

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AK/RK/2025-26/ 31367-31370)**

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:

Noticee No	Name of the Noticees	PAN
1	Credavenue Securities Private Limited	AAICC9126C
2	Mr. Vineet Sukumar	ATYPS8757R
3	Mr Gaurav Kumar	AHSPG4205C
4	Mr. Anup Wadhawan	AANPW7055N

**In the matter of Inspection of Credavenue Securities Private Limited
(now known as Aspero Markets Private Limited)**

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (“**SEBI**”) conducted an inspection of the books of accounts, records and other documents of **Credavenue Securities Private Limited** (hereinafter referred to as the “**Noticee 1/CSPL**”), registered with SEBI as a Stock Broker since December 30, 2022, bearing Registration No. INZ000310534, and operating as an Online Bond Platform Provider (OBPP) from March 28, 2023. The inspection was conducted on July 10, 2024 and July 11, 2024 to ascertain whether operations of Noticee 1 as OBPP with respect to its dealings in debt securities, were being carried out in the manner provided under SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as the “**Stock Brokers Regulations**”), SEBI (Issue And Listing Of Non-Convertible Securities) Regulations, 2021 (hereinafter referred to as the “**NCS Regulations**”) and applicable SEBI Circulars issued thereunder. The inspection was conducted for the

period from March 28, 2023 to June 30, 2024 (hereinafter referred to as “**Inspection period/IP**”).

2. The findings of the inspection were communicated to the Noticee 1, vide SEBI letter dated August 14, 2024. Upon examining the reply of Noticee 1, dated August 28, 2024, it was found that Noticee 1 has, *prima facie*, violated various provisions of the Regulations/ circulars mentioned at para 1 above during the activities carried out by it. Extracts of alleged violations by Noticee 1 are given below:-

Sr No.	Alleged Violations	Regulatory Provisions
1	Irregularities w.r.t execution of orders placed on online bond platform of Noticee 1.	Regulation 51A(2) of NCS Regulations, Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.1 of Annex-XXI-A read with Clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2023/ 119 dated August 10, 2021 (updated as on July 07, 2023) and Clause 3.4.1 of Annex-XXI- A read with Clause 5.2.1 of Chapter XXI of SEBI Master Circular SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024.
2.	Irregularities in execution of orders placed on online bond platform of Noticee 1 with respect to listed SGBs.	Regulation 51A(2) of NCS Regulations, Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2023/ 119 dated August 10, 2021 (updated as on July 07, 2023) and Clause 2.1 of SEBI circular SEBI/HO/DDHS/ PoD1/P/CIR/2023 /194 dated December 28, 2023 and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/2024/ 54 dated May 22, 2024.

3. In view of the above, adjudication proceedings were initiated by SEBI against Noticee 1 and its Directors namely, Mr Vineet Sukumar (Noticee 2), Mr Gaurav Kumar (Noticee 3) and Mr Anup Wadhawan (Noticee 4) (hereinafter Noticee 1, 2, 3 and 4 shall be collectively referred to as “**Noticees**”)

APPOINTMENT OF ADJUDICATING OFFICER

4. Upon being satisfied that there were sufficient grounds to inquire into and adjudicate upon the violations of provisions of Stock Brokers Regulations, NCS Regulations and circulars issued thereunder by the Noticees, SEBI appointed Shri Amar Navlani as the Adjudicating Officer (AO) under Section 19 read with Sub-Section (1) of Section 15-I of the Securities and Exchange Board of India Act, 1992, (hereinafter referred to as the “**SEBI Act**”) and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the “**SEBI Adjudication Rules**”), vide order dated October 29, 2024, to inquire into and adjudge the alleged violations by the Noticees. Pursuant to the transfer of matter, undersigned was appointed as AO, vide order dated November 22, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A common Show Cause Notice dated February 10, 2025 (hereinafter referred to as “**SCN**”) was issued to the Noticees in terms of the provisions of Rule 4(1) of the SEBI Adjudication Rules r/w Section 15-I of SEBI Act requiring the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed under the provisions of Section 15HB of SEBI Act upon Noticee 1 and Section 15HB r/w Section 27 of the SEBI Act upon Noticee 2, 3 and 4 for the alleged violation stated in the SCN. The said SCN was delivered to the Noticees through SPAD and digitally signed email dated February 11, 2025.
6. A brief of alleged violations by the Noticees as per the SCN is given hereunder;
 - 6.1 Noticee 1 had executed orders worth Rs 1190.85 crores, w.r.t listed debt securities through Over the Counter (OTC) market and not through Request for Quote (RFQ) platform during the IP and hence, Noticees were alleged to have violated Regulation 51A(2) of NCS Regulations, Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.1 of Annex-XXI-A read with Clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/2023/119 dated August 10, 2021 (updated as on July 07, 2023) and

Clause 3.4.1 of Annex-XXI- A read with Clause 5.2.1 of Chapter XXI of SEBI Master Circular SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024 by failing to ensure that all the orders placed on OBP platform of Noticee 1 with respect to listed debt securities was routed through the RFQ platform of a recognized stock exchange.

6.2 Noticee 1 had processed orders pertaining to listed Sovereign Gold Bonds (SGBs) on its OBP platform through the off-market route totaling to Rs 3.66 lacs and not through a stock exchange mechanism prescribed by SEBI, during the IP and it was thus alleged that the Noticees have violated Regulation 51A(2) of NCS Regulations, Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2023/ 119 dated August 10, 2021 (updated as on July 07, 2023) and Clause 2.1 of SEBI circular SEBI/HO/DDHS/ PoD1/P/CIR/2023 /194 dated December 28, 2023 and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/2024/ 54 dated May 22, 2024 by failing to ensure that all orders placed on OBP platform of Noticee 1 w.r.t listed SGBs were routed and settled through Stock Exchange mechanism.

7. Vide email dated February 25, 2025, Noticees submitted their reply in the matter. The reply of the Noticees is summarized hereunder:

7.1 Pursuant to the notification of the regulations in November 2022 relating to the mandatory routing of trades through the RFQ route, it had endeavored to take prompt efforts to transition to the RFQ platform, including informing certain clients about the requirement to route their trades through the RFQ platform. However, it met with operational and infrastructural challenges in effectively and completely implementing the transition to the RFQ platform.

7.2 That in order to obtain clarity and resolve the operational issues, Noticee 1 was constantly liaising with the relevant stakeholders in the marketplace. For example, it had exchanged multiple correspondences with the Bombay Stock Exchange (“BSE”) highlighting at

length, the operational issues in implementation of trades under RFQ route. Despite the proactive steps being undertaken by it, to resolve those challenges, it was unable to effectively execute trades vide the RFQ platform in the absence of an API Integration mechanism.

7.3 That Noticee 1 has already undertaken several corrective actions, including, inter alia, discontinuing settlement through OTC from July 11, 2024 and has ceased offering listed SGB on their online bond platform even before receipt of written observation vide “inspection letter” dated August 14, 2024.

7.4 That approximately 65% of all trades had been undertaken through the RFQ route, and only 35% of the trades were routed through the OTC route.

7.5 That Noticee 1 has consistently endeavored to act in a manner which is consistent with the spirit of the applicable framework and best practices in the market and it has strived to ensure to protect the interests of all its clients, particularly those of retail/ individual clients.

7.6 That during the IP, approximately 92% of trades involving non-institutional investors were settled through the RFQ platform.

7.7 That the regulatory and operational framework for OBPPs are at a relatively nascent phase and are constantly developing. For example, BSE had not notified the API integration mechanism for parties who are registered with BSE (but not under the RFQ platform for reporting and settlements). In such cases, the trades could not be settled through the RFQ route and resultantly had to be settled through the OTC mechanism. Additionally, as notified to BSE, Noticee 1 also faced some other operational and systemic delays in implementation of trade settlement and it had promptly endeavoured to resolve the same in collaboration with BSE.

7.8 Noticee 1 submitted, while it had been unable to completely make a transition to settlement of trades under the RFQ route, the settlement flow for trades executed by way of the OTC and RFQ platforms are substantially similar, with both being settled through the exchange and the principal tenets behind introduction of the OBPP regulations and RFQ mechanism was to promote increased investor transparency. To this end, Noticee 1 exercised extreme caution in its settlement process and had strived to ensure that the investors were always, informed of the status of their trades and promote transparency, albeit via a different mechanism.

- 7.9 That the Noticee 1 immediately ceased executing trades through the OTC route effective July 11, 2024 and to further strengthen its overall compliance functions and to showcase its commitment in ensuring that no inadvertent lapses of occur on a going forward basis, it had engaged seasoned professionals with extensive experience in capital markets.
- 7.10 That apart from 7 transactions highlighted in the SCN, amounting to Rs 3.66 lakhs, Noticee 1 had not engaged in settlement of any SGB trades and the alleged non-compliance arose solely due to the absence of a sufficient supporting mechanism at the relevant time.
- 7.11 Vide, Circular No. 20240812-39, issued by BSE on August 12, 2024, provided necessary clarifications for settlement of listed SGBs, as under:
“Trading Members of the exchange are hereby informed that the Listed Sovereign Gold Bonds (SGBs) are allowed to trade through Request for Quote (RFQ) platform with effect from 13th August 2024”.
- 7.12 Prior to August 12, 2024, there was no established mechanism for settling trades through the RFQ platform. Throughout this period, it was engaging with BSE to address and resolve operational challenges relating to settlement under the RFQ route. Furthermore, apart from the transactions specifically identified in the SCN, which collectively amount to INR 3.66 lakhs, no other transactions for listed SGBs were executed through the OTC route.
- 7.13 That upon SEBI communicating its observations, it had initiated all necessary actions, including inter-alia immediately discontinuing settlement of listed SGBs through the OTC mechanism.
- 7.14 That it had taken additional incremental corrective actions to ensure continued adherence to the relevant regulatory framework such as inter-alia discussing the issue extensively during the meeting of the Board dated August 7, 2024.
- 7.15 That the alleged violations are non-repetitive in nature and occurred solely due to the absence of a requisite operational mechanism at that time and at no point, Noticee 1 had intended to operate in a manner that circumvented the regulatory framework relating to trade of SGBs, in letter or spirit.
- 7.16 The alleged lapses were technical and operational in nature, and have not resulted in any losses to investors, are not repetitive, and have not lead to any monetary gains or unfair advantage for Noticee 1.

7.17 That Noticee 1 had at all times, promptly informed BSE regarding the challenges faced with implementation of the RFQ platform and was operating under the bona fide belief that it was in substantial compliance with the regulatory framework.

7.18 That Noticee 1 had at all times, strived to safeguard and prioritize the interests of the investors on its platform and upon inspection by SEBI, it had treated the matter with utmost seriousness and taken immediate corrective actions by ceasing the execution of transactions through the OTC platform.

7.19 Noticee 1 has taken prompt corrective measures, including discontinuation of trading through OTC platforms, and ceased offering listed SGBs on its online bond platform since 11th July 2024.

8. In the interest of natural justice, an opportunity of personal hearing was granted to the Noticees on March 24, 2025, vide hearing notice dated February 28, 2025. However, vide email dated March 21, 2025, Authorised Representative namely Shri Sumit Agrawal (Partner, Regstreet Law Advisors) (hereinafter referred to as “AR”) of the Noticees requested for inspection of relevant and relied upon documents in the matter. The said request was acceded to and the AR was granted an opportunity to inspect the said documents on March 25, 2025, which was duly availed by it. AR of the Noticees submitted additional reply in the matter, vide email dated March 28, 2025 and April 03, 2025, which is as under:

8.1 That the SCN does not, in any manner, establish a sustainable or cogent case of violation of law against any of the Noticees, which is clearly established from the fact that the SCN does not level any direct allegations against the Noticee 2, 3 and 4 nor does it contain an iota of evidence to establish the purported allegations that they have contravened the provisions as mentioned in the SCN.

8.2 That SCN has levelled charges against Noticee 4, an independent director of the Noticee 1, who had no role in the decision-making or day-to-day operations of the Company.

8.3 That the allegations levelled are generalised, lack evidentiary foundation, and overlook both the nuanced factual matrix and the evolving nature of the regulatory framework applicable to OBPPs and fails to demonstrate the existence of either mens rea or material impact on market integrity, investor protection, or regulatory objectives.

- 8.4 Noticee 2 is a Non-Executive Director of the Noticee 1 since June 18, 2021 and is not involved in the day-to-day operational activities of the Noticee 1 and being a non-executive director of the Noticee 1 cannot be held liable for any alleged violations arising out of the operational difficulties faced by it.
- 8.5 Noticee 1, following the SEBI circulars, VIZ SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/154 dated 14/11/2022 and SEBI/HO/DDHS/POD1/P/CIR/2023/092 dated 16/06/2023, proactively informed its clients regarding the requirement to execute their trades via the RFQ platform and the emails communicating this regulatory requirement were disseminated to clients on July 21, 2023, evidencing the Noticee 1's earnest efforts to comply with the regulatory mandates.
- 8.6 That the Noticee 1 tried to make diligent efforts to comply fully with the RFQ routing requirements, however, it encountered significant infrastructural and operational impediments. Notably, the absence of suitable Application Programming Interface ("API") integration mechanisms provided by stock exchanges, particularly the Bombay Stock Exchange ("BSE"), hindered the effective and timely implementation of the RFQ-based settlement process.
- 8.7 That Noticee 1 addressed the issues that they were facing API integration problems extensively vide correspondences dated July 26, 2023, December 01, 2023 and February 01, 2024 evidencing its proactive engagement with BSE, seeking resolution of these implementation issues.
- 8.8 That the Noticee 1 submitted a detailed reply dated August 28, 2024, wherein it had clarified that the majority of transactions (approximately 65% by trade count) were settled through the RFQ mechanism, despite operational difficulties where BSE could not integrate its API with it and that 92% of retail transactions were compliant with RFQ requirements, indicating a robust commitment towards protecting investors' interests.
- 8.9 That the allegation regarding off-market SGB transactions is misplaced, given their isolated nature, low value of Rs. 3.66 lakhs across seven trades, and regulatory uncertainty at the time.
- 8.10 That on September 26, 2024, SEBI had issued an administrative warning letter addressing its observations and Noticee 1 had submitted the Action Taken Report to SEBI on October 25, 2024. Further, Noticee 1's Board of Directors including Noticee 2 and 3

meticulously considered these warnings and required corrective actions during a meeting held on November 07, 2024 were taken.

- 8.11 That the Noticee 1 had promptly informed SEBI on November 22, 2024, about the corrective measures taken in compliance with each observation raised, showcasing the Board's active governance and compliance oversight.*
- 8.12 That the interpretation adopted in the SCN is excessively rigid and does not account for the practical difficulties encountered by OBPPs during the initial phases of regulatory transition and the SCN fails to appreciate that the regulatory framework governing RFQ implementation was evolving during the relevant period and that the Noticee 1's conduct must be assessed in that context.*
- 8.13 It submitted that to the extent any deviation occurred, the same was not intentional but arose from documented infrastructural and operational limitations beyond the control of the Noticees.*
- 8.14 That the Noticee 1 proactively initiated correspondences with BSE, highlighting concerns related to onboarding, counterparty matching, trade confirmation cycles, and post-trade settlement visibility. The RFQ framework, during the initial phase, lacked end-to-end trade execution efficiency, particularly for high-value and institution-driven transactions. Thus, the occasional use of OTC routes was operationally induced, not a product of indifference or non-compliance.*
- 8.15 That even before the Observation letter was issued by SEBI on August 14, 2024, the Board of Directors had already noted the cautious call to stop the OTC transactions. The same was deliberated and discussed upon during the Board meeting dated August 07, 2024 wherein even Noticee 2 and Noticee 3 were present.*
- 8.16 That the Noticee 1's board of directors including Noticee 2 and Noticee 3 also deliberated on SEBI's findings and passed appropriate resolutions to institutionalize corrective frameworks, reflecting robust governance standards and an unequivocal commitment to regulatory alignment.*
- 8.17 Noticees submitted that the settled legal standard for due diligence is premised on whether the entity concerned did everything reasonable to discharge its legal obligation. In the present case, the Noticees, without admitting any violation, promptly remedied the alleged omission.*

- 8.18 *That Noticee 1 has now achieved near-complete transition to the RFQ platform, and no further deviations have occurred since July 11, 2024. The alleged lapses were isolated, non-repetitive, and arose solely due to infrastructural and functional constraints. All such issues were addressed promptly upon being brought to the Noticees' attention. At every stage, the Noticees' conduct had been guided by the principles of transparency, investor protection, and adherence to regulatory objectives and that the present case falls within the category of venial breaches— technical in nature and devoid of mala fide intent or resultant harm.*
- 8.19 *Noticees submitted that the SGB trades were executed transparently, with due documentation and settlement, and there is no allegation or finding of any investor grievance, price distortion, or market misconduct. The transactions were undertaken based on client instructions and settled on a delivery versus payment basis. There was no element of concealment, collusion, or any form of regulatory arbitrage. These isolated events, occurring in a transitional regulatory phase, cannot be equated with wilful or material non-compliance.*
- 8.20 *Noticees submitted that the inclusion of listed Sovereign Gold Bonds in the OBPP framework was introduced via SEBI Circular No. SEBI/HO/DDHS/POD1/P/CIR/2023/092 dated June 16, 2023. However, given that this circular was relatively recent, particularly in the context of the trades executed by Noticee 1 in November 2023, and that Noticee 1 was a newly registered broker on the OBPP platform, a lenient approach ought to be adopted. Furthermore, the operational clarification from BSE on August 12, 2024, highlights the evolving nature of compliance expectations, further supporting the case for leniency.*
- 8.21 *That it is a well-settled principle in law that in the context of delegated legislation, particularly recent circulars imposing immediate compliance obligations, minor deviations in meeting requirements should not automatically attract penalties. Any deviation or technical non-fulfillment, particularly when unaccompanied by any intent to defraud, evade obligations, or act with mala fide intent, cannot be considered a penalizable violation.*
- 8.22 *That the alleged SGB non-compliance, if any, was purely procedural, arising in a context of evolving regulatory norms and without any adverse consequence to investors or the securities market.*

- 8.23 *That invoking of Section 27 of the SEBI Act, 1992 to include Noticee 2 and 3 in the present proceedings is completely perverse and unwarranted particularly in an adjudication, arising solely from the inspection of Noticee 1.*
- 8.24 *That neither the action matrix provided by SEBI nor the Inspection Report / Post Inspection Analysis have attributed any finding with respect to the 'role' of Noticee 2 and Noticee 3. SCN as well is completely silent on the reason for roping Noticee 2 and Noticee 3 and there is no whisper in the SCN as to the individual conduct of such noticees. Such a SCN, which does not contain any reasons or establish any foundational fact is bad in law.*
- 8.25 *That vicarious liability cannot be automatically attributed to Noticee 2 and 3 as Noticee 1 operates as a separate legal entity with perpetual succession, independent of its directors. Regulatory violations primarily rest with the company unless there is clear evidence of direct involvement, willful misconduct, or negligence.*
- 8.26 *SEBI has failed to acknowledge that directors can only be held liable if the company disassociates itself from the actions in question or asserts that its employees acted without authorization. However, without prejudice, in the present case, Noticee 1, in the instant case has not distanced itself from any such acts, as is evident from the correspondences exchanged between the Noticee 1 and SEBI to date.*
- 8.27 *That Noticee 3 served solely in the capacity of a Non-Executive Director on the Board of Noticee 1, was not involved in the day to day operations, execution of trades, or implementation of compliance processes of Noticee 1. His responsibilities were confined to policy level oversight and participation in Board level deliberations.*
- 8.28 *That it is a well-settled position in law, affirmed in various rulings of the Hon'ble SAT and SEBI, that mere designation as a director is not sufficient to impose liability. A clear and specific nexus must be established between the director's conduct or knowledge and the alleged noncompliance, a threshold the SCN does not meet in the present case.*
- 8.29 *That the regulatory framework and judicial interpretation also recognize that non-executive directors are not vicariously liable for operational failures unless it is shown that they were in charge of the conduct of the business or had actual knowledge of the contravention and failed to act. In the instant case, Noticee 3 had no role in trade execution or RFQ compliance and thus cannot be held responsible for any lapses that may have occurred in these areas.*

- 8.30 That Noticee 2, the Managing Director of the Noticee 1, was in a management position and the issues forming the basis of the SCN, including the alleged RFQ routing non-compliance arose primarily from external infrastructural challenges, such as the lack of API integration from BSE and NSE. These limitations were industry-wide, and not unique to the Noticee 1. The successful migration to RFQ platforms was contingent on exchange infrastructure and counterparty readiness factors that were beyond the direct control of Noticee 2.
- 8.31 That once the relevant issues and SEBI's observations were brought to the notice of the Board, Noticee 3 had informed the Board that the Noticee 1 had ceased OTC trades from July 11, 2024, well before any formal instruction from SEBI. Further, Noticee 3 led the implementation of enhanced compliance systems, including hiring of experienced professionals, formulation of detailed SOPs, and institution of real-time trade monitoring frameworks. These actions demonstrate that any alleged contravention was neither wilful nor deliberate, and that Noticee 3 had exercised all due diligence to prevent and remedy any potential regulatory lapses.
- 8.32 That the Noticee 2 and 3 are entitled to the benefit of the provision of Section 27(1) of the SEBI Act, 1992, which protects individuals from liability where it is shown that the contravention occurred without their knowledge or that they exercised due diligence to prevent it. In the present case, conduct of both directors clearly satisfies the said statutory safeguard.
- 8.33 That the absence of any allegation or evidence of consent, connivance, or negligence on the part of Noticee 2 and 3 further precludes the invocation of Section 27(2) of the SEBI Act and the SCN does not attribute any act of omission or commission personally to them that would justify the initiation or continuation of penal proceedings.
- 8.34 That Noticee 4, is an Non-Executive Independent Director on the Board of M/s Aspero Markets Private Limited, a SEBI registered intermediary engaged in providing online bond platform services to institutional and retail investors and was appointed in a non-executive capacity on May 27, 2023 and had no role in the day-to-day operations or management functions of the Noticee 1.
- 8.35 That the SCN proceeds without establishing any specific act, omission, or role attributable to Noticee 4 in relation to the alleged non-compliances and the conclusions drawn are based on presumptions of vicarious liability, rather than on any cogent

evidence or demonstrated nexus between the Noticee 4 and the day-to-day operations of the Noticee 1. Such an approach overlooks the settled legal position that Non-Executive Independent Directors, who are not involved in the management or operational affairs of a company, cannot be held liable in the absence of specific, actionable findings of knowledge, consent, or connivance.

8.36 That the Courts and Securities Appellate Tribunal have consistently held that liability cannot be fastened upon independent directors unless there is a clear demonstration of their direct involvement in or knowledge of the alleged non-compliance and SCN, in the present case, is devoid of any such attribution or factual foundation. Consequently, the proceedings against Noticee 4 are not only unsustainable but also contrary to established jurisprudence concerning the scope of responsibility of independent directors.

8.37 That the Board of Directors, including Noticee 4, were informed of SEBI's inspection for the first time when the Managing Director apprised the Board in its meeting dated August 07, 2024 that SEBI conducted an inspection on July 10, 2024 to July 11, 2024 in respect of the Noticee 1's activities as an OBPP. The team was in the process of providing further data/ clarifications requested by SEBI and were awaiting the observation report from SEBI for further action.

8.38 That Noticee 4 became aware of the issue only post facto during the Board Meeting on August 07, 2024, which was after the IP and beyond the timeframe of the allegations in the SCNa and the allegation of non-due diligence by Noticee 4 during the IP, or any assertion of his responsibility for the alleged violations, is entirely contradicted by the records. Further, SEBI has not presented a shred of evidence in the SCN to the contrary.

8.39 That at no point was Noticee 4 assigned any specific role, responsibility, or oversight concerning the alleged non-compliances by the Noticee1 and SCN fails to provide any evidence indicating that Noticee 4 was in charge of such activities or responsible for the conduct of the Noticee 1's business at the time of the alleged contraventions.

8.40 That the SCN remains completely silent on when Noticee 4 became aware of the alleged contraventions or how he purportedly failed to exercise due diligence to prevent them during the IP from March 28, 2023, to June 30, 2024.

8.41 That in the present case, none of the emails or correspondence exchanged between Noticee 1 and the stock exchanges regarding RFQ compliance or SGB implementation were marked to or copied to Noticee 4. This unequivocally demonstrates that Noticee 4

was neither engaged in nor informed about these compliance matters at any stage prior to the board meeting dated August 07, 2024, when for the first time these issues were brought to his knowledge.

8.42 That in the absence of clear evidence or allegation demonstrating Noticee 4's involvement, knowledge, consent, or negligence, the statutory threshold under Section 27 of the SEBI Act remains unmet. Consequently, any penal action initiated against Noticee 4 under this provision would not only be disproportionate but also legally unsustainable.

8.43 That a thorough review of the board meetings attended by Noticee 4 confirms that at no point was any issue of non-compliance with SEBI's RFQ requirements ever brought to the Board's attention, except during the meeting on August 7, 2024 and in the absence of any explicit mention of regulatory lapses or concerns regarding RFQ compliance, it is evident that Noticee 4, in his capacity as an independent director, had no opportunity to become aware of any alleged non-compliance. As an independent director, Noticee 4 relied on the information presented to him during board meetings.

8.44 That during the IP, when the Noticee 4 was involved with the Noticee 1, there were total of 6 Board meetings and in none of the Board meetings were there any kind of discussions regarding the alleged contraventions relating to execution of trades on the OBPP platform outside the RFQ platform or the settlement of SGBs through off-market transactions.

8.45 That the Noticees had not been provided with critical documents and information, despite repeated requests for inspection and copies thereof, which severely undermines their ability to effectively respond to and defend against the allegations in the SCN and that it was crucial for the Noticees to have access to the documents relied upon by and in possession of SEBI in the SCN to defend themselves against the allegations levelled in the SCN.

9. Vide additional reply dated March 28, 2025, AR of the Noticees requested for personal hearing in the matter and therefore, the AR was provided an opportunity of personal hearing in the matter on April 02, 2025. The Noticees were represented by the AR on April 02, 2025 wherein AR reiterated the submissions made by the Noticees vide their letters dated February 25, 2025 and March 28, 2025.

CONSIDERATION OF ISSUES AND FINDINGS

10. I have taken into consideration the submissions of the Noticees, facts, and material available on record. The issues that arise for consideration in the present case are;
- ISSUE No. I:** Whether the Noticees have violated provisions of Stock Brokers Regulations, NCS Regulations and circulars, as alleged in the SCN?
- ISSUE No. II:** Do the violations, if any, attract monetary penalty under Section 15HB of SEBI Act upon Noticee 1 and Section 15HB r/w Section 27 of the SEBI Act upon Noticee 2, 3 and 4?
- ISSUE No. III:** If so, what should be the monetary penalty that should be imposed upon the Noticees, after taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the SEBI Adjudication Rules?
11. Before moving forward, it is pertinent to look at relevant provisions, which are alleged to have been violated by the Noticees. The same are reproduced hereunder:

SEBI (Stock Brokers) Regulations, 1992

Conditions of registration

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

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

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.

SEBI (Issue And Listing Of Non-Convertible Securities) Regulations, 2021

CHAPTER VIA

ONLINE BOND PLATFORM PROVIDERS

Registration of online bond platform providers

51A.(2) Such person shall comply with the conditions of registration and such other requirements as may be specified by the Board from time to time.

SEBI Circulars

SEBI/HO/DDHS/PoD1/P/CIR/2023/119 dated August 10, 2021 - Annex-XXI-A

3.4. Execution of orders: The entity shall ensure that:

3.4.1. All Orders placed on an Online Bond Platform with respect to securities, as specified in clause 5.2.1 of this circular shall be mandatorily routed through the RFQ platform of a recognised Stock Exchange and settled through the respective Clearing Corporation.

3.4.3. All Orders with respect to securities as specified in clauses 5.2.3 and 5.2.4 of this circular shall be routed and settled through a Stock Exchange mechanism, unless otherwise specified by RBI.

5.2. An entity acting as an Online Bond Platform Provider on or prior to November 14, 2022, shall divest itself of offerings of products or services or securities on its Online Bond Platform or any other website/ platform other than the following:

5.2.1. Listed debt securities, listed municipal debt securities and listed securitised debt instruments;

5.2.2. Debt securities, municipal debt securities and securitised debt instruments proposed to be listed through a public offering;

5.2.3. Listed Government Securities, State Development Loans and Treasury Bills; and

5.2.4. Listed Sovereign Gold Bonds.

SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024.

Chapter XXI - Registration and regulatory framework for Online Bond Platform Providers (OBPPs)

3.4.1. All Orders placed on an Online Bond Platform with respect to securities, as specified in clause 5.2.1 of this circular shall be mandatorily routed through the RFQ platform of a recognised Stock Exchange and settled through the respective Clearing Corporation.

3.4.3. All Orders with respect to securities as specified in clauses 5.2.3 and 5.2.4 of this circular shall be routed and settled through a Stock Exchange mechanism, unless otherwise specified by RBI

5.2. An entity acting as an Online Bond Platform Provider, shall offer only the following products or securities or services on its Online Bond Platform:

5.2.1. Listed debt securities, listed municipal debt securities and listed securitised debt instruments;

5.2.2. Debt securities, municipal debt securities and securitised debt instruments proposed to be listed through a public offering;

5.2.3. Listed Government Securities, State Development Loans and Treasury Bills; and

5.2.4. Listed Sovereign Gold Bonds.

SEBI/HO/DDHS/ PoD1/P/CIR/2023 /194 dated December 28, 2023

2.1. Clause 5.2 of the NCS Master Circular is substituted and shall read as under: “An entity acting as an Online Bond Platform Provider shall offer only the following products or securities or services on its Online Bond Platform:

5.2.1. Listed debt securities, listed municipal debt securities and listed securitised debt instruments;

5.2.2 Debt securities, municipal debt securities and securitised debt instruments proposed to be listed through a public offering;

5.2.3. Listed Government Securities, State Development Loans and Treasury Bills;

5.2.4. Listed Sovereign Gold Bonds; and

5.2.5. Other products or securities or services that are regulated by a financial sector regulator viz. SEBI, RBI, IRDAI or PFRDA.

In case of the products or securities or services mentioned at 5.2.5 above,

a. they may be offered by the entity either under a different tab on its online bond platform or on any other website/ platform.

b. they will be governed by the directions/ stipulations of the respective financial sector regulator.”

FINDINGS

12. I have gone through the submissions made by the Noticees and the other material on record. Before I proceed to deal with the issues on merits, I would like to settle the issue raised by AR that the Noticees had not been provided with critical documents and information, despite repeated requests for inspection and copies thereof and submitted that the same severely undermined their ability to effectively

respond to and defend against the allegations in the SCN. In this regard, I note that the initiation of the instant proceedings against the Noticees has its roots in the inspection of books and records of the Noticee 1 conducted by SEBI on July 10, 2024 and July 11, 2024 wherein irregularities were observed by SEBI. Based on the said inspection, and data obtained from the Noticee 1, Inspection Report (IR) was prepared and findings of the inspection were communicated to Noticee 1, vide SEBI letter dated August 14, 2024. Noticee 1 submitted its response, vide letter dated August 28, 2024. Pursuant to issue of SCN on February 10, 2025, Noticees submitted reply on merits, vide email dated February 25, 2025 wherein no request w.r.t seeking of documents was raised. Vide email dated March 21, 2025, the AR of the Noticees requested to be provided with IR, Post Inspection Analysis (PIA), Copy of the communique regarding appointment of AO, Copy of the order appointing the Inspecting Authority (IA) by SEBI, Copy of action matrix in the matter and various internal documents/notings. I note that IR, PIA, Communique appointing AO, copy of the order appointing IA and copy of action matrix were provided to the AR during the course of inspection. Thus, barring internal notings, all the relevant and relied upon documents were provided to the AR. AR of the Noticee had also filed additional reply in the matter, vide email dated March 28, 2025, which was post receiving all the relevant documents. Further, I note that the IR contains irregularities observed during the course of inspection and the same was provided to the AR. Noticee 1 had filed its response to the inspection findings. Therefore, I find that all the relevant documents were provided in line with the principles laid by Hon'ble Supreme Court in **T. Takano Vs SEBI** matter i.e. "*all information that is relevant to the proceedings must be disclosed in adjudication proceedings*".

13. I now proceed to deal with the issues on merits as under;

ISSUE No. I: Whether Noticees have violated the aforesaid provisions of Stock Brokers Regulations, NCS Regulations and circulars, as alleged in SCN?

14. Alleged Violation 1: Irregularities w.r.t execution of orders placed on online bond platform of Noticee 1

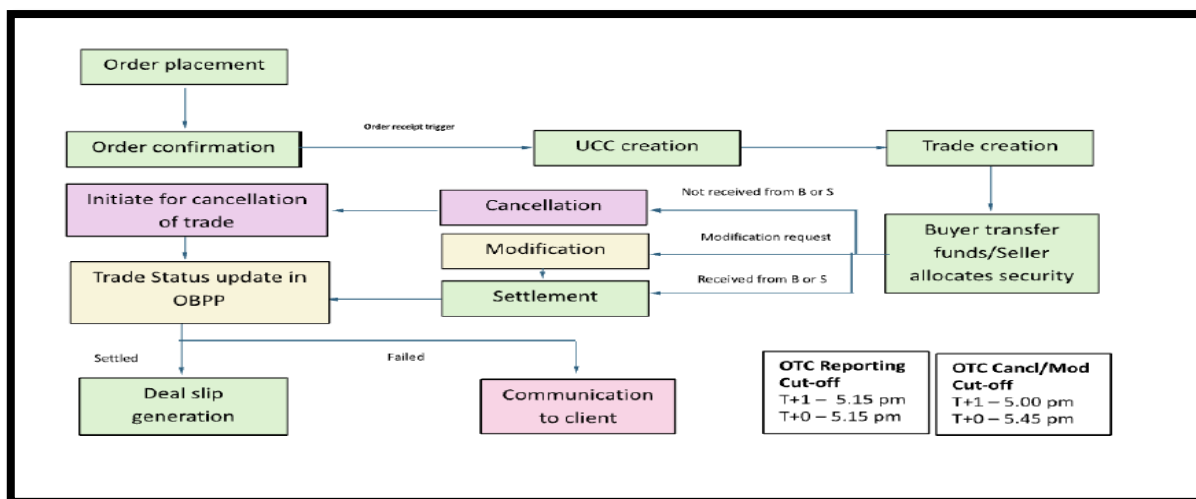
- 14.1 In terms of Clause 5.2.1 of Chapter XXI of SEBI Master Circular No. SEBI/HO/DDHS/ PoD1/P/CIR/2023/119 dated August 10, 2021 (updated as on July 07, 2023), barring the listed debt securities, listed municipal debt securities and listed securitized debt instruments, entities acting as an OBPP on or prior to November 14, 2022 were required to divest themselves of offerings of products or services or securities on their Online Bond Platform or any other website/ platform and further, in terms of Clause 3.4.1 of Annex-XXI-A of the said circular, all orders placed on Online Bond Platform with respect to securities, as specified in Clause 5.2.1 of the circular were mandatorily required to be routed through the RFQ platform of a recognised Stock Exchange and be settled through the respective Clearing Corporation. The said provisions were reiterated by SEBI vide Clause 3.4.1 of Annex-XXI- A read with Clause 5.2.1 of Chapter XXI of SEBI Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2024/54 dated May 22, 2024.
- 14.2 Further, in terms of Clause 2.1 of SEBI circular SEBI/HO/DDHS/ POD1/P/CIR/2023/ 194 dated December 28, 2023, Clause 5.2 of the said NCS Master Circular was substituted and the same read as:

“An entity acting as an Online Bond Platform Provider shall offer only the following products or securities or services on its Online Bond Platform:

5.2.1. Listed debt securities, listed municipal debt securities and listed securitised debt instruments;”

- 14.3 In this regard, details with respect to the trades being routed through RFQ platform were sought from Noticee 1 by the inspection team. In response, Noticee 1 submitted details pertaining to the trade transaction for securities that took place on its OBP Platform. The details included the date of transaction, client name, whether traded on Over the Counter (OTC) /RFQ or Off – Market and it also submitted the following as regards routing of trades for the clients who were not registered on RFQ along with the flowchart of the process being followed by it:

“In situations where the client is not authorized/ unable to register on the RFQ, the trades are settled through the OTC mechanism on the exchanges. The detailed flowchart is set out below”.



14.4 From the submissions of the Noticee 1, it was observed that it had not executed all the trades for listed debt securities through the RFQ platform of the relevant stock exchange, but instead used the OTC route. Summary of the bifurcation of trades executed on RFQ versus OTC, based on its submission are mentioned in the table below:

Settled through	RFQ		OTC	
	Count of trades	Trade value (INR Crores)	Count of trades	Trade value (INR Crores)
ICCL	1872	1110.99	975	1047.57
NCCL	1	0.02	35	143.28
Total	1873	1111.20 (48%)	1010	1190.85 52%)

14.5 From the above, it is observed that the Noticee 1 had executed 1010 trades with trade value of Rs 1190.85 crores, representing 52% of the total trades executed by it through OTC. However, only 1873 trades worth Rs 1111.20 crores were executed through RFQ, which accounted for only 48% of the trades executed by it. Thus Noticee 1 had executed 52% of the trades worth Rs 1190 crores through OTC and not through RFQ platform during the IP.

- 14.6 Based on the above, it was alleged that the Noticees have violated Regulation 51A(2) of NCS Regulations , Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.1 of Annex-XXI-A read with Clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2023/ 119 dated August 10, 2021 (updated as on July 07, 2023) and Clause 3.4.1 of Annex-XXI- A read with Clause 5.2.1 of Chapter XXI of SEBI Master Circular SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024 by failing to ensure that all the orders placed on OBP platform of Noticee 1 with respect to listed debt securities are routed through the RFQ platform of a recognized stock exchange.
- 14.7 From the submissions of Noticee 1, I note that there was a requirement to mandatorily route the transactions in listed debt securities through RFQ platform of recognized stock exchange, issued vide SEBI Circular dated August 10, 2021(updated on July 07, 2023) i.e., effectively from July 07, 2023 and there were total 1010 trades valuing Rs 1190.85 Crores, which were executed between March 2023 and November 2024, not in compliance with the same.
- 14.8 With regard to submission of the Noticee 1 that there were operational challenges and the same was taken up by it with BSE, I note that it was entirely upto Noticee 1 to refrain from placing orders on OTC, when there were operational issues with RFQ platform. Neither SEBI nor exchange had permitted anyone to continue with OTC till the time RFQ operational issues were resolved. Material available on record shows that Noticee 1 had written to BSE, vide email dated July 26, 2023, titled *“Proposal and Query related to OBPP”* whereby Noticee 1 had raised issues w.r.t relaxation in penalty of debarment and/or any monetary penalty for trade cancellation in case of OBPP, seeking solution w.r.t payment gateway webhook to ICCL, BSE payment gateway to have all payment options, RFQ integration for debt securities basket like small case, G-Sec/SGB trading through RFQ, ASBA/ UPI blocking mechanism for investor discipline, establishment of mechanism of collection of transaction fees, relaxation in stock broking guidelines, other compliances as per stock broking guidelines, scope of audits of OBPPs and relaxation in advertisements.etc. However, no alternative to RFQ platform such as OTC for trade execution was requested or granted.

14.9 In addition to the aforesaid, Noticee 1 has not provided any communication/ solution provided by BSE or any permission granted to it by BSE to carry on the trades on OTC platform. Further, as admitted by Noticee 1, it ceased execution of trades on OTC w.e.f July 11, 2024, which clearly shows that Noticee 1 had executed trades OTC despite SEBI Circular restricting the same.

14.10 In view of the above, it is established that by failing to ensure that all the orders placed on its OBP with respect to listed debt securities were routed through the RFQ platform of a recognized stock exchange, Noticee 1 has violated Regulation 51A(2) of NCS Regulations, Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.1 of Annex-XXI-A read with Clause 5.2.1 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2023/ 119 dated August 10, 2021 (updated as on July 07, 2023) and Clause 3.4.1 of Annex-XXI- A read with Clause 5.2.1 of Chapter XXI of SEBI Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2024/54 dated May 22, 2024.

15. Alleged Violation 2: Irregularities w.r.t execution of orders placed on online bond platform of Noticee 1 with respect to listed SGBs

15.1 In terms of Clause 5.2.4 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/ PoD1/P/CIR/2023/119 dated August 10, 2021 (updated as on July 07, 2023), barring the listed sovereign gold bonds, entities acting as OBPP on or prior to November 14, 2022 were required to divest themselves of offerings of products or services or securities on their Online Bond Platform or any other website/ platform. Further, in terms of Clause 3.4.3 of Annex -XXI – A of SEBI NCS Master circular dated August 10, 2021 (updated as on July 07, 2023), said entities were required to route and settle all orders w.r.t securities as specified in Clauses 5.2.3 and 5.2.4 of the said circular through a Stock exchange mechanism, unless otherwise specified by RBI. The said provisions were reiterated by SEBI vide Clause 3.4.3 of Annex-XXI- A read with Clause 5.2.4 of Chapter XXI of SEBI Master Circular SEBI/HO/DDHS/PoD1/ P/CIR/2024/54 dated May 22, 2024.

15.2 In this regard, during the inspection w.r.t. the compliance of the provisions of the said circulars, Noticee 1, vide email dated August 05, 2024, submitted that “The

Sovereign Gold Bonds (SGBs) were initially purchased by placing bids on the BSE's IBBS (Internet based-Book Building Software) portal. These bonds were subsequently listed on the OBPP Platform (Aspero) for retail investors. When retail investors purchased SGBs through Aspero, the transfer was completed via off-market transactions through the Depository Participant (DP)."

15.3 Further, it was observed that the Noticee 1 had processed orders pertaining to listed SGB on its OBP platform though the off-market route totaling Rs 3.66 lacs during the IP.

15.4 Based on the above, it was alleged that the Noticees have violated Regulation 51A(2) of NCS Regulations , Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2023/ 119 dated August 10, 2021 (updated as on July 07, 2023) and Clause 2.1 of SEBI circular SEBI/HO/DDHS/ PoD1/P/CIR/2023 /194 dated December 28, 2023 and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/2024/ 54 dated May 22, 2024 by failing to ensure that all orders placed on OBP platform of Noticee 1 w.r.t listed SGBs were routed and settled through Stock Exchange mechanism.

15.5 In this regard, I note from the submission of the Noticee 1 that it had processed orders pertaining to listed SGBs on its OBP platform despite the restriction imposed by August 10, 2021 Circular (updated on July 07, 2023) and further reiterated by SEBI vide its circular dated May 22, 2024. Further, w.r.t Noticee 1's submission that the quantum of transaction was small as there were only 7 transactions valuing Rs 3.66 lacs, I note that however small the amount be, there is a violation on the part of Noticee 1 and it is a matter on record that following transactions were executed by Noticee 1 on various dates between 2023 and 2024;

Coupon	Quantity	Trade Value	Trade price	Trade Date +Time
2.50	1	5926	6047.00	2023-11-17
2.50	2	11852	12094.00	2023-11-22
2.50	5	29630	35,977.56	2024-05-15

2.50	10	59260	60470.00	2023-11-17
2.50	10	59260	60470.00	2023-11-22
2.50	15	88890	90705.00	2023-11-22
2.50	14	82964	1,00,737.18	2024-05-14

15.6 From the above table, I note that the transactions were executed after the issuance of updated Circular on July 07, 2023 in contravention of the provisions.

15.7 Further, Noticee 1's submission that BSE had issued circular on August 12, 2024 providing necessary clarification for settlement of listed SGBs, I note that BSE, vide the said circular never permitted the OBPPs to execute the trades contrary to what was directed by SEBI vide its circular dated July 07, 2023. Further, the said BSE Circular only apprised the trading members that the Listed SGBs were allowed to trade through Request for Quote (RFQ) platform with effect from August 13, 2024 whereas SEBI vide circular dated July 07, 2023 directed to route and settle all the orders w.r.t securities as specified in Clause 5.23 and Clause 5.2.4 through stock exchange mechanism and not through off-market route, which the Noticee 1 in the instant case executed. Thus, submission of the Noticee 1 is bereft of merits.

15.8 In view of the above, it is established that by failing to ensure that all orders placed on OBP w.r.t listed SGBs were routed and settled through Stock Exchange mechanism, Noticee 1 has violated Regulation 51A(2) of NCS Regulations, Clause A(2) of Code of conduct of Stock Brokers Regulations prescribed under Schedule II read with Regulation 9(f) of Stock Brokers Regulations and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/ PoD1/P/CIR/2023/ 119 dated August 10, 2021 (updated as on July 07, 2023) and Clause 2.1 of SEBI circular SEBI/HO/DDHS/ PoD1/P/CIR/2023 /194 dated December 28, 2023 and Clause 3.4.3 of Annex -XXI – A read with clause 5.2 of Chapter XXI of SEBI NCS Master Circular SEBI/HO/DDHS/PoD1/P/CIR/ 2024/ 54 dated May 22, 2024.

Role of Noticee 2, 3 and 4

16.I note from the submission of the Noticees that the Noticee 2, 3 and 4 were Non-Executive Director, Managing Director and Non-Executive Director respectively of

Noticee 1. Further, I note that the material available on record is not sufficient to demonstrate the specific role of the Noticee 2, 3 and 4 w.r.t the violation on the part of Noticee 1 and the SCN has not attributed any act of omission or commission personally to Noticee 2, 3 and 4. Furthermore, Noticee 2 and 4, being a non-executive director, cannot be held liable for operational lapses without proof of active participation. Imposing liability without such findings undermines the principle of separate legal personality and unfairly shifts responsibility onto individual directors.

17. Hon'ble Supreme Court in its various judgements has repeatedly held that in case of a Director, the complaint/ charges should specifically spell out how and in what manner the Director was in charge of or was responsible to the accused company for conduct of its business.

18. Further, in the case of *Amit Misra v. SEBI*, the Hon'ble SAT held that the appellant, a non-executive director, was not liable for the company's violations. Hon'ble SAT observed that merely being a director does not automatically impose liability unless direct involvement in the alleged violations is established. Accordingly, the tribunal set aside the restrictions imposed on him and allowed the appeal. The relevant extract of the SAT Order is reproduced below:

"7. Further, the decision of this Tribunal in Dr. Jugal Kishore Satapati vs. SEBI appeal no. 283 of 2018 decided on 28th June, 2019, G. Unnikrishnan Nair & Ors. vs. SEBI, appeal no.5 of 2018 decided on 27th November, 2019, Sayati Sen vs. SEBI, appeal no.163 of 2018 decided on 9th August, 2019, are applicable. This Tribunal has held that the mere fact that a person is a Director of a company cannot be held responsible for the acts of the Company unless it is found that the said person was responsible in some way for the alleged violation. In Unnikrishnan Nair the restraint on the Directors in accessing the securities market who were not Managing Director in a case of deemed public issue was set aside by this Tribunal. In the instant case, there is no finding that the appellant had attended any board meeting or was responsible for the issuance of redeemable cumulative preferential shares or that he was part of any resolution of the board of directors in this regard.

8. Consequently, for the reasons stated aforesaid the impugned order in so far as it relates to the appellant cannot be sustained and is quashed."

19. Further, law in respect of non-executive directors was also discussed by the Hon'ble Supreme Court in *Pooja Ravinder Devidasani v. State of Maharashtra* [*Pooja Ravinder Devidasani v. State of Maharashtra*, (2014) 16 SCC 1 : (2015) 3 SCC (Civ) 384 : (2015) 3 SCC (Cri) 378]. The relevant extract of the judgement is produced here under:

"17. Non-Executive Director is no doubt a custodian of the governance of the company but is not involved in the day-to-day affairs of the running of its business and only monitors the executive activity. To fasten vicarious liability under Section 141 of the Act on a person, at the material time that person shall have been at the helm of affairs of the company, one who actively looks after the day-to-day activities of the company and is particularly responsible for the conduct of its business. Simply because a person is a Director of a company, does not make him liable under the NI Act.... A Director, who was not in charge of and was not responsible for the conduct of the business of the Company at the relevant time, will not be liable for an offence under Section 141 of the NI Act.

20. Hon'ble Supreme Court, in *National Small Industries Corpn. [National Small Industries Corpn. Ltd. v. Harmeet Singh Paintal*, (2010) 3 SCC 330 : (2010) 1 SCC (Civ) 677 : (2010) 2 SCC (Cri) 1113] observed as under;

'13. ...It is therefore, not sufficient to make a bald cursory statement in a complaint that the Director (arrayed as an accused) is in charge of and responsible to the company for the conduct of the business of the company without anything more as to the role of the Director. But the complaint should spell out as to how and in what manner Respondent I was in charge of or was responsible to the accused Company for the conduct of its business. This is in consonance with strict interpretation of penal statutes, especially, where such statutes create vicarious liability.

14. A company may have a number of Directors and to make any or all the Directors as accused in a complaint merely on the basis of a statement that they are in charge of and

responsible for the conduct of the business of the company without anything more is not a sufficient or adequate fulfilment of the requirements under Section 141.”

21. Thus, from the above judgements of the Hon'ble Apex Court and SAT, it is conspicuous that since the role of Noticee 2, 3 and 4 has not been examined while examining the lapses on part of Noticee 1, they cannot be held liable for violations by Noticee 1.

ISSUE No. II: Do the violations, if any, attract monetary penalty under Section 15HB of SEBI Act upon Noticee 1?

22. The provision 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.*

23. In view of the findings as given above, I am convinced that the Noticee 1 is liable for monetary penalty under section 15HB of the SEBI Act for violations of the provisions of Stock Brokers Regulations, NCS Regulations and SEBI Circulars, as established above.

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

24. 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.”

25. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee 1 and the losses, if any, suffered by the investors due to such violations on the part of the Noticee 1. From the document available on record, it is observed that violations by Noticee 1 are not repetitive in nature. However, as discussed and established in the preceeding paragraphs that the Noticee 1 had non-complied with the provisions of Stock Broker Regulations, NCS Regulations and SEBI Circulars during the IP and the same in my assessment cannot be taken leniently and such violations deserve to be adequately penalized. The very purpose of the said provisions is to deter wrong doing and promote ethical conduct in the securities market. I cannot ignore the fact that the Noticee 1 was under a statutory obligation to abide by the provisions of the SEBI Act, Regulations and Circulars/directions issued thereunder, which it failed to do during the IP.

26. Although, the Noticee 1 has stated that it had taken various corrective steps, I cannot lose sight of the fact that irregularities were committed by the Noticee 1. The Noticee 1 being a registered intermediary is expected to adhere to fair practices and maintain a high degree of professionalism in the conduct of its business.

ORDER

27. After taking into consideration the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5

of the SEBI Adjudication Rules, I hereby impose a penalty of Rs. 1,00,000/- (Rupees One Lac Only) under Section 15 HB of SEBI Act on Noticee 1. I find that the said penalty is commensurate with the violations committed by Noticee 1.

28. Noticee 1 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

29. 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.

30. In terms of Rule 6 of the SEBI Adjudication Rules, a copy of this order is sent to the Noticees and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: April 04, 2025

**AMIT KAPOOR
ADJUDICATING OFFICER**