

**Before the Member Committee
("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra East, Mumbai – 400 051
held on November 25, 2024
In the matter of the Trading Member – S.P. Jain Securities Private Limited**

CORAM

Mr. S Ravindran	-	Chairman
Justice (Retd) Smt. Abhilasha Kumari	-	Committee Member
Prof (Dr.) Mamata Biswal	-	Committee Member
Mr. Essaji Vahavanti	-	Committee Member
Mr. Ashishkumar Chauhan	-	Committee Member

ALSO PRESENT

Mr. Piyush Chourasia	-	Chief Regulatory Officer
Ms. Sonali Karnik	-	Vice President – Enforcement
Mr. Janardhan Gujran	-	Vice President – Enforcement

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1. **S.P. Jain Securities Private Limited ("S.P. Jain")** is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**") segment and Futures and Options ("**F&O**") segments since November 2006.
 2. The Exchange conducted a regular inspection of the books of accounts and records of S.P. Jain in April 2024, covering the period April 01, 2023, to March 31, 2024. Post-inspection, the Exchange issued a Letter of Observation (LO') dated July 03, 2024, for the observed violations. S.P. Jain replied to the LO on July 13, 2024.

INSPECTION OBSERVATIONS/VIOLATIONS ALLEGED IN LO

3. The inspection observations/violations alleged in the LO are summarized hereunder:
 - 3.1. Observation pertaining to AP: Trading Member has not ensured that their Authorised Persons are engaged only in permitted activities and are not

undertaking any business which are disallowed under the Byelaws, Rules and Regulations and circulars of SEBI/Exchanges.

- 3.2. Unpermitted non-permissible transfer of funds from own bank account to USCNBA and DSCNBA
- 3.3. Inspection of registered Authorised persons (APs) not undertaken in 2 instances.
- 3.4. Non-settlement of clients' funds in 2 out of 40 instances involving Rs. 3.35 lakhs
- 3.5. Member has made pay-out of funds to clients in excess of their available balances
- 3.6. Material discrepancies in retention statement sent to clients in 5 instances
- 3.7. Non-display of Notice Board and SEBI registration certificate at the AP office in 1 instance
- 3.8. Closure of demat accounts not reported to the Exchange within prescribed time in 2 instances.
- 3.9. Trades were allowed in client codes whose KYC was not validated by the KRA in 3 instances
- 3.10. Incorrect data reported towards Segregation and Monitoring of Collateral at Client Level
- 3.11. SMS and email intimating transfer of funds at the time of running account settlement of clients was not issued in 10 instances
- 3.12. Incorrect data submitted towards weekly monitoring of client funds in 3 areas as on January 05, 2024.
- 3.13. Clients clear credit balances are not up streamed to the Clearing Corporation within the specified timelines on 4 dates.
- 3.14. Engagement as a principal in a business other than that of securities involving personal financial liability.

REGULATORY PROVISIONS

4. At the outset, it is appropriate to refer to the relevant regulatory provisions alleged to have been violated by S.P. Jain; extracts whereof are reproduced below:

4.1. **Observation pertaining to AP: Trading Member has not ensured that their Authorised Persons are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges:**

Exchange Circular NSE/COMP/48536 dated June 9, 2021

An Authorised Person is a person/entity who, as an agent of a Member, provides access to the clients of the Member to trading platform of a stock exchange. While doing so, the Authorised Person is prohibited from:

1. *Accepting any receipt or payment/delivery of funds & securities of the clients. Authorised Person shall not collect or receive any funds or securities from the clients and shall not charge any amount from the clients, directly or indirectly, for the services rendered on behalf of the Member as an agent.*
2. *Employing any device, scheme or artifice or engage in any act or practice, including operating assured return schemes, unauthorised portfolio management & investment schemes etc, in contravention of the provisions of various SEBI/Exchange Rules & Regulation and circulars issued from time to time.*

An Authorised person can only act as a facilitator and provide administrative assistance to the clients of the Member in accessing the trading platform of the Stock Exchange, failing which the Authorised person and its Directors/partners shall be liable for appropriate disciplinary actions including cancellation of their registration, debarment from the securities market etc.

Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorised persons. Member shall conduct periodic inspection of their Authorised Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if

any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including cancellation of the AP registration through ENIT and selecting the reason as “Disciplinary action” along with providing the necessary details. Members should ensure that their Authorised Persons are engaging only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/guaranteed/fixed returns etc. It is, hereby, reiterated that all the acts of omission and commission of the Authorized person and/or their Directors/Partners, employees etc., shall be deemed to be those of the Member and the Member shall be responsible for all such acts of its Authorised person(s) and/or their Directors/Partners, employees etc., including liabilities arising there from.

4.2. **Unpermitted fund transfer from own bank account to downstream bank account (DSCNBA) & upstream bank account (USCNBA):**

- a. Exchange Circular No NSE/INSP/60369 dated January 20, 2024:
Funds shall be received from the clients by SBs/CMs only into the USCNBA(s). Funds to be transferred to the clients shall be only from the DSCNBA(s). Funds from USCNBA(s) can be transferred into the Settlement/ Clearing Member USCNBA account(s) and for investing in FDR and MFOS only. Funds can be transferred into the DSCNBA(s) only from the Settlement/ Clearing Member account DSCNBA account(s). Funds from DSCNBA(s) can be transferred only to the clients or to the USCNBA account(s). All own/ proprietary funds of the SB/ CM can be transferred from/to its settlement account(s) to/from Own/Prop account only. “Name of the CM –TM prop account” Bank account of CM shall be used for receiving/paying proprietary funds from/to the SBs.

Between accounts of same category (i.e. from one USCNBA to another USCNBA, from one DSCNBA to another DSCNBA, from one own bank account to another own bank account, from one CM –TM prop account to another CM TM prop account.

4.3. **Inspection of registered Authorised persons (APs) not undertaken**

- a. Exchange Circular No. NSE/COMP/ 56947 dated June 2, 2023

At all points in time, Trading Members shall exercise adequate control and due diligence over the activities, conduct and transactions of their APs by conducting surprise and periodic Inspections and taking regular feedback from the clients of the APs. In case any anomaly is identified, Trading Members shall take necessary disciplinary actions against their APs. Further, Trading Members shall be vicariously and severally liable for any violation committed by their APs including operating any schemes of unauthorised collective investments/portfolio management and promising indicative/guaranteed/fixed returns etc. ...

- b. Exchange Circular No. NSE/INSP/42448 dated October 18, 2019
- i. *Every Trading Member shall be required to inspect every year at least 30% of its active Authorized Persons/ Branches and also ensure that each active AP/ Branches is inspected at least once in every three years. For this purpose, an active AP/ Branches would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.*
 - ii. *APs/Branches meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:*
 - a. *APs/Branches with more than 500 registered clients across Exchanges*
 - b. *APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges*
 - c. *APs/Branches against which more than 3 complaints have been received during the previous year.*

In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, Members shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

Members are advised to put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. Members shall on an annual basis place an MIS before their Board (in case of corporate trading member), Partners

(in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of inspections undertaken, irregularities observed, and action taken.

4.4. **Non-settlement of clients' funds**

- a. Exchange Circular No. NSE/INSP/48624 dated June 16, 2021 (SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021)

5.1. *The settlement of running account of funds of the client shall be done by the Trading Member after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of 30/90 days between two settlements of running account as per the preference of the client.*

5.4 *For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.*

- b. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016 (SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016)

Annexure

8. Running Account Settlement

8.1.1 *The stockbroker shall ensure that there must be a gap of a maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.*

- c. Exchange Circular No. NSE/INSP/49458 dated August 31, 2021
15. *For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.*

4.5. **Member has made pay-out of funds to clients in excess of their available balances:**

a. Regulation 6.1.6.2 of the NSEIL Regulation (F&O Segment) and Regulation 6.1.5 (c) of NSEIL (Capital Market) Regulation

(i) Obligation to pay money into “Constituents account”: Every Trading Member who holds or receives money on account of a constituent shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Member in the title of which the word “Constituents” shall appear (hereinafter referred to as “Constituents Account”). Trading Member may keep one consolidated constituents account for all the constituents or accounts in the name of each constituent, as he thinks fit; provided that when a Trading Member receives a cheque or draft representing in part money belonging to the constituent and in part money due to the Trading Member, he shall pay the whole of such cheque or draft into the constituents account and effect subsequent transfer as laid down below in para (iii.b).

(ii) Money to be paid into “constituents account”: No money shall be paid into constituents account other than –

- a. money held or received on account of constituents;*
- b. such moneys belonging to the Trading Member as may be necessary for the purpose of opening or maintaining the account;*
- c. money for replacement of any sum which may by mistake or accident have been drawn from the account;*
- d. a cheque or draft received by the Trading Member representing in part money belonging to the constituent and in part money due to the Trading Member.*

(iii) Money to be withdrawn from “constituents account”: No money shall be drawn from constituents account other than -

- a. money properly required for payment to or on behalf of constituents for or towards payment of a debt due to the Member from constituents or money drawn on constituent’s authority, or money in respect of which there is a liability of constituents to the Trading Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each constituent;*

- b. such money belonging to the Trading Member as may have been paid into the constituent account under para (ii.b) and (ii.d) above;*
- c. money which may by mistake or accident have been paid into such account.*

4.6. **Material discrepancies in retention statements sent to clients**

a. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

8.1.4 *The stockbroker shall ensure that statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five days from the date when the account is considered to be settled.*

b. Exchange Circular No NSE/INSP/48624 dated June 16, 2021 (SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021)

5.8. TM shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days.

4.7. **Non-display of Notice Board and SEBI registration certificate at the AP office**

Exchange Circular No NSE/MSD/34638 dated April 13, 2017

c) Ensure:

- i. Notice boards/plates in the format as prescribed by Inspection department from time to time shall be prominently displayed in the main/branch office of the trading member or office of the registered Sub-broker / authorized person (where the trading terminal is located), as the case may be. The same shall be applicable to every place where one of the CTCL terminals is located.*
- ii. Copy of registration certificate issued by SEBI to the trading members is displayed at the main office. It should be visible to everybody and placed in the reception area of the dealing office.*
- iii. Members of other Exchanges who are acting as their Sub-brokers / Authorised Person should obtain separate certificate of registration from*

SEBI to act as a Sub-broker under SEBI (Stock-Brokers and Sub-brokers) Rules and Regulations, 1992 or approval as an Authorised Person respectively.

- iv. Copy of registration certificate issued by SEBI to the Sub-broker or Letter of approval issued by the Exchange for an Authorised Person is displayed at the dealing office of the Sub-broker / Authorised Person. It should be visible to everybody and placed in the reception area of the dealing office*

4.8. **Closure of demat accounts not reported to the Exchange within prescribed time**

- a. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

2.3.5. In the case of closure of any of the reported bank and demat accounts, the same shall be communicated to the Stock Exchanges within one week of its closure.

4.9. **Trades were allowed in client codes whose KYC was not validated by the KRA**

- a. Exchange Circular No. NSE/ISC/58200 dated September 02, 2023

Your attention is again hereby drawn to point 11 of the SEBI Circular SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated April 06, 2022, which states the following: "Clients whose KYC records are not found to be valid by KRA after the validation process shall be allowed to transact in securities market only after their KYC is validated."

In continuation to above vide Exchange circular reference no. NSE/ISC/58027 dated August 18, 2023, states that "clients whose KYC are not found valid by KRA, such UCCs shall neither be Permitted to Trade on the Exchange, nor will they be able to square up their open positions, if any, w.e.f. September 02, 2023, until they comply with the aforesaid requirement."

In view of the above, the Exchange shall flag the non-compliant PANs provided by the KRAs, as Not permitted to trade starting from September

04, 2023. It may be noted that these PAN shall also not be allowed to square off their open positions, if any. All PANs that become KRA compliant subsequently, will be permitted to trade on T+1, based on the information received from KRA by the Exchange on T Day.

4.10. **Incorrect data reported towards "Segregation and Monitoring of Collateral at Client Level" to Clearing Member/Clearing Corporation**

- a. Exchange Circular No. NCL/CMPL/49348 dated August 20, 2021
All the Clearing Members to report client-wise collateral (for each client) at all levels, viz., Trading Member, Clearing Member and Clearing Corporation (CC) and is required to be uploaded to CC daily.
- b. Exchange Circular No. NCL/CMPL/49640 dated September 17, 2021
All the Clearing Members to data reporting from Monday to Saturday daily. The report for Friday and Saturday shall be uploaded on the next trading day before the cut-off time.
- c. Exchange Circular no. NSE/INSP/49691, dated September 22, 2021, issued guidelines/ clarifications on reporting of Segregation and Monitoring of Collateral at Client Level.
- d. Exchange Circular No. NSE/INSP/50069 dated October 22, 2021
Members are directed to submit the relevant details, as sought, to their respective Clearing Members to enable them to submit the same to Clearing Corporations.
- e. Exchange Circular No. NCL/CMPL/54214 dated October 27, 2022
Certain additional details required to be reported to Clearing Corporation as part of daily collateral submissions to standardize reporting format of collateral data across Exchange / Clearing Corporations, based on the discussions with SEBI, Exchanges and Clearing corporations.

4.11. **SMS and email intimating transfer of funds at the time of running account settlement of clients was not issued**

Exchange Circular No. NSE/INSP/48624 dated June 16, 2021

5.8. *Once the Trading Member settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). The Trading Member shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days.*

4.12. **Incorrect data submitted towards weekly monitoring of client funds**

Exchange Circular No. NSE/INSP/33276 dated September 27, 2016

3.2 *Stockbrokers shall submit the following data as on the last trading day of every week to the Stock Exchanges on or before the next trading day:*

B- Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of cash and cash equivalents (fixed deposit (FD), bank guarantee (BG), etc.) (across stock exchanges). Only funded portion of the BG, i. e. the amount deposited by stockbroker with the bank to obtain the BG, shall be considered as part of B

MC-Aggregate value of margin utilized for positions of credit balance clients across stock exchanges

MF-Aggregate value of unutilized collateral lying with the clearing corporations and/or clearing member across stock exchanges.

4.13. **Clients clear credit balances are not up streamed to the Clearing Corporation within the specified timelines.**

Exchange Circular NSE/INSP/59725 dated December 12, 2023

Principle:

SBs/CMs shall upstream all the clients' clear credit balances to CCs on End of Day (EOD) basis. Such upstreaming shall be done only in the form of either cash, lien on Fixed Deposit Receipts (FDRs) created out of clients' funds, or

pledge of units of Mutual Fund Overnight Schemes (MFOS) created out of clients' funds.

4.14. **Engagement as a principal in a business other than that of securities involving personal financial liability.**

a. Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957
The rules relating to the admission of members of a stock exchange seeking recognition shall inter alia provide that:

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

(f) 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.

b. Exchange Circular No. NSE/COMP/50957 dated January 07, 2022
In consultation with SEBI and other Stock Exchanges, the illustrative list of activities that are construed as non-compliance with Rule 8(1)(f and 8(3)(f) of SCRR, if undertaken by a Trading Member, are provided as below:

9. Entering into any arrangement for extending loans or giving deposits/advances to any entity, including group companies such as subsidiaries & associates etc., not in connection with or incidental to or consequential upon the securities/ commodity derivatives business.

CONSIDERATION AND FINDINGS

5. The observations/alleged violations, the reply of S.P. Jain and the findings of the Committee are as under: -

5.1 **Trading Member has not ensured that their Authorised Persons are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges**

5.1.1 The Exchange verified the Bank statements (Bank account No: 56138001887) of S.P. Jain's Authorised Person Mr. Pankaj Desai ("AP"). Upon verification, the Exchange observed the funds transactions between the AP and 3 clients (Unique Client Code (UCC): 19015, 19014 and 19013) in case of 38 instances, involving total receipts of Rs. 72.72 lakhs and payments of Rs. 85.49 lakhs on various dates from April 2023 to March 2024.

5.1.1 In reply to the LO, S.P. Jain submitted that they have instructed the AP not to undertake such transactions in future.

5.1.2 The Committee finds as under:

a. S.P. Jain has accepted the inspection observation and assured future compliance by instructing its AP not to undertake such transactions in future. Thus, the violation persists.

b. Exchange Circular NSE/COMP/48536 dated June 9, 2021, stipulates that Authorised Person is prohibited from accepting any receipt or payment/delivery of funds and securities of the clients. Further, Authorised Person shall not collect or receive any funds or securities from the clients and shall not charge any amount from the clients, directly or indirectly, for the services rendered on behalf of the Member as an agent. Thus S.P. Jain has violated Exchange Circular NSE/COMP/48536 dated June 9, 2021.

5.1.3 Given the findings mentioned above, the Committee decided to warn S.P. Jain to ensure non recurrence of the observed violation and further directed S.P. Jain to (a) desist from indulging in any money / securities dealings with clients by authorised persons and submit declaration that no client funds are lying with the AP as on date and, (b) deactivate all authorised persons and prohibited S.P. Jain from the Authorise Person business for 3 months.

5.2 Non-permissible transfer of funds from own bank account to USCNBA and DSCNBA

5.2.1 The Exchange verified the bank books of S.P. Jain. Upon verification, the Exchange observed that S.P. Jain has transferred funds from its own bank account to USCNBA and DSCNBA in 3 out of 3605 instances

(0.08% of the total instances verified) involving Rs. 1.67 lakhs as of January 10, 2024, and February 02, 2024

5.2.2 In reply to the LO, S.P. Jain submitted that they will not repeat the violation in the future.

5.2.3 The Committee finds as under:

a. S.P. Jain has accepted the inspection violation and assured future compliance. Thus, the violation persists.

b. Exchange Circular No NSE/INSP/60369 dated January 20, 2024, stipulates that all own/ proprietary funds of the SB/ CM can be transferred from/to its settlement account(s) to/from Own/Proprietary account only. S.P. Jain has erred in transferring own funds to/ from USCNBA and DSCNBA instead of routing the funds through the settlement bank accounts.

5.2.4 Given the findings mentioned above, the Committee decided to advise S.P. Jain in terms of Schedule – I, Part B, Sr. No. 15 of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

5.3 Inspection of registered authorized persons not undertaken

5.3.1 During inspection, the Exchange observed that S.P. Jain has not inspected the books of two of its active registered Authorised Person (“AP”) as under:

Sr. No.	AP Name	AP location
1	Mr. Pankaj A Desai	Shop No.2 Mangal Bldg Ground Floor 76/C R A Kidwai Raod Matunga Mumbai 400019
2	Mr. Aloney Rohit Jogani	202 Spenta Tower 2Nd Floor Plot No. 55-57, Forget Street, Gamdevi, Mumbai 400036

5.3.2 In reply to the LO, S.P. Jain submitted that they would ensure timely AP inspections in the future.

5.3.3 The Committee finds as under:

- a. S.P. Jain accepted the violation and stated that they will ensure timely conduct of AP inspections in the future. Thus, the violation persists.
- b. Exchange circular no. NSE/INSP/42448 dated October 18, 2019, stipulates that every Trading Member shall be required to inspect every year at least 30% of its active Authorized Persons/ Branches and also ensure that each active AP/ Branches is inspected at least once in every three years. For this purpose, an active AP/ Branches would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients. S.P. Jain failed to comply with the aforementioned regulatory requirements by not inspecting two of its active registered Authorized Persons.

5.3.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 40,000 (i.e. Rs 20,000 per authorised person not inspected, for 2 authorised persons) for the observed violation in terms of Annexure 1.3, Sr. No. 15 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.4 Non-Settlement of client funds

5.4.1 The Exchange verified the client ledgers, bank books, segregation file, Exchange trade data along with margin and obligation data from clearing corporations of the member. Upon verification, it was observed that S.P. Jain had failed to settle the client's funds in 2 out of 40 instances (5% of the total instances verified) involving Rs. 0.25 lakhs and Rs. 3.09 lakhs as of April 5, 2023, and October 06, 2023, respectively.

5.4.2 In reply to the LO, S.P. Jain submitted as under:

The instances of non-settlement were due to the late availability of final MG13 files, retention of funds were calculated basis the provisional MG13 file. Excess funds were retained due to miscalculation of margin. S.P. Jain assured that it would take necessary steps to prevent the recurrence of such issues.

5.4.3 The Committee finds as under:

- a. S.P. Jain accepted the inspection observation and attributed the same to incorrect calculation of retention amount basis the provisional MG13 file. S.P. Jain assured future compliance. Hence, the violation persists.
- b. The concept of monthly or quarterly running settlement of clients' accounts by the Trading Member is incorporated to instil greater transparency and discipline in the dealings between the clients and the stockbrokers. Non-settlement of clients' accounts is prejudicial to the investors' interests. Hence, Trading Members should ensure timely settlement of client funds under monthly or quarterly running settlement.
- c. In view of the above, violation persists for non-settlement of client funds, in case of 2 out of 40 instances (5% of the total instances verified).
- d. S.P. Jain violated the provision of Exchange Circular No. NSE/INSP/48624 dated June 16, 2021, and Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, and Exchange Circular No. NSE/INSP/49458 dated August 31, 2021, by failing to settle the client accounts.

5.4.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 1,673/- (0.5% of Rs. 3,34,627.93) for the observed violation, in terms of Annexure 1.1, Sr. No. 8 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.5 Member has made pay-out of funds to clients in excess of their available balances:

5.5.1 The Exchange verified the client ledgers submitted by S.P. Jain. Upon verification, the Exchange observed that S.P. Jain made pay-outs of funds to clients in excess of their available balances in 35 instances (35 clients), involving a total of Rs. 16.51 lakhs.

5.5.2 In reply to the LO, S.P. Jain submitted as under:

- a. All the payments that were observed on July 17, 2023, were actually paid to clients on July 18, 2023, but were inadvertently entered in the client ledgers on July 17, 2023. S.P. Jain provided bank statements and payment reports for verification in support of such 10 instances.
- b. In case of the remaining 25 instances were done against unclear cheques, which were cleared on the next day, and assured that they would take care not to repeat such mistakes in future.

5.5.3 The Committee finds as under:

a. 10 Instances:

Upon verification of the bank statements and payment reports, it was observed that the S.P. Jain's claim regarding the excess payouts being made on July 18, 2023, but inadvertently entered in the client ledgers on July 17, 2023, was found to be correct. Hence, no violation persists in case of 10 instances out of 35 instances.

b. 25 Instances:

S.P. Jain accepted the inspection observation and submitted that payments were made against unclear cheques and assured future compliance. Hence, the violation persists in case of 25 instances.

- c. Thus, the Noticee has violated Regulation 6.1.6.2 of the NSEIL Regulation (F&O Segment) and Regulation 6.1.5 (c) of NSEIL (Capital Market) Regulation by making fund pay-outs to its clients, which are not belongs to the clients.

5.5.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 25,000/- for the violation of excess funds payout given to client in excess of available balances, in terms of Schedule – I, A (III) Sr. No. 11 of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

5.6 Material discrepancies in retention statement sent to clients

- 5.6.1 The Exchange verified the retention statements and client ledgers submitted by S.P. Jain. Upon verification, the Exchange observed that S.P. Jain has issued retention statements to its clients with material discrepancies in 5 instances as of January 5, 2024 involving difference in margin in the range of Rs. (-ve) 1.77 lakh to Rs. 1.08 lakh.
- 5.6.2 In reply to the LO, S.P. Jain submitted that they will not repeat the violation in future.
- 5.6.3 The Committee finds as under:
- a. S.P. Jain accepted the inspection violation and assured future compliance. Hence, the violation persists.
 - b. As per Exchange Circular No. NSE/INSP/48624 dated June 16, 2021(SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021), Members shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days. Thus, S.P. Jain violated the regulatory provisions mentioned above by issuing the retention statement to the clients with material discrepancies.
- 5.6.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 15,000/- for the violation of excess funds payout given to client in excess of available balances, in terms of Schedule – I, Part B, Sr. No. 82 of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

5.7 Non-display of Notice Board and SEBI registration certificate at the inspection location

- 5.7.1 During inspection of the office of the Authorised Person Mr. Pankaj A Desai, located at 7 Mangal, 2nd floor, 76-C R.A. Kidwai Road, Matunga, Mumbai - 400019, the Exchange observed that the Authorised Person failed to display the notice board and SEBI registration certificate of S.P. Jain at its registered / correspondence address.
- 5.7.2 In reply to the LO, S.P. Jain submitted as under:

The Notice Board and SEBI Registration Certificate were temporarily removed due to ongoing office renovation and thereafter confirmed that the items are now displayed.

5.7.3 The Committee finds as under:

- a. SP Jain contended that due to office renovation the Notice board and SEBI registration certificates were temporary removed. However, the Exchange Circular No. NSE/MSD/34638 dated April 13, 2017, mandates the display of the Notice Board and SEBI Registration Certificate at prominent place of the branch/authorised person office. Thus, S.P. Jain violated the regulatory provisions mentioned above failing to display the Notice board and SEBI registration certificate at the inspection location which is in operation.

5.7.4 Given the findings mentioned above, the Committee decided to levy a financial disincentive of Rs. 10,000/-, in terms of Annexure 1.1, Sr. No. 59 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.8 Closure of demat accounts not reported to the Exchange within prescribed time

5.8.1 The Exchange verified the demat accounts of S.P. Jain from the records of the Exchange. Upon verification, the Exchange observed that the S.P. Jain did not report the closure of 2 demat accounts viz. Pool Account and Client Unpaid Securities Account to the Exchange within one week of closure.

5.8.2 In reply to the LO, S.P. Jain submitted that they shall ensure the reporting of opening and closure of demat accounts in time.

5.8.3 The Committee finds as under: -

- a. S.P. Jain accepted the inspection observation and assured future compliance. Hence, the violation persists.
- b. As per Exchange circular no. NSE/INSP/33276 dated September 27, 2016 (SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016) , stipulates that in case of closure of any of the reported

bank and demat accounts, the same shall be communicated to the Stock Exchanges within one week of its closure. S.P. Jain violated the provisions of Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, by not reporting the closure of demat accounts to the Exchange within one week of closure.

5.8.4 Given the findings mentioned above, the Committee decided to advise S.P. Jain and direct S.P. Jain to report such details to the Exchange, in terms of Annexure 1.1, Sr. No. 33 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.9 **Trades were allowed in client codes whose KYC was not validated by the KRA**

5.9.1 Upon verification of KYC (Know Your Client) documents and the KRA (KYC Registration Agency) website, the Exchange observed that S.P. Jain Securities has allowed 3 clients (UCC – LS105, LS109 and GE758) to trade whose KYC records were not validated by KRA.

5.9.2 In reply to the LO, S.P. Jain submitted that they will not repeat the violation in future.

5.9.3 The Committee finds as under:

a. S.P. Jain accepted the inspection violation and assured future compliance. Hence, the violation persists.

b. Exchange circular No. NSE/ISC/58200 dated September 2, 2023, stipulates that clients whose KYC records are not found to be valid by KRA after the validation process shall be allowed to transact in securities market only after KYC is validated. Thus, S.P. Jain violated the Exchange circular No. NSE/ISC/58200 dated September 2, 2023.

5.9.4 Given the findings mentioned above, the Committee decided to advise S.P. Jain to ensure non recurrence of the observed violation in terms of Schedule – I, Part B, Sr. No. 3 of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

5.10 **Incorrect data reported towards Segregation and Monitoring of Collateral at Client Level**

5.10.1 The Exchange verified the data on segregated client collateral balances reported by S.P. Jain, client ledgers, trial balance, records of depositories and clearing corporation. Upon verification, the Exchange observed that S.P. Jain has incorrectly reported the retention amount while reporting Segregation and Monitoring of Collateral at Client Level submission in 5 instances for 5 dates, viz, January 3, 2024, January 8, 2024, January 11, 2024, January 12, 2024, and March 14, 2024 involving an amount of Rs. 10.58 lakhs.

5.10.2 In reply to the LO, S.P. Jain submitted that they would ensure submission of correct data in future.

5.10.3 The Committee finds as under:

a. S.P. Jain accepted the inspection violation and assured future compliance. Hence, the violation persists.

b. Thus, S.P. Jain violated Exchange Circular No. NCL/CMPL/49348 dated August 20, 2021, Exchange Circular No. NCL/CMPL/49640 dated September 17, 2021, Exchange Circular no. NSE/INSP/49691, dated September 22, 2021, Exchange Circular No. NSE/INSP/50069 dated October 22, 2021 Exchange Circular No. NCL/CMPL/54214 dated October 27, 2022. The Exchange monitors the data submitted by the Trading Members as a part of its regulatory supervision, and any incorrect submission, therefore, defeats the purpose of regulation. As such, any incorrect reporting for reasons whatsoever is neither permissible nor acceptable. Hence, the Trading Members must ensure that the data is verified before submission to the Exchange/clearing member/clearing corporation.

5.10.4 Considering the violation is not repeated in the financial year, the Committee decided to advice S.P. Jain to ensure non-recurrence of the observed violation.

5.11 **SMS and email intimating transfer of funds at the time of running account settlement of clients was not issued**

- 5.11.1 The Exchange verified the quarterly submission of settlement data (summary/UCC wise details) to the Exchange vis-à-vis SMS logs provided by S.P. Jain. Upon verification, the Exchange observed that S.P. Jain failed to send an intimation including the details of the transfer of funds via SMS at the time of running account settlement of funds in 10 instances as of July 7, 2023.
- 5.11.2 In reply to the LO, S.P. Jain submitted that SMS could not be sent due to technical reasons.
- 5.11.3 The Committee finds as under:
- a. S.P. Jain accepted the inspection violation and attributed the same to technical issues. Hence, the violation persists.
 - b. As per Exchange Circular No. NSE/INSP/48624 dated June 16, 2021 (SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021), once the Trading Member settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). Thus, S.P. Jain violated the regulatory provisions mentioned above by failing to send intimation to its clients via SMS, at the time of running account settlement of client funds.
- 5.11.4 Given the findings mentioned above, the Committee decided to advise S.P. Jain to ensure non-recurrence of the observed violation.

5.12 Incorrect data submitted towards weekly monitoring of client funds

- 5.12.1 The Exchange verified the data submitted by S.P. Jain for weekly monitoring of client funds under the Enhanced Supervision of the Stockbrokers as on January 05, 2024, trial balance, client ledgers, bank statement and collateral and margin files. Upon verification, the Exchange observed that S.P. Jain submitted incorrect data to the Exchange in the following 3 areas involving differences ranging from (-

ve) Rs.5.79 lakhs to Rs. 10 lakhs between the actual and reported figures as of January 5, 2024: -

- a. Collateral deposited with the Exchanges in form of Cash and Cash equivalents
- b. Margin utilized for positions of credit balance clients
- c. Free/unblocked collateral deposited with Clearing Corporation

5.12.2 In reply to the LO, S.P. Jain submitted as under:

- a. Due to oversight failed to report deposit balances with the Exchange in SLB (Securities Lending and Borrowing) Segment. This deposit is out of own funds and not client funds.
- b. Further, reported margin utilized for positions of credit balance clients as per system generated margin files provided by the Exchange.

5.12.3 The Committee finds as under:

- a. Differences in balances reported under “Collateral deposited with exchanges in form of Cash and Cash Equivalents” and “Free/unblocked Collateral deposited with Clearing corporation” involving Rs. 10 lakhs

S.P. Jain accepted the inspection violation and attributed the same to non-reporting of deposits of Rs. 10 lakhs lying in the SLB segment due to oversight. Hence, the violation persists.

- b. Differences in balances reported under “Margin utilized for positions of credit balance clients’

S.P. Jain claimed that it has reported margin utilized for positions of credit balance clients from the system generated margin files provided by the Exchange. However, S.P. Jain failed to provide documentary evidence in support of its claim. In the absence of any documentary documents, the violation persists.

- c. As per Exchange Circular No. NSE/INSP/33276 dated September 27, 2016 (SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016), the Stock Exchanges have put in place a

mechanism for monitoring client funds lying with the stockbroker to generate alerts on any misuse of clients' funds by stockbrokers. The Trading Members must verify the data before submission to the Exchange. S.P. Jain violated the regulatory provisions mentioned above by reporting incorrect data towards weekly monitoring of client funds to the Exchange.

5.12.4 Considering the violation is not repeated in the financial year, the Committee decided to advise S.P. Jain to ensure non-recurrence of the observed violation.

5.13 Clients clear credit balances are not up streamed to the Clearing Corporation within the specified timelines

5.13.1 The Exchange verified the segregation files and bank statements submitted by S.P. Jain. Upon verification, the Exchange observed that S.P. Jain did not upstream the clients' clear credit ledger balances to the Clearing Corporation within the specified timelines in case of 4 out of 5 instances involving a total of Rs. 18.26 lakhs as of January 3, 2024, January 11, 2024, January 12, 2024, and March 14, 2024.

5.13.2 In reply to the LO, S.P. Jain submitted as under:

The client clear credit balances were not up streamed to Clearing Corporation because they were either received after the cut-off time or were cleared late. The funds were transferred on the next trading day and were not used for any other purposes.

5.13.3 The Committee finds as under:

- a. S.P. Jain claimed that the clear credit balances were not up streamed because the same were either received after the cut-off time or were cleared late. However, S.P. Jain failed to provide any documentary evidence to substantiate its claim. In the absence of supporting document, the violation persists.
- b. Exchange Circular NSE/INSP/59725 dated December 12, 2023, stipulates that members shall upstream all the clients' clear credit balances to CCs on End of Day (EOD) basis. Thus, S.P. Jain violated the provisions of the above-mentioned Exchange Circular,

by failing to upstream the clients' clear credit ledger balances to the CC within the specified timelines.

5.13.4 Given the findings mentioned above, the Committee decided to advise the Member to ensure non-recurrence of the observed violation.

5.14 Engagement as a principal in a business other than that of securities involving personal financial liability

5.14.1 The Exchange verified annual financial statements as of March 31, 2024. Upon verification, the Exchange observed that S.P. Jain has taken loans of Rs. 12.03 lakhs from two clients who are also the shareholders of S.P. Jain and also given loan amounting to Rs.29.50 lakhs to Shanti Intl gold Ltd, which is not involved in securities/commodities business. The details are as under:

Amount in Rs.

Account Description	Balance as on April 01, 2023	Debits during the year	Credits during the year	Balance as on March 31, 2024	Interest earned / paid during the year	Remarks
Shanti Intl Gold Ltd	- 2950018	18962	2950018	-18962	18962	Loan given
Seema Jain	387413.92	868444	1099052	618021.92	- 34444	Loan Taken from client who are Shareholder
Sandhya Jain	719825.94	554051	418832	584606.94	- 40506	

5.14.2 In reply to the LO, S.P. Jain submitted as under:

Two of the clients (Seema Jain & Sandhya Jain) are shareholders as well as promoters of the company. It is practice of the company to receive funds from promoters to run day to day business. S.P. Jain claimed that

loan given to entity Shanti Intl gold Ltd was recovered during FY 2023-24. Interest amount was recovered in April 2024.

5.14.3 The Committee finds as under:

In view of the recent amendment in Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957, the Committee decided to keep the enforcement action against the Noticee under Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957, in abeyance pending adjudication.

DECISION

6. In view of the above, the Committee levies the following penalties as indicated against each of the violations:

Sr. No.	Committee's Findings based on the S.P. Jain's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/53530 dated September 02, 2022	Monetary Penalty / Financial Disincentive	Penalty levied post-considering the S.P. Jain's submissions and the Committee's findings
1.	Trading Member has not ensured that their Authorised Persons are engaged only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges	No prescribed penalty	--	Warning + Directions to (a) desist from indulging in any money / securities dealings with clients by Authorised Persons and submit declaration that no client funds are lying with the

Sr. No.	Committee's Findings based on the S.P. Jain's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/53530 dated September 02, 2022	Monetary Penalty / Financial Disincentive	Penalty levied post-considering the S.P. Jain's submissions and the Committee's findings
				AP as on date and, (b) deactivate all Authorised Persons and prohibited S.P. Jain from the Authorised Person business for 3 months.
2.	Non-permissible transfer of funds from own bank account to USCNBA and DSCNBA	Less than 2% of number of instances - Advise	--	Advice
3.	Inspection of registered Authorised Persons not undertaken in 2 instances	Monetary penalty of Rs. 20,000/- per AP, Maximum cap of Rs. 5,00,000/-	Monetary Penalty	Rs.40,000/-
4.	Non-Settlement of client funds	For Amount not settled- 0.5% of the amount not settled, maximum up to Rs. 10 Lakhs	Monetary Penalty	Rs. 1,673/-
5.	Member has made pay-out of funds to clients in excess of	Rs. 25,000/-	Monetary Penalty	Rs. 25,000/-

Sr. No.	Committee's Findings based on the S.P. Jain's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/53530 dated September 02, 2022	Monetary Penalty / Financial Disincentive	Penalty levied post-considering the S.P. Jain's submissions and the Committee's findings
	their available balances			
6.	Material discrepancies in retention statement sent to clients	Rs. 15,000/-	Monetary Penalty	Rs. 15,000/-
7.	Non-display of Notice Board and SEBI registration certificate at the inspection location	Rs. 10,000/- per location subject to maximum penalty of Rs. 1 lakh.	Financial Disincentive	Rs. 10,000/-
8.	Closure of demat accounts not reported to the Exchange within prescribed time	Advise and direction to report such details to the Exchange	-	Advise + direction to report such details to the Exchange
9.	Trades were allowed in client codes whose KYC was not validated by the KRA	Less than 20% of number of instances - Advise	--	Advice
10.	Incorrect data reported towards "Segregation and Monitoring of Collateral at Client Level"	No prescribed penalty	--	Advice
11.	SMS and email intimating transfer	No prescribed penalty.	--	Advice

Sr. No.	Committee's Findings based on the S.P. Jain's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/53530 dated September 02, 2022	Monetary Penalty / Financial Disincentive	Penalty levied post-considering the S.P. Jain's submissions and the Committee's findings
	of funds at the time of running account settlement of clients was not issued			
12.	Incorrect data submitted towards weekly monitoring of client funds in 3 areas.	Rs. 1,00,000	--	Advice
13.	Clients clear credit balances are not up streamed to the Clearing Corporation within the specified timelines.	No prescribed penalty	--	Advice
14.	Engagement as a principal in a business other than that of securities involving personal financial liability.	Amount involved = Rs. 5 Crores: 1% of the amount involved + Direction to recover the funds given as Loans/advances within the time allotted	--	Matter kept in abeyance
Total				Rs. 91,673/- + Directions

7. S.P. Jain is directed to (a) desist from indulging in any money / securities dealings with clients by Authorised Persons and submit declaration that no client funds are lying with the AP as on date and, (b) deactivate all Authorised Persons and prohibited S.P. Jain from the Authorised Person business for 3 months.
8. S.P. Jain is directed to pay a monetary penalty of Rs. **81,673/-** (Rupees Eighty One Thousand Six Hundred Seventy-three only) as indicated above.
9. S.P. Jain is directed to pay a financial disincentive of Rs. **10,000/-** (Rupees Ten Thousand only) as indicated above.
10. S.P. Jain is directed to note the non-monetary penalties as indicated above and ensure non-recurrence of the observed violations.

Sd/-
Abhilasha Kumari
(Committee Member)

Sd/-
Essaji Vahanvati
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: February 25, 2026