

**Before the
Member Committee ("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051
held on January 30, 2026**

In the matter of the Trading Member: 4A Securities Limited

CORAM:

Shri. Srinivas Injeti	- Chairperson
Justice (Retd) Smt. Abhilasha Kumari	- Committee Member (attended through VC)
Shri. Essaji Vahanvati	- Committee Member
Shri. Ashishkumar Chauhan	- Committee Member
INVITEE:	- Committee Member/Invitee

Shri. Vijai Pratap Singh

ALSO PRESENT:

Shri. Piyush Chourasia	- Chief Regulatory Officer - Member Compliance, Surveillance, Member Inspection & Investigation
Smt. Renu Bhandari	- Senior Vice President - Inspection, Member Registration & Compliance
Shri. Amber Gupta	- Senior Vice President – Legal
Shri. Sanjayu Nair	- Vice President – Legal
Shri. Janardhan Gujran	- Vice President - Enforcement

INTRODUCTION

1. **4A Securities Limited** ("Noticee") is a Trading Member("TM") registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Markets ("**CM**"), Futures and Options ("**F&O**") and in the Currency Derivatives segment since July 2012.
2. The Exchange conducted a regular inspection of the books of accounts and records of the Noticee in November 2022, covering the period between January 01, 2022, to September 30, 2022. Post inspection, the Exchange issued a Letter of Observation ("**LO**") dated January 25, 2023, for the observed violations. The Noticee has not replied to the LO.

3. Pursuant to two complaints received from SEBI for the clients Mr. Pankaj Thakur and Ms. Sangeeta Thakur pertaining to non-receipt of securities, the Exchange carried out forensic audit of Noticee's books of accounts for the period between April 01, 2016, to March 31, 2024, in the month of May 2024. Post inspection, the Exchange issued a Show Cause Notice ("**SCN**") dated April 02, 2025, to Noticee seeking an explanation for the observed non-compliances with the regulatory provisions from the Noticee. The Noticee partially replied to the SCN on April 13, 2025, April 23, 2025, April 28, 2025, and October 04, 2025.

FACTS OF THE MATTER/INSPECTION OBSERVATIONS/VIOLATIONS

4. The following are the inspection observation mentioned in the LO and SCN are summarised hereunder:

4.1. LO dated January 25, 2023

- a. Non-reconciliation of securities in beneficiary account with back-office records – Difference in clients' securities available in demat accounts of the Noticee and clients' securities as reflected in the Register of Securities ('ROS') from the back-office records of the Noticee in case of 05 instances amounting to Rs. 0.83 lakhs as on September 30, 2022.
- b. Misleading transactions executed by the Noticee on the Exchange - The Noticee has executed counter positions in various parties nullifying/minimizing the Noticee's level obligation towards Exchange in case of 14 instances amounting to Rs. 0.62 crores between March 21, 2022, to September 12, 2022. Further, the Noticee has recorded delivery/receipt of securities in ROS of respective client codes as actual movement of securities. However, there was no actual receipt/delivery of securities through Depository Participant ("**DP/Demat**") from/to clients that had happened.
- c. Engagement as a principal in a business other than that of securities involving personal financial liability – The Noticee extended loans to 6 related parties involving Rs. 10.74 crores as on September 30, 2022.
- d. Discrepancy in computation of net-worth of Rs. 10.81 crores as on September 30, 2022.
- e. Non-remittance of dividend to the clients in case of 1 instance amounting to Rs. 0.01 lakh.

- f. Charges other than brokerage, regulatory and statutory dues levied in the Contract notes in case of 20 instances amounting to Rs. 0.01 lakh.
- g. Incorrect data submitted by the Noticee towards Risk Based Supervision (“**RBS**”) under 5 heads involving Rs. 46 lakhs for the period ended September 30, 2022.
- h. Incorrect data submitted by the Noticee towards the weekly monitoring of client funds involving Rs. 176.19 lakhs as on September 30, 2022.

4.2. SCN dated April 02, 2025

- a. Improper use of clients’ securities resulting in shortfall of clients’ securities in case of 93 clients, involving a securities value of Rs. 92.80 crores (value of securities as on March 28, 2024).
- b. Collection of funds directly from clients in proprietary bank account in case of 20 instances pertaining to 6 clients involving Rs. 1.76 crore.
- c. Non-segregation of client funds – Funds of Rs. 120.94 crores and Rs. 0.18 crore were transferred from settlement bank account and client bank account respectively to proprietary bank account. Further, Rs. 218.22 crores were transferred from settlement bank account to proprietary bank account and Rs. 190.22 crores from proprietary bank account to settlement bank account.
- d. Improper maintenance of books of accounts.
 - i. Failure to credit funds to client ledger against sale of securities in case of 9 instances pertaining to 2 clients involving Rs. 15.29 lakhs.
 - ii. Failure to give credit of funds received from the clients in the client ledger and non-reconciliation of funds lying in suspense account in case of 6 instances involving Rs. 1.34 lakh.
 - iii. Name appearing in the bank book is different from the bank statement in case of 5 instances pertaining to 4 clients.
 - iv. Journal voucher entries passed in client ledger for transfer/write-off and adjustment of funds for transfer entries, amount written off and amount adjusted by the Noticee.

- v. Understatement of income in case of 9 client accounts involving Rs. 1.68 crore.
- e. Use of client bank accounts for purposes other than specified involving Rs.4.94 crores.
- f. Engagement as a principal in a business other than that of securities involving personal financial liability - The Noticee extended loans to 8 entities involving Rs. 25.91 crores as of April 01, 2016, and collected interest of Rs. 8.43 crores.
- g. Funding of client transactions in case of 52 clients.

PROCEEDINGS BEFORE THE COMMITTEE

5. The matter was placed before the Committee on the following dates: -

5.1. Committee meeting dated October 21, 2024

With respect to the LO, the Exchange, vide its email dated October 14, 2024, granted the Noticee an opportunity of personal hearing before the Committee in its meeting scheduled on October 21, 2024. The Noticee, vide email dated October 18, 2024, sought an adjournment on the ground of non-availability of one of its Directors. The Committee acceded to the adjournment request of the Noticee.

5.2. Committee meeting dated November 25, 2024

With respect to the LO, the Exchange, vide its email dated November 18, 2024, granted the Noticee an opportunity of personal hearing before the Committee in its meeting scheduled on November 25, 2024. In response, the Noticee, vide email dated November 23, 2024, conveyed its intention to attend the Committee meeting and submitted an authority letter authorising its employees to appear before the Committee. However, despite having confirmed its attendance, the Noticee failed to appear before the Committee on the scheduled date of hearing.

5.3. Committee meeting dated August 05, 2025

With respect to the LO and SCN, the Exchange, vide its email dated July 30, 2025, granted the Noticee an opportunity of personal hearing before the Committee in its meeting scheduled on August 05, 2025. The Noticee, vide email dated August 04, 2025, sought an adjournment on the ground of unavoidable circumstances

and requested to reschedule the meeting after August 15, 2025. The Committee acceded to the adjournment request of the Noticee.

5.4. Committee meeting dated September 18, 2025

- a. With respect to the LO and SCN, the Exchange, vide its email dated September 12, 2025, granted the Noticee an opportunity of personal hearing before the Committee in its meeting scheduled on September 18, 2025. On behalf of the Noticee, Mr. Shruti Kumar - Compliance Officer appeared before the Committee. The Committee expressed its displeasure on the casual approach of the Compliance officer during the personal hearing and Noticee's lack of responsibility towards complying with regulatory requirements. The Committee further noted that despite multiple reminders and opportunities, the Noticee has neither submitted complete response nor appeared before the Committee for personal hearing along with designated directors/promoters or key managerial personnel as informed in the Exchange email dated September 12, 2025.
- b. Accordingly, the Exchange vide its email dated September 26, 2025, communicated to the Noticee of the concerns expressed by the Committee mentioning about the opportunities granted earlier to appear before the Committee and the non-submission of reply to the LO and incomplete reply filed for the SCN. The Noticee was also informed about the continued non-compliance and disregard for the regulatory obligations observed by the Committee. The Exchange also communicated the direction of the Committee to provide a final opportunity to submit a complete and satisfactory response to the SCN, along with all supporting documents, on or before October 07, 2025, and also directed to appear in-person, along with full team comprising of Promoters, Directors, Managing Directors, and the Compliance Officer, for the next personal hearing. The Noticee was specifically informed that *"Non-appearance before the Committee in the next meeting shall be construed as there are no further submissions from your end, and the matter shall be decided based on the documents and information available with Exchange"*.

5.5. Committee meeting dated November 21, 2025

- a. With respect to the LO and SCN, the Exchange, vide its email dated November 14, 2025, granted the Noticee an opportunity of personal hearing before the Committee in its meeting scheduled on November 21, 2025.

- b. The Noticee, vide email dated November 19, 2025, sought an adjournment on the ground of Director's son's wedding on November 22, 2025, and requested to reschedule the meeting after December 15, 2025. The Committee acceded to the adjournment request of the Noticee and decided to grant last and final opportunity of personal hearing in the matter in its meeting to be held in the month of January 2026.
- c. Accordingly, the Exchange vide email dated November 25, 2025, informed about the adjournment request and the last and final opportunity granted by the Committee. The Noticee was also informed to appear in-person, along with full team comprising of Promoters, Directors, Managing Directors, and the Compliance Officer, for the next personal hearing. The Noticee was specifically informed that *"In case you fail to appear before the Committee, it would be construed as you have no further submissions to make and the Committee would decide the matter ex-parte based on the materials available on record"*.

5.6. Committee meeting dated January 30, 2026

- a. With respect to the LO and SCN, the Exchange, vide its email dated January 23, 2026, granted the Noticee an opportunity of personal hearing before the Committee in its meeting scheduled on January 30, 2026.
- b. The Noticee, vide email dated January 27, 2026, sought an adjournment stating the non-feasibility to attend the personal hearing before February 28, 2026, with full team of key personnel, including Promoters, Directors, and the Compliance Officer due to unavoidable and compelling circumstances.
- c. Considering that the Committee in the past allowed multiple adjournments in the matter, the Committee decided to unanimously reject the adjournment request sought by the Noticee vide email dated January 27, 2026.

ISSUES FOR DETERMINATION

6. The following issues arise for determination:

- 6.1 Whether the Noticee has violated provisions of SEBI (Stock Broker) Regulations, NSEIL Rules and Regulations and SEBI/Exchange Circulars as mentioned in the LO and SCN?
- 6.2 Whether the circumstances warrant imposition of penalty under Rule 2 of Chapter IV of NSEIL Rules read with Regulation 4A.1 of Chapter 4A of the NSEIL

Regulations (Capital Market and F&O segment) and regulatory action under Rule 1 and 2 of Chapter IV of NSEIL Rules and Byelaw 1 of Chapter XII of NSEIL Byelaws?

REGULATORY PROVISIONS

7. At the outset, it is appropriate to refer to the relevant regulatory provision alleged to have been violated by the Noticee; extracts whereof are reproduced below:

7.1. Securities and Exchange Board of India (Stock Broker) Regulations

CHAPTER III - General Obligations And Responsibilities

Other obligations and responsibilities for stock broker.

18. (1) The stock broker shall be required to meet the obligations and discharge responsibilities as stated in sub-regulation (2) to (11), in the manner specified.

Protection of client's funds and securities.

(2) A stock broker shall—

(a) ensure that the clients' funds are available at all times, as specified;

(b) adhere to the allocation and segregation of collaterals at the client level and upstreaming of client funds provisions, as specified; and

(c) segregate the money and securities deposited by a client from its own account or account of any other client and shall not use the same for itself or for any other client or for any purpose other than the purposes mentioned in rules, regulations, circulars and guidelines issued by the Board or the Central Government as the case may be or rules, regulations, bye-laws and circulars issued by a recognised stock exchange.

Compliance

(9) A stock broker shall abide by all the provisions of the Act, rules, regulations, notifications, circulars and guidelines issued by the Central Government or the Board as the case may be as well as the rules, regulations, bye-laws, notifications, circulars and guidelines of recognised stock exchange as may be applicable to it as a stock broker.

Chapter VIII – Code of conduct

General principles.

36. (1) **Integrity:** *A stock broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all its business*

(2) **Diligence, honesty and fairness:** *A stock broker shall–*

(a) *act honestly, fairly and with due skill, care and diligence and in the interest of investors while conducting its business;*

(b) *not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains;*

(3) **Competence:** *A stock broker shall–*

(a) *have arrangements to render fair, prompt and competent services to its clients; and*

(b) *take all reasonable steps to ensure that its employees are adequately trained to a level commensurate with their responsibilities and to act professionally at all times.*

Duty to the investor.

37. *A stock broker shall–*

(a) *take all reasonable steps to promptly execute client orders in accordance with clients' instructions;*

(b) *promptly inform its client about the execution or non-execution of an order, and make payment or delivery of securities due to the investor within the timelines specified by Board;*

7.2. NSEIL Rules

The relevant provisions are reproduced herein below;

CHAPTER IV. DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION

Disciplinary Jurisdiction

(1) The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a trading member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonorable, disgraceful or unbecoming a trading member of the Exchange or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

Penalty for Misconduct, Unbusinesslike Conduct and Unprofessional Conduct

(2) In particular and without in any way limiting or prejudicing the generality of the provisions in Rule (1) above, a trading member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

Unbusinesslike Conduct

(4) A trading member shall be deemed guilty of unbusinesslike conduct for any of the following or similar acts or omissions namely:

(b) Fictitious Dealings : If it makes a fictitious transaction or gives an order for the purchase or sale of securities the execution of which would involve no change of ownership or executes such an order with knowledge of its character;

(f) Unwarrantable Business : If it engages in reckless or unwarrantable or unbusinesslike dealings in the market or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or his own means and financial resources or in view of the market for such security;

(i) Failure to carry out transactions with Constituents : If it fails in the opinion of the relevant authority to carry out its committed transactions with its constituents

7.3. NSEIL Regulations (CM Segment)

4.5.2 GENERAL PRINCIPLES

(a) Professionalism : A Trading Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade.

(b) Adherence to Trading Practices : Trading Members shall adhere to the Rules, Regulations and Byelaws of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable from time to time.

(c) Honesty and Fairness: In conducting his business activities, a Trading Member shall act honestly and fairly, in the best interests of his constituents.

(d) Capabilities: A Trading Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

4.5.3 TRADING PRINCIPLES

(e) No Trading Member or person associated with a Trading Member shall make improper use of constituent's securities or funds.

4A. RESIDUAL PENALTY

4A.1 Penalty For Violations Where Specific Penalty Is Not Prescribed

Trading Members who fail to comply with the Rules, Byelaws, and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings issued/ passed by the Exchange or the relevant authority thereunder for which no separate penalty has been provided, shall be liable to a penal action which may extend from giving 'Warning' to monetary penalty not exceeding Rs. 1 Crore, where the extent of violation is not quantifiable.

7.4. NSEIL Byelaws

CHAPTER XII – DEFAULT

Declaration of Default

(1) A trading member may be declared a defaulter by direction / circular / notification of the relevant authority of the trading segment if-

(a) he is unable to fulfill his obligations; or

(b) he admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities;

7.5. SEBI Master Circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016

8.1 Transfer of Funds and Securities from member to client

The member shall transfer Funds and Securities from their respective pool account to the respective beneficiary account of their client within 1 working day after the pay-out day.

The Securities lying in the pool account beyond the above period would not be eligible for delivery in the subsequent settlement(s) and would also be not eligible for pledging or stock lending purpose, until the same is credited to the beneficiary accounts.

7.6. SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019

4. In order to provide clarity with respect to a TM/CM maintaining a running account for client securities and pledging the client securities with Banks/NBFCs, after discussions with the Exchanges, Depositories and Clearing Corporations, the following advice is issued:-

4.1 The securities received in pay-out against which payment has been made by clients, shall be transferred to the demat account of the respective clients within one working day of the pay-out. Such securities shall be transferred directly from the pool account of the TM/CM to the demat account of the respective client.

4.2 With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – “client unpaid securities account” shall

be opened by the TM/CM. Unpaid securities shall be transferred to such client unpaid securities account” from the pool account of the concerned TM/CM.

4.3 The securities kept in the ‘client unpaid securities account’ shall either be transferred to the demat account of the respective client upon fulfilment of client’s funds obligation or shall be disposed off in the market by TM/CM within five trading days after the pay-out. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

4.4 In case the clients’ securities are kept in the ‘client unpaid securities account’ beyond seven trading days after the pay-out, the depositories shall under their bye-laws levy appropriate penalties upon such TM/CM which shall not be permitted to be recovered from the client

OBSERVATION AND PRINCIPLES OF NATURAL JUSTICE

8. The Committee’s observation on compliance with the principles of natural justice are as under:-
- 8.1. The Noticee was granted multiple opportunities of personal hearing before the Committee in its meetings held on October 21, 2024, November 25, 2024, August 05, 2025, September 18, 2025, November 21, 2025, and the present meeting dated January 30, 2026.
 - 8.2. The Noticee was repeatedly requested to submit a reply to the LO by the Exchange vide emails dated March 29, 2023, April 03, 2023, April 20, 2023, September 05, 2024, and September 11, 2024. Through these communications, the Noticee was requested to submit its reply to the LO and was also informed that in the absence of a reply, the matter would be proceeded with based on the material available on record. However, the Noticee failed to submit its reply to the LO.
 - 8.3. The Noticee was further repeatedly requested by the Exchange, vide emails dated April 25, 2025, May 05, 2025, September 26, 2025, October 23, 2025, October 30, 2025, and November 07, 2025, to submit a complete response to the SCN. However, the Noticee failed to submit a complete response to SCN.
 - 8.4. The Committee has considered the partial written submissions submitted by the Noticee.

8.5. The Committee is satisfied that adequate opportunities of representation has been provided, and therefore the requirements of the principles of natural justice have been duly complied with. Accordingly, the Committee decided to proceed with the matter based on the information and documents available on record.

STANDARD OF PROOF IN REGULATORY PROCEEDINGS

9. Proceedings of this nature are regulatory and quasi-judicial in character.
10. The applicable standard of proof in such proceedings is the test of preponderance of probabilities.
11. The findings recorded in this order are therefore based on evaluation of the material on record and the submissions of the Noticee viewed through the standard of preponderance of probabilities.

CONSIDERATION OF SUBMISSIONS AND FINDINGS

12. The observations/violations, the reply of the Noticee and the findings of the Committee are as under:
 - 12.1 The Noticee in its partial reply to the observations made in the SCN as mentioned above under paragraph No. 4.2, the Noticee ignored all other observations mentioned in the SCN and submitted its reply to only one observation namely, improper use of clients' securities resulting in shortfall of clients' securities in case of 93 clients, involving a securities value of Rs. 92.80 crores. In reply to this observation, the Noticee submitted as under:

Noticee email dated April 13, 2025

"Quote

We acknowledge receipt of the above-referenced Show-Cause Notice pertaining to the forensic audit conducted by the Exchange for the period from April 1, 2014, to March 31, 2024. The said audit commenced in May 2024 and was concluded during October–November 2024.

We respectfully submit our preliminary response as under:

1. 4A Securities Limited has been a trading member of the Exchange since 2012 and continued its operations until the financial year 2023–24.

2. During the said period, 4A Securities Limited endeavored to operate in full compliance with the applicable rules, regulations, and by-laws of the Exchange, as well as all circulars and directions issued by SEBI and the Exchange.

3. As you are aware, the operations of 4A Securities Limited have already been suspended by the Exchange in the year 2023, and all employees have since disassociated from the Company.

4. We are currently in the process of reviewing the various observations and findings outlined in the Show-Cause Notice. However, this exercise is being undertaken with limited resources and access to the available books of accounts and records.

5. Please note that I assumed the role of Compliance Officer at 4A Securities Limited with effect from 17th September 2021, a fact duly communicated to the Exchange. Accordingly, I do not possess firsthand knowledge of the Company's operational, trading, or client-related activities, including those involving any group entities. Nevertheless, we are committed to providing our full cooperation in addressing the concerns raised by the Exchange.

In light of the above, we kindly request an extension of 30 days to enable us to compile a comprehensive response along with the requisite supporting documentation.

We shall be grateful for your kind consideration and look forward to your confirmation of the extension.

Unquote”

Noticee email dated April 23, 2025

“Quote

At the outset, we extend our sincere thanks for granting us an extension to respond to the Show Cause Notice (SCN).

While reviewing the liabilities of various clients as outlined in Exhibit 1 of the SCN, we observed certain discrepancies in the computations made by the forensic auditor. Specifically, the auditor appears to have overlooked the impact of shares that were returned by our group companies to the respective clients.

Below are a few examples for your kind consideration:

1. *DLJ16 (JISL EMPLOYEES ESOPS TRUST): The shares were initially purchased by the client and subsequently transferred to Avtar. These shares were then returned to DLJ16 in DP ID IN301330 22230681 on 20.07.2021 through a DIS slip. The relevant DIS slip and Avtar's transaction statement are attached for your reference.*
2. *DLN09 (NARINDER BAJAJ): This account was closed by the client on 03.10.2020. If any liabilities had remained with 4ASL or any group entity, the closure would not have taken place. Upon review, we found that all shares were returned by Competent to Mr. Narinder Bajaj, who subsequently transferred these to his other demat accounts at Tripitak Marketing LLP (DP ID 1204750000014008), IN301549 54463983, and 1204750000012944 via off-market transactions. These transactions do not appear to have been considered by the auditor.*
3. *DLS13 (SHREE GANESHAYA TRADING CO PRIVATE LIMITED): The shares were transferred back by Avtar to the client's other demat account (DP ID IN30226914658113).*
4. *DLT09 (TRIPITAK MARKETING PVT LTD): Our records indicate that the client transferred the shares off-market to Competent, which in turn transferred them to the client's other DP ID 1204750000014008. This liability also appears to be inaccurately recorded.*
5. *DLU11 (UDAI KRISHNA LAURIA):*
 - *720 shares of HUL were returned to the client's DP ID IN300360 11074388. Transaction statement attached here with*
 - *36,275 shares were returned on various dates by the group company to the client's 4ASL DP ID, and subsequently off-market transferred to his DP ID IN300360 11074388. Transaction statement attached here with*
 - *145 shares of Honeywell Automation India Ltd. were compensated by a payment of 5,400,000 to the client's bank account by 4A Financial Securities Ltd. (Bank statement attached).*
6. *DLR44 (RAJAT LAURIA): The client has off-market transferred the shares to his alternate DP ID IN300360 11157895. Transaction statement attached here with.*
7. *DLV17 (VIRENDRA KUMAR THAKUR): The client has off-market transferred the shares to his other DP ID 1204720003145385. Transaction statement attached here with.*

From the above instances, it is evident that the forensic auditor has not considered shares returned to clients by 4ASL group companies, nor off-market transfers made

by clients to their own demat accounts. These holdings are traceable in the respective client demat account statements.

In view of the above, we respectfully request detailed working of the liabilities mentioned in the SCN to allow us to cross-verify the same with our internal records. Additionally, we kindly request a further extension of 30 days to thoroughly review and reconcile all client-related liabilities.

We appreciate your understanding and look forward to your kind cooperation.

Unquote”

Noticee email dated April 28, 2025

“Quote

This is in reference to the Show Cause Notice (SCN) dated 02.04.2025, and our subsequent communications dated 25.04.2025.

In furtherance of the same, we respectfully submit the following for your kind consideration:

1. Resource Constraint:

At present, I am the sole employee managing the affairs of the Company. Consequently, the task of verifying records spanning the past eight (8) years rests solely with me.

2. Request for Time Extension:

Given the volume and historical nature of the records—many of which pertain to a period prior to my joining the organization—and considering that even the appointed auditors required three to four months to conduct their review, I kindly request a minimum of 30 additional days to complete a thorough verification of the records. We had earlier highlighted this constraint in our communication dated 23.04.2025.

3. Client No-Claim Confirmations:

It is also submitted that certain client no-claim confirmations, which were duly shared with the auditors, appear not to have been considered in the SCN while computing the liabilities. For your ease of reference, we are re-attaching copies in two part (Clients Letter-1 & Clients Letter-2) of the relevant no-claim confirmations herewith.

4. Request for Detailed Working:

As discussed during our previous interactions, we again humbly request the Exchange to kindly provide us with the detailed working/basis relied upon for calculating the liabilities mentioned in the SCN. As indicated in our email dated 23.04.2025, upon reviewing sample cases, we observed that no outstanding liabilities exist in several instances.

We sincerely appreciate your understanding and support in this matter and remain committed to providing full cooperation and compliance.

Unquote”

Noticee email dated October 04, 2025

“Quote

Clarification on SCN No. NSE/INSP/CMFOCD/LPI/2024-25/14560/2024-50219 dated April 02, 2025 and Request for Correct Auditor Report.

With reference to SCN No. NSE/INSP/CMFOCD/LPI/2024-25/14560/2024-50219 dated April 02, 2025 we have carefully examined the details mentioned therein. Upon verification, we have observed that the liabilities reflected in your report are not correct.

Also, we have observed multiple discrepancies in the computations carried out by the forensic auditor. In particular, it appears that the auditor has not taken into account the impact of shares which were either off-market transferred by clients to their own demat accounts or returned to clients by our group companies.

For your kind consideration, we have highlighted below certain illustrative instances:

1. DLA60 (AVR INVESTMENT ADVISORS LLP): Shares were initially purchased and off-market transferred by the client and subsequently transferred to Avtar. These shares were later returned to DLA60 in DP ID 12019103-00576303 through DIS slip nos. 57563 dated 13.07.2018, 57567 dated 31.07.2018, 0054365 dated 21.03.2018, 0054367 dated 04.06.2018, and 0054368 dated 06.06.2018. These transactions have not been reflected in the auditor’s working. (Annexure–1)

2. DLN09 (Narinder Bajaj): This account was closed by the client on 03.10.2020. If any liabilities had remained with 4ASL or its group entities, the closure would not have been possible. All shares were duly returned by 4A Securities Ltd. and its group company to Mr. Narinder Bajaj, who subsequently transferred them to his other demat account 12047500-00012944 (Ambit) via multiple DIS slips (details enclosed .. DIS slip no. 0043535 dt.27.06.16, 0043534 dt.20.05.16, 0042310 dt. 06.05.16, 0042309 dt.03.05.16, 0048757 dt.01.06.17, 0049217 dt.12.06.17, 0048760 dt.01.06.17, 0049214 dt.08.06.17, 0049211 dt.06.06.17, 0049212 dt.13.06.17, 0048759 dt.02.06.17, 0049483 dt.30.06.17, 0049482 dt.30.06.17, 0049220 dt.22.06.17, 0049481 dt.21.06.17, 0049216 dt.14.06.17, 0049217 dt.16.06.17, 0049215 dt.15.06.17, 0049219 dt.23.06.17, 0022308 dt.29.04.16, 0044334 dt.14.09.16, 0044332 dt.13.09.16, 0044335 dt.19.09.16, 0044336 dt.22.09.16, 0044337 dt.28.09.16, 0043537 dt.08.07.16, 0044338 dt.04.10.16, 0044340 dt.07.10.16, 0044339 dt.14.10.16, 0045892 dt.20.10.16, 0045891 dt.25.10.16, 0043484 dt.03.07.17, 0048751 dt.30.05.17, 0048756 dt.30.05.17, 0048755 dt.25.05.17, 0048752 dt.18.05.17, 0048298 dt.12.05.17, 0048299 dt.09.05.17, 0048294 dt.05.05.17, 0048753 dt.16.05.17, 0048295 dt.04.05.17, 0045898 dt.12.04.17, 0045900 dt.17.04.17, 0048296 dt.26.04.17, 0048292 dt.07.04.17, 0048291 dt.11.04.17, 0045899 dt.13.04.17, 0048293 dt.18.04.17, 0048297 dt.21.04.17). These transactions have not been considered by the auditor, and the liability is incorrectly recorded. (Annexure–2)

3. DLS13 (Shree Ganeshaya Trading Co. Pvt. Ltd.): Shares were transferred back to the client's demat account IN302269-14658113 (India Infoline Ltd.) via DIS nos. 0044381 dated 19.09.2016, 0044383 dated 28.09.2016, 0044382 dated 10.10.2016, 0044384 dated 20.10.2016, and the balance through Avtar Installments. These transactions are missing from the auditor's computation. (Annexure–3)

4. DLT09 (Tripitak Marketing Pvt. Ltd.): The client's account was closed after all shares were duly transferred to demat account 12047500-00014008 (Ambit) via DIS nos. 0047062 dated 13.01.2017, 0047061 dated 16.01.2017, 0047065 dated 20.01.2017, 0047066 dated 24.01.2017, 0047064 dated 25.01.2017, and additional off-market transactions. These have not been reflected by the auditor. (Annexure–4)

5. DLJ16 (JISL Employees ESOPS Trust): Shares initially purchased by the client and subsequently transferred to Avtar were later returned from Avtar Installments Pvt. Ltd. to account IN301330-22230681 via DIS no. 0057336 dated 20.07.2021. These have not been considered in the auditor's report. (Annexure–5)

6. *DLU11 (Udai Krishna Lauria): Various shares (including HUL, ITC Ltd., ICICI Bank, Tata Chemicals, P&G Hygiene & Healthcare, and Honeywell Automation) were either returned to the client's demat account IN300360-11074388 or sold in the market with payouts duly transferred to the client's bank account. A sum of ₹54,00,000 was also transferred by mutual agreement in lieu of Honeywell shares. These details are traceable and supported by transaction statements and DIS slips. (Annexure-6)*

7. *DLR44 (Rajat Lauria): The client's account was closed after certain shares were sold in the market (with payouts made) and the balance transferred to demat account IN300360-11157895. These transactions have not been accounted for in the auditor's records. (Annexure-7)*

8. *DLV17 (Virendra Kumar Thakur): Some shares were sold in the market (with payouts made) and the balance off-market transferred to demat account 12047200-03145385. These transactions have also not been considered by the auditor.*

From the above, it is evident that the forensic auditor has overlooked:

- *Shares duly returned to clients by 4ASL or its group companies, and*
- *Off-market transfers by clients to their own demat accounts.*

These holdings are verifiable in the respective client's demat account statements.

In view of the above, we respectfully request:

A copy of the detailed and correct working of client liabilities prepared by the forensic auditor to enable us to cross-verify with our internal records.

We therefore request you to kindly provide us with the corrected audit report at the earliest, so that we may submit our reply.

Unquote”

12.2 As the Noticee in its response sought detailed and working of client liabilities prepared by the forensic auditor, the Exchange vide its email dated October 30, 2025, provided the detailed working pertaining to 93 clients wherein instances of improper use of client securities were identified.

12.3 The Noticee in its response admitted to having transferred the securities purchased by the clients to the Demat accounts of its group companies through off-market transactions and subsequently returned to the respective clients

through the Noticee's group company. Thereafter, certain clients transferred the said securities to their other demat accounts and following such transfers, certain clients also closed their demat accounts. In this regard, the Committee noted as under-

- a. Admittedly, the Noticee had transferred the securities from its pool account to the demat accounts of its group entities. In its reply to the SCN, the Noticee provided submissions only with respect to 8 clients and failed to furnish any explanation or reply in relation to the remaining 85 clients.
- b. Section 8.1 of Chapter 3 of SEBI Master Circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, stipulates that a Trading Member shall transfer funds and securities from its respective pool account to the respective beneficiary account of the client within one working day after the pay-out day. Further, SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, mandates that in cases where securities are fully paid, the Trading Member shall transfer such securities directly from its pool account to the demat account of the respective client within one working day of pay-out. In cases where the securities have not been paid for in full (unpaid securities), such securities are required to be transferred from the pool account of the Trading Member to the Client Unpaid Securities Account ("CUSA"). The securities lying in the CUSA account shall either be transferred to the demat account of the respective client upon fulfilment of the client's fund obligation or shall be disposed of in the market by the Trading Member within five trading days after the pay-out. Such unpaid securities shall be sold from the Unique Client Code ("UCC") of the respective client, and any profit or loss arising from the sale transaction shall be credited to or adjusted against the respective client's account.
- c. However, instead of transferring the clients' securities from its pool account directly to the respective clients' demat accounts or transferring unpaid securities to the CUSA account in accordance with the aforesaid regulatory provisions, the Noticee improperly transferred such securities to the demat accounts of its group entities. The contention of the Noticee that the securities were subsequently returned to the respective clients, and that certain clients thereafter transferred the securities to their other demat accounts or closed their demat accounts, does not absolve the Noticee of its obligation to comply with the prescribed regulatory framework.
- d. Further, with respect to 8 clients, the purported securities were not routed back from the demat accounts of the group entities to the pool account of the

Noticee and thereafter to the respective clients' demat accounts, instead, they were transferred by group entities to clients directly. This chain of movement of the securities, coupled with multiple independent transfer of securities between the group entities of the Noticee and the clients have led to several incomplete loops of transactions. In absence of such a trail, it cannot be ascertained whether the securities that were purportedly returned directly by the Noticee's group entities to clients are the same securities that were originally required to be transferred by the Noticee from its pool account to the respective clients' demat accounts. The Noticee did not provide any evidence to prove that the securities have been returned to all the clients. Therefore, the Noticee's contention is not acceptable and hence the violation persist.

12.4 The Noticee contended that certain clients provided no-claim confirmations, which were shared with the auditor and enclosed along with its reply. In this regard, the Committee noted as under-

- a. Upon verification of the documents submitted by the Noticee, it was observed that no-claim confirmations were provided only in respect of 23 clients out of the total 93 clients identified during the inspection.
- b. Further, the no-claim confirmations submitted in the form of physically signed copies could not be independently verified due to concerns regarding the authenticity of the documents. Accordingly, the Exchange, vide its emails dated October 23, 2025, and November 07, 2025, requested the Noticee to submit no-due confirmation emails from all 93 clients, capturing details such as the client's Name, PAN, Address, Trading Account Number and Demat Account Number, along with a confirmation to the effect that:

"I, (Client Name), having PAN (Client PAN), resident of (Client Address), do hereby confirm that there are no dues in respect of any securities and/or funds payable to me from 4A Securities Limited as on (Date).

Client Trading Account Number: _____

Client Demat Account Number: _____"

- c. However, the Noticee neither submitted any reply to the aforesaid communications nor provided the no-due confirmation emails from the clients as requested by the Exchange. Hence, the Noticee's contention that certain clients provided no-claim confirmations is not acceptable.

12.5 The Committee further observed following certain serious observations relating to the improper use of clients' securities and improper maintenance of books of

accounts, among other violations, as detailed in the LO (paragraph 4.1 above) and the SCN (paragraph 4.2 above).

Improper use of clients' securities

- a. The clients did not have the requisite securities in their demat accounts to meet the settlement obligations, as the securities purchased by the clients were subsequently transferred off-market by the Noticee to its group entities instead of the respective clients' demat accounts. Therefore, securities sold by the clients of the Noticee were purchased by the Noticee's group/related entities to avoid the Noticee's delivery obligations towards the Exchange, as the Noticee, being a Trading Member, is required to settle its net obligations with the Clearing Corporation. Such transactions executed by the Noticee observed to be of the value Rs.94.96 crores (buy value of securities) and Rs. 93.06 crores (sell value of securities).
- b. There are difference in the opening balance in Register Of Securities (ROS) vis-à-vis demat holding statement in 94 scrips involving 51,82,169 quantities as on April 01, 2016.
- c. The Noticee has passed fictitious entries in its books of accounts in case of 1,418 instances of buy and sell trades at Re. 0.01 per share in its back-office records. However, these transactions were not reflected in the trade data as per the Exchange records.

Improper maintenance of books of accounts

- a. The Noticee has failed to credit funds to client ledger against sale of securities in case of 9 instances pertaining to 2 clients involving Rs. 15.29 lakhs.
- b. The Noticee has failed to give credit of funds received from the clients in the client ledger and non-reconciliation of funds lying in suspense account in case of 6 instances involving Rs. 1.34 lakh.
- c. Name appearing in the bank book is different from the bank statement in case of 5 instances pertaining to 4 clients, indicating that the Noticee has assigned the transactions to different names and not to the actual clients on behalf of whom the transactions were entered.
- d. The Noticee has passed Journal voucher entries in client ledger for transfer/write-off and adjustment of funds without any basis.

- e. The Noticee has understated the income in case of 9 client accounts involving Rs. 1.68 crore.
- 12.6 For the above, the Noticee failed to submit any reply or explanation with respect to these observations. Thus, in the absence of reply, the Noticee has violated the provisions of the Bye-laws, Rules and Regulations of the Exchange, as well as the circulars issued by SEBI and the Exchange, as cited in the respective LO and SCN. Hence, all the violations persist.
- 12.7 It was further noted that the Noticee was disabled in all segments of the Exchange with effect from September 29, 2022, on account of a shortfall in Exchange deposits, which were appropriated against client complaint admitted before the Grievance Redressal Committee (“GRC”) of the Exchange involving an amount of Rs. 44,99,637.17. Since then, the Noticee has continued to remain in disabled mode and has failed to replenish the required Exchange deposit amount to enable it to resume and carry on its trading activities.
- 12.8 The Committee further noted that complaints were filed by Mr. Pankaj Thakur and Ms. Sangeeta Thakur, on the basis of which a forensic audit was conducted by the Exchange, which forms the subject matter of the present SCN. It was observed that the Noticee failed to submit any reply to the complaints filed by the said clients.
- 12.9 In view of the above, the Noticee has violated the following provisions;
- a. SEBI (Stock Broker) Regulations – Chapter III – Clause 18 (1) General Obligations And Responsibilities the Stock Broker is require to meet the obligations and discharge responsibilities as stated in sub-regulation (2) to (11), in the manner specified. Clause 18 (2) Protection of client’s funds and securities require the Stock Broker to ensure clients funds are available all time and adherence to the allocation and segregation of collaterals, money and securities. Clause 18 (9) requires the Stock Broker to abide by all the provisions of the Act, rules, regulations, notifications, circulars and guidelines issued by the Central Government or the Board as the case may be as well as the rules, regulations, bye-laws, notifications, circulars and guidelines of recognised stock exchange as may be applicable to it as a stock broker. Further, Chapter VIII – code of conduct Clause 36 (1) requires the Stock Broker to maintain high standard of integrity, promptitude and fairness in the conduct of all its business. Clause 36 (2) (a) requires the Stock Broker to act honestly, fairly and with due skill, care and diligence and in the interest of

investors while conducting its business; and (b) not to indulge in manipulative transactions.

- b. NSEIL Regulation 4.5.3 (e) (CM Segment) which states that no trading member shall make improper use of the constituent's securities or funds.
- c. NSEIL Rules - Chapter IV, Rule 4 (b) engaging in conduct that is unbusinesslike in nature. The provisions, inter alia, prohibit a member from undertaking fictitious dealings, including executing such transactions with knowledge of their fictitious nature. Rule 4 (f) prohibit reckless, unwarrantable or unbusinesslike dealings in the market, including effecting transactions for a constituent's account or for any account in which the member has direct or indirect interest, where such transactions are excessive having regard to the constituent's or the member's financial resources or the prevailing market conditions and Rule 4 (i) require members to duly carry out their committed transactions with constituents.
- d. SEBI Master Circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, and SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, on handling of client securities.

12.10 The Noticee submitted that the present Compliance officer took charge only with effect from September 17, 2021, and does not possess firsthand knowledge of the Company's past operational, trading or client-related activities, including those involving group entities. The Noticee further submitted that the Compliance Officer is presently the sole employee managing the affairs of the Company and that verification of records spanning the past eight years poses practical difficulties due to resource constraints.

- a. In this regard, the Committee noted that the Noticee, being a Trading Member of the Exchange, is required to maintain proper records and ensure compliance with the applicable Rules, Bye-laws and Regulations of the Exchange, as well as the circulars issued by the Exchange and the SEBI. The submissions of the Noticee indicating lack of access to past records and severe resource constraints demonstrate that the Noticee is presently not in a position to effectively manage its regulatory obligations or carry on its day-to-day business operations as a Trading Member in a compliant manner.
- b. Further, the SEBI (Stock Brokers) Regulations, Chapter VIII – Code of conduct, Clause 36 (3) (a) require the Stock Broker to render fair, prompt and

competent services to its clients; and (b) take all reasonable steps to ensure that its employees are adequately trained to a level commensurate with their responsibilities and to act professionally at all times, which are needed for the proper performance of its business operation.

- 12.11 The serious violations as observed above, demonstrate systematic and deliberate misuse of client securities of high value. The scale of the transactions, the diversion of clients' securities to related entities indicates serious failure of internal controls and governance at the Noticee's end. Thus, the violations as established against the Noticee are serious and sensitive in nature and involve breach of fiduciary obligations owed by the Noticee to its clients, which form the foundation of investor protection in the securities market. The Committee viewed that safeguarding the clients' securities is a core compliance requirement and any shortfall in clients' securities constitutes a serious violation as it exposes clients to financial risk and undermines market confidence.
- 12.12 The Noticee has failed to cooperate with the proceedings and has not submitted replies to the LO despite multiple reminders, nor has it provided a complete and satisfactory response to the SCN. The Noticee was also granted several opportunities of personal hearing; however, except for one hearing, the Noticee failed to appear before the Committee. In the one opportunity availed by the Noticee, the Committee expressed its displeasure on the casual approach of the Compliance officer during the personal hearing and Noticee's lack of responsibility towards complying with regulatory requirements. This has led to Committee directing the Noticee to appear in-person, along with full team comprising of Promoters, Directors, Managing Directors, and the Compliance Officer, for the next personal hearing which the Noticee did not avail despite giving an additional opportunity.
- 12.13 It was further noted that the Noticee has remained disabled in all segments of the Exchange since September 29, 2022, on account of a shortfall in Exchange deposits appropriated towards a client complaint admitted before the GRC, and the Noticee has failed to replenish the required deposits to resume its trading activities. Furthermore, the Noticee itself submitted that its Compliance officer is the sole employee managing the affairs of the Company, indicating that the Noticee presently lacks adequate resources and procedures, which are needed for the proper performance of its business activity.
- 12.14 In view of the above, the Noticee has violated the provisions of SEBI (Stock Broker) Regulations, NSEIL Rules and Regulations and SEBI/Exchange Circulars as mentioned in the LO and SCN.

PRINCIPLE OF PROPORTIONALITY AND DETERMINATION OF PENALTY

13. In view of the multiple serious violations involving improper use of clients' securities, improper maintenance of books of accounts etc, when viewed cumulatively, demonstrate persistent mismanagement, diversion of client assets for own/related parties' benefits, financial distress, and failure to protect investor interests. Such conduct undermines market integrity and investor confidence. The aforesaid acts and omissions clearly demonstrate that the Noticee has failed to discharge its duties as a Trading Member and has violated the provisions of the SEBI (Stock Brokers) Regulations, the Code of Conduct applicable to Trading Members and the general principles under Regulation 4.5 of NSEIL, which mandate professionalism, adherence to trading practices and honesty and fairness in the best interest of the clients.
14. The Trading Members acting in securities market are expected to protect the interest of investors and are required to maintain high standards of integrity and fairness in the conduct of their business dealings. The conduct of Noticee is contrary to these principles and detrimental to both investors and the securities market at large.
15. The monetary penalty imposed in the present matter is in exercise of the disciplinary powers conferred upon the Exchange under Chapter IV of NSEIL Rules read with Regulation 4A.1 of Chapter 4A of NSEIL Regulations relating to disciplinary proceedings, penalties, suspension and expulsion. The said Rules empower the Exchange to impose appropriate penalties, including monetary penalties, commensurate with the gravity and nature of misconduct, particularly in cases involving misuse of client securities and funds, fictitious transactions and conduct prejudicial to the interests of investors and the securities market. The Committee noted that in the absence of a specific tariff-based penalty for such violations does not fetter its power to impose a monetary penalty under the NSEIL Rules and Regulations, which is required to be proportionate, deterrent and in furtherance of market integrity.
16. Considering the gravity, and nature of the violations, the magnitude of misuse of client securities involved, the number of clients affected and the failure of the Noticee to provide satisfactory explanations, and the continued non-cooperation with the proceedings, the Committee is of the view that the Noticee is no longer fit to continue as a Trading Member of the Exchange.
17. The Committee is of the view that the penalty imposed hereunder is commensurate with seriousness of the misconduct and is necessary to ensure deterrence and maintaining market integrity.

DECISION

18. In exercise of the powers conferred under the NSEIL Rules and Regulations, the Committee hereby orders as under: -

18.1. The Noticee shall pay a monetary penalty of Rs. 1,00,00,000/- (Rupees One Crore Only) is reasonable, proportionate, and appropriate in the circumstances of the case under the provisions of Rule 2 of Chapter IV of NSEIL Rules read with Regulation 4A.1 of Chapter 4A of the Regulations (Capital Market and F&O segment) of the Exchange.

18.2. The Noticee is declared a defaulter under the provision of Byelaw 1 of Chapter XII of the NSEIL Byelaws with immediate effect.

18.3. The Noticee is expelled from membership of the Exchange under the provision of Rule 1 and 2 of Chapter IV of NSEIL Rules with immediate effect.

Sd/-
Srinivas Injeti
(Chairperson)

Sd/-
Abhilasha Kumari
(Committee Member)

Sd/-
Essaji Vahanvati
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: April 02, 2026