

BEFORE THE ADJUDICATING OFFICER,
SECURITIES AND EXCHANGE BOARD OF INDIA

[SETTLEMENT ORDER No. – SO/VV/PS/2023-24/7013]

In respect of:

| Applicants | Application No | Name of the entities | PAN |
|-------------|----------------|----------------------|------------|
| Applicant 1 | 7013/2022 | Balu Nair | ADXP4373P |
| Applicant 2 | 7024/2022 | Kundan Zamvar | AACPZ3708N |
| Applicant 3 | 7065/2022 | Kunal Sanghavi | BBQPS1323A |

Hereinafter Applicant 1 to Applicant 3 are collectively referred to as “Applicants”

in the matter of Metropolitan Stock Exchange of India Limited

1. Metropolitan Stock Exchange of India Limited (“**MSEI**”) is a recognized stock exchange of India. During the period between July 20, 2019 - July 02, 2021, Securities and Exchange Board of India (“**SEBI**”) had received various complaints against MSEI, wherein, irregularities in working of the management of MSEI was alleged. In view of the said complaints received during 2019 - 2021, vide letter dated June 09, 2021 and July 09, 2021, SEBI had advised MSEI to appoint a reputed forensic auditor to conduct the audit of MSEI covering the allegations. It was further advised to the Governing Board of MSEI to take suitable action on the observations in forensic audit report (“**FAR**”) against the entities/ persons found to be involved in the malpractices, if any, and to submit the ATR to SEBI within 15 days from the date of FAR.
2. Accordingly, MSEI appointed Ernst & Young LLP (“**EY**”) as forensic auditor to conduct forensic audit. EY submitted its report to Chairman of MSEI, vide email dated November 11, 2021. Subsequently, Chairman, MSEI, vide its email dated March 02, 2022 submitted the ATR to SEBI and also submitted clarification as sought by SEBI. Brief of the adverse findings of the forensic auditor (“**Auditors**”), comments/ ATR submitted by MSEI Board and comments of the operational department (“**OD**”) of SEBI, so far as they relate to present Applicants, are as follows:

- a) Observation in FAR - In respect of U Trade costing Rs. 80 lakhs, SOP was not followed and payments were made without confirming receipt of Delivery.
 - b) Comments/ATR submitted by MSEI Board - The management has initiated discussion with U Trade for completion of CTCL project. The decision to award matching engine project to U Trade was an error in judgement by the earlier "*Authorised Team*" which is no longer with the exchange. Hence, no action can be taken.
 - c) SEBI Observations - In respect of U Trade, though MSEI has stated that no action can be taken as *Authorised Team* is no longer with the exchange. However, FAR shows *Authorised Team* consist of Mr. Balu Nair (Interim CEO), Mr. Kunal Sanghavi {then Chief Financial Officer ("CFO")}, Mr. Kundan Zamvar (CISO and VP-IT) and Mr. Devanshu Desai (consultant) and Mr. Balu Nair, Mr. Kunal Sanghavi and Mr. Kundan Zamvar (*except consultant*) are qualified to be KMPs at relevant period of time.
 - d) Allegations: Mr. Balu Nair, Mr. Kunal Sanghavi and Mr. Kundan Zamvar are KMPs of MSEI during the relevant period of time, when, project to U Trade was awarded and they all were part of the *Authorised Team*. Accordingly, it was alleged that the Applicants have (a) not followed SOP while awarding big ticket contract to U-trade; (b) failed to carry out vendor due-diligence at the time of onboarding U-trade; (c) failed to adhere to SCOT's instruction; and (d) made payments without confirming receipt of delivery.
 - e) In view of the above observations it was alleged that Applicants have violated the provisions of Clauses 1(a), 1(b), 1(c) and 3(b), 3(c), 3(d), 3(e) of Code of Ethics as prescribed under Part B of Schedule II r/w Regulation 26(2) of the Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018 ("**SECC Regulations**").
3. In view of the above, it was decided to inquire into and adjudicate upon the alleged violations as aforesaid and the Undersigned was appointed as Adjudicating Officer ("**AO**") under Section 15-I (1) of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') to inquire into and adjudge under Section 15HB of the SEBI Act r/w section 23H of Security Contracts (Regulation) Act, 1956 ("**SCR Act**") for the aforesaid alleged violations by Applicants. Accordingly, in terms of Rule 4(1) of the Adjudication Rules, show cause notice dated September 6, 2022 (hereinafter referred to as '**the SCN**') was issued to the Applicants.

4. Pending the instant proceedings commenced by the aforesaid SCN, Applicant 1, Applicant 2, and Applicant 3 have filed Settlement Applications bearing no. 7013/2022, 7024/2022 and 7065/2022 respectively with SEBI in terms of SEBI (Settlement Proceedings) Regulations, 2018 (‘**Settlement Regulations**’) proposing to settle the pending proceedings, without admitting or denying the findings of fact and conclusions of law, through a Settlement Order.
5. In this regard, the Internal Committee (“**IC**”) meeting was held on February 10, 2023. The IC considered factors enumerated under Regulation 10 and Schedule II of Settlement Regulations and recommended that the applications may be settled on the following indicative amounts :

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| Settlement terms formulated as per Settlement Regulation | Rs.11,05,000/- (Rupees Eleven Lakh Five Thousand only) as the indicative amount for each of the Applicants separately. |
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6. Thereafter, the Applicants vide email dated February 20, 2023 submitted the revised settlement terms with the following terms :

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| Revised Settlement terms proposed by the Applicants | Rs.11,05,000/- (Rupees Eleven Lakh Five Thousand only) as the indicative amount for each of the Applicants separately. |
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7. The IC considered the submissions of the Applicants and noted that the revised settlement terms proposed by the respective applicants are in line with the amount formulated as per the Settlement Regulations. The IC then recommended the case for settlement.
8. The High Powered Advisory Committee on Settlement (“**HPAC**”) considered the proposed settlement terms on March 9, 2023 and accordingly, recommended the settlement of instant proceedings upon payment of **Rs.11,05,000/- (Rupees Eleven Lakh Five Thousand only)** each by the Applicants towards settlement charges. The Panel of Whole Time Members of SEBI approved and accepted the said recommendation of the HPAC on April 24, 2023 and the same was communicated to the Applicants vide e-mail dated April 28, 2023. Pursuant to the same, Applicants vide emails dated May 25, 2023 informed that the remittance of the settlement amount

has been done towards settlement amount. The remittance of the settlement amount has been confirmed by SEBI.

9. Accordingly, in terms of Regulation 23(1) and Regulation 28 read with Regulation 34 of the Settlement Regulations, it is hereby ordered that the instant adjudication proceedings initiated against the Applicants vide SCN dated September 06, 2022 are disposed of in terms of the above accepted settlement terms. The summary of settlement proceedings is mentioned below:

| | Deliberation in the meeting of IC on | HPAC considered the proposed settlement terms on | Panel of WTM approved and accepted the said recommendation of the HPAC on | Settlement Amount paid |
|-------------|---|---|--|--|
| Applicant 1 | February 10, 2023 | March 9, 2023 | April 24, 2023. | Rs.11,05,000/- (Rupees Eleven Lakh Five Thousand only) |
| Applicant 2 | February 10, 2023 | March 9, 2023 | April 24, 2023. | Rs.11,05,000/- (Rupees Eleven Lakh Five Thousand only) |
| Applicant 3 | February 10, 2023 | March 9, 2023 | April 24, 2023. | Rs.11,05,000/- (Rupees Eleven Lakh Five Thousand only) |

10. This order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating the proceedings in respect to which this settlement order is passed, if:
- any representations made by the Applicants in the Settlement Proceedings are subsequently found to be untrue; or
 - the Applicants breach any of the clauses /conditions of undertakings/ waivers filed during the Settlement Proceedings.
11. This settlement order shall come into force with immediate effect.
12. In terms of Regulation 25 of the Settlement Regulations, copy of this order shall be sent to the Applicants and shall also be published on the website of SEBI.

Date: June 28, 2023

Place: Mumbai

Vijayant Kumar Verma

Adjudicating Officer