

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

In Settlement Application No. 4110 of 2020

Filed by IL&FS Securities Services Limited (PAN-AABCI5580K)

1. IL&FS Securities Services Limited (hereinafter referred to as the “applicant”) had filed a *suo motu* settlement application in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as the “Settlement Regulations”) proposing to settle through a settlement order, the enforcement proceedings that could be initiated for the alleged violation of Rule 8(1) (f) and 8(3) (f) of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as the “Rules”) in respect of the applicant’s risk participation arrangement with IL&FS Financial Services Limited (hereinafter referred to as ‘IFIN’).
2. The applicant is a Clearing Member of the NSE and is registered with SEBI. IFIN is a NBFC registered with RBI. The applicant had provided certain support services to IFIN other than its primary business activities. The applicant entered into a risk participation arrangement with IFIN in 2015, wherein it agreed to, inter alia, proportionately provision for any loan account (sourced by the applicant) if such account became a ‘special mention account’ / ‘non- performing account’ or was categorized as an account for which IFIN was subjected to provisioning in terms of the applicable legal framework. In terms of the aforesaid arrangement, the proportionate provision amount could be deducted from the service fees due to the applicant or where the provisioning amount was greater than the service fees payable to the applicant, the provisioning amount could be deducted from any subsequent service fees due to the applicant or be required to be paid out by the applicant pursuant to a notice by IFIN.
3. Rules 8(1) (f) and 8(3) (f) of the Securities Contracts (Regulation) Rules, 1957 reads as under:

8 (1) (f) No person shall be eligible to be elected as a member if—

he is engaged as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business.

8 (3) (f) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if-

he engages either as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability.

4. Pursuant to the application, the authorised representatives of the applicant had a meeting with the Internal Committee of SEBI on July 22, 2020, the authorized representatives of the applicant deliberated upon the settlement terms. Thereafter, the applicant, vide letter dated July 31, 2020, proposed the revised settlement terms to settle the defaults mentioned hereinabove.
5. The High Powered Advisory Committee (hereinafter referred to as 'HPAC') in its meeting held on September 22, 2020 considered the proposed settlement terms by the applicant and recommended the case for settlement upon payment of Rs. 7,80,000/- (Rupees Seven Lakh and Eighty Thousand Only) towards settlement terms.
6. The applicant vide UTR No. HDFCR52020102153545185 October 21, 2020 remitted Rs. 7,80,000/- (Rupees Seven Lakh and Eighty Thousand Only) towards the settlement terms. Upon verification, the receipt of the above payment was confirmed.
7. In view of the above, in exercise of the powers conferred under Section 15JB of the SEBI Act, 1992 and in terms of Regulations 23 and 28 read with Regulation 34 of the Settlement Regulations, it is hereby ordered that the defaults as mentioned in paragraph 1 above are settled *qua* the applicant in terms of the above settlement terms subject to the following conditions:

- i. SEBI shall not initiate any enforcement action against the applicant for the said defaults,
- ii. passing of this order is without prejudice to the right of SEBI to take enforcement actions including commencing proceedings against the applicant, if SEBI finds that:
 - a. any representation made by the applicant in the present settlement proceedings is subsequently found to be untrue;
 - b. the applicant have breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings.

8. This settlement order is passed on this 28th day of October, 2020 and shall come into force with immediate effect.

9. In terms of Regulation 25 of the Settlement Regulations, a copy of this order shall be sent to the applicant and also be published on the website of SEBI.

Sd/-

S. K. MOHANTY
WHOLE TIME MEMBER

Sd/-

ANANTA BARUA
WHOLE TIME MEMBER