayantani Ghosh was not updated for 4 years. Whether these are in violation of clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and SEBI Circular SMDRP/Policy/CIR-49/2001 dated October 22, 2001;

14.1 I note from the SCN that the terminals of 3 APs were not available at the registered location. The Noticee accepted the allegation and gave reasons for the same like the terminals were deactivated and records were not update or the AP was operating from the office of the Noticee. With regard to the delay in updating terminal location, it was submitted that it is a technical breach and no loss was caused to the investors.

14.2 I note that the Noticee has accepted the allegations. As per Noticee, it has also taken corrective steps and upated its records pursuant to the inspection.

14.3 In view of the above, I find that the allegation of violation of clause 1, 2 and 5 of Code of Conduct given at Schedule II of Brokers Regulations and SEBI Circular SMDRP/Policy/CIR-49/2001 dated October 22, 2001 by the Noticee stands established.

15. The Noticee also referred to the order of Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") in the matter of Religare Securities Ltd. v SEBI (order dated June 6, 2011) wherein it was held that the purpose of inspection was not punitive and every minor discrepancy cannot be converted into a violation unless there is a serious lapse. In this regard, I note that each matter is peculiar in

its facts and circumstances based on which the violations are ascertained. I am of the opinion that facts and circumstances of each matter are unique in nature and are accordingly dealt with and decided. Hence, any generic parallel drawn would be devoid of merit. Further Hon'ble SAT in the same order dated June 16, 2011 referred by the Noticee stated *"This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent."* In the instant case, I note that the violations by the Noticee were of the extant applicable provisions of law that were otherwise applicable to that entire category of the intermediary viz., SEBI Registered Stock Brokers and not just about minor procedural aspects specific to the Noticee.

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15HB of SEBI Act?

16. The provisions of Section 15HB of the SEBI Act read as under:

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

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

17. Hence, in view of the findings as given above, I am convinced that the Noticee is liable for monetary penalty under section 15HB of the SEBI Act for violation of provisions of Brokers Regulations and circulars thereunder.

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee after taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

18. While determining the quantum of penalty under section 15HB of SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:-

SEBI Act

“15J. Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under Section 23-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. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, suffered by the investors as a result of its non-compliance nor has it been alleged by SEBI. As regard to the repetitive nature of the default, there is nothing on record to show that the nature of default by the Noticee is repetitive.
20. I find that the Noticee was under a statutory obligation to abide by and comply with the provisions of the Circulars / directions issued by SEBI, which they failed to do during the inspection period. The very purpose of the said provisions is to deter wrongdoing and promote ethical conduct in securities market. Noticee being a registered intermediary is expected to take the statutory compliances seriously and take extra care to maintain a high degree of professionalism in the conduct of their business. The violations as established above certainly deserve imposition of penalty. However, I also note from the submissions of the Noticee that it has accepted its non-compliance and taken corrective measures subsequent to the inspection.

ORDER

21. After taking into consideration the facts and circumstances of the case, including the fact that corrective steps have been taken by the Noticee, in exercise of powers conferred upon me under section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the penalty of Rs. 1,00,000/- (Rs. One Lakh only) under section 15HB of the SEBI Act on the Noticee for the violations as mentioned above. I find that the said penalty is commensurate with the violations committed by the Noticee in this case.
22. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

23. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.
24. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: May 20, 2025

AMIT KAPOOR
ADJUDICATING OFFICER