

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

SETTLEMENT ORDER

(Application No. 6462/2021)
On the application submitted by

**National Stock Exchange of India Limited. (PAN: AAACN1797L)
Settlement Order No: SO/SBM/KL/2021-22/6462**

In the matter of alleged violation STP Guidelines.

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**'), while processing the applications for approval of renewals received from 'Straight Through Processing' ('**STP**') service providers, conducted an examination into the compliance of SEBI (STP Centralized Hub and STP Service Providers) Guidelines, 2004, (hereinafter referred to as '**STP Guidelines**') by National Stock Exchange of India Limited (hereinafter referred to as '**Applicant**'/'**NSEIL**'). Based on the findings of the examination, it is alleged that NSEIL failed to provide copies of its initial approval as STP centralised hub, to SEBI and further continued to act as STP centralised hub without obtaining renewal of approval from SEBI. Further, it is also alleged that NSEIL failed to ensure whether its STP service providers were having valid approval, as required under the provisions of the STP Guidelines. In view of the above, it is alleged that NSEIL functioned as STP centralised hub without obtaining the renewal of approval from SEBI and also failed to ensure if its STP service providers were having valid approval, which resulted in violation of the provisions of Clauses 3 (1), 4 (1)(i), 6 (1) (i) and 6 (1) (ii) of the STP Guidelines.
2. Pursuant to the above examination and findings therein, SEBI appointed the undersigned as the Adjudicating Officer ('**AO**') vide communiqué dated March 04, 2021, under Section 15 I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and also under Section 23-I of Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as '**SCRA**') read with Rule 3 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules 2005, to inquire into and adjudge under the provisions of section 15HB of SEBI Act and also under the provisions of section 23H of the SCRA, the violation of the aforementioned provisions of the STP guidelines, alleged to have been

committed by NSEIL.

3. In this regard, a Show Cause Notice ref.no. SCN/SEBI/EAD1/SBM/KL/7165/2021 dated March 26, 2021 (hereinafter referred to as '**SCN**') was issued to NSEIL. Briefly, the following major observations/allegations were leveled against NSEIL in the SCN:
 - a) *It is observed that NSEIL has been providing services of STP centralized hub as specified in the STP guidelines. In this regard, vide SEBI email dated October 28, 2020, NSEIL was advised to provide copies of initial approval and all subsequent renewal of approvals granted by SEBI till date for acting as an STP Centralized Hub. However, it is observed that NSEIL failed to comply with the same. In view of the above it is alleged that NSEIL has not obtained renewal of approval from SEBI as per STP Guidelines.*
 - b) *Further, it is noted that National Securities Depositories Limited (NSDL) and NSEIT limited (NSEIT) were acting as STP service providers in the securities market. However, on reviewing the compliance with STP Guidelines by NSDL and NSEIT (hereinafter collectively referred to as 'STP service providers'), it is observed that these two entities had also acted as STP service providers without obtaining renewal of approval from SEBI.*
 - c) *It is noted that being an STP centralized hub and by providing Centralized Hub Services to STP Service Providers, NSEIL was required to ensure that the STP Service Providers are having valid approval for continuing to act as STP Service Providers as per the provisions of STP Guidelines. However, it is alleged that NSEIL failed to ensure the same. Additionally, it is also alleged that NSEIL did not obtain renewal of approval for its own activity as STP centralized hub. Therefore, it is alleged that NSEIL violated the provisions of Clauses 3 (1), 4 (1)(i), 6 (1) (i) and 6 (1) (ii) of STP Guidelines.*
4. Pending Adjudication Proceedings commenced by the aforesaid SCN, NSEIL/ Applicant proposed to settle the instant proceedings initiated against it, without admitting or denying the findings of fact and conclusions of law, through a settlement order and filed a settlement application ref. 6462/2021 dated April 22, 2021 with SEBI in terms of the provisions of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as '**Settlement Regulations**').
5. Pursuant to the above mentioned settlement application filed by the applicant, the Authorized Representatives (ARs) of the applicant attended a meeting with the Internal Committee (hereinafter referred to as '**IC**') on September 29, 2021 and the settlement terms were settled for an amount Rs. 4,87,50,000/- (Rupees Four Crores

Eighty-Seven Lakhs and Fifty Thousand only) towards settlement charges. The settlement terms were placed before the High Powered Advisory Committee (hereinafter referred to as '**HPAC**') on November 09, 2021. The HPAC, after considering the facts and circumstances of the case, the proposed settlement terms offered by the applicant and also the material made available before it by SEBI, recommended that the aforesaid adjudication proceedings initiated against the applicant may be settled on payment Rs. 4,87,50,000/- (Rupees Four Crores Eighty-Seven Lakhs and Fifty Thousand only) towards the settlement terms. The Panel of Whole Time Members of SEBI approved the said recommendation of HPAC on November 22, 2021 and the same was communicated to the applicant vide email dated November 29, 2021. Subsequently, the applicant has remitted the amount of Rs. 4,87,50,000/- (Rupees Four Crores Eighty-Seven Lakhs and Fifty Thousand only) through online payment on December 03, 2021 (transaction ref no. HDFCR52021120381472349) towards the settlement terms in the matter.

6. In view of the aforesaid and in exercise of the powers conferred under section 15JB of the SEBI Act and section 23JA of SCRA read with Regulation 23 (1) of the Settlement Regulations, it is hereby ordered that this settlement order disposes of the adjudication proceedings initiated against the applicant viz. National Stock Exchange of India Limited vide SCN ref.no. SEBI/EAD1/SBM/KL/7165/2021 dated March 26, 2021.
7. This order is without prejudice to the right of SEBI to take enforcement actions, in terms of Regulation 28 of the Settlement Regulations, including restoring or initiating the proceedings in respect to which the settlement order was passed against the applicant, if:
 - a. any representations made by the applicant in the settlement proceedings is subsequently found to be untrue; or
 - b. the applicant breaches any of the clauses / conditions of undertakings / waivers filed during the current settlement proceedings.
8. This settlement order is passed on the **29th day of December, 2021** and shall come into force with immediate effect.

9. In terms of Regulation 25 of the Settlement Regulations, copies of this order are sent to the applicant viz National Stock Exchange of India Limited and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: December 29, 2021

SURESH B. MENON

ADJUDICATING OFFICER