

WTM/AB/SEBI/MIRSD/HO/17/2020

**SECURITIES AND EXCHANGE BOARD OF INDIA
CONFIRMATORY ORDER**

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 35 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF:

S. No.	Name of the Entity	PAN
1.	Karvy Stock Broking Limited	AABCK5190K

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1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) has passed an ex parte ad interim order dated November 22, 2019 (hereinafter referred to as “**ex parte order**”) against Karvy Stock Broking Limited (hereinafter referred to as “**KSBL**”/ “**Stock Broker**”/ “**Noticee**”) wherein the following directions were issued:

“21. Under the above circumstances, I, in exercise of powers conferred upon me under Sections 11(1), 11(4) and 11B read with Section 19 of the SEBI Act, 1992 and Regulation 35 of SEBI (Intermediaries) Regulations, 2008, by way of this ex parte ad interim order, pending forensic audit, hereby issue the following directions:

- (i) KSBL is prohibited from taking new clients in respect of its stock broking activities;*
- (ii) The Depositories i.e. NSDL and CDSL, in order to prevent further misuse of clients’ securities by KSBL, are hereby directed not to act upon any instruction*

given by KSBL in pursuance of power of attorney given to KSBL by its clients, with immediate effect;

- (iii) The Depositories shall monitor the movement of securities into and from the DP account of clients of KSBL as DP to ensure that clients' operations are not affected;*
- (iv) The Depositories shall not allow transfer of securities from DP account no. 11458979, named KARVY STOCK BROKING LTD (BSE) with immediate effect. The transfer of securities from DP account no. 11458979, named KARVY STOCK BROKING LTD (BSE) shall be permitted only to the respective beneficial owner who has paid in full against these securities, under supervision of NSE; and*
- (v) The Depositories and Stock Exchanges shall initiate appropriate disciplinary regulatory proceedings against the Noticee for misuse of clients' funds and securities as per their respective bye laws, rules and regulations;....."*

2. Ex parte order also provided that KSBL may file its objections/reply to ex parte order, if any, within 21 days from the date of receipt of ex parte order and was also given an option to avail personal hearing before SEBI on December 16, 2019. Ex parte order also provided that in the event of KSBL failing to file reply within 21 days or failing to appear before SEBI on the aforesaid date and time, the preliminary findings recorded in the ex parte order and directions, as mentioned in para 1 above, were to be deemed to be confirmed against KSBL automatically, without any further orders.
3. After passing of ex parte order, KSBL sent letters dated November 24, 2019, November 25, 2019 and November 26, 2019 primarily requesting SEBI to permit the continuation of KSBL using the power of attorney (PoA) only for the limited purpose of transfer of securities to the pool account solely for settling the clients' pay-in obligations to the Stock Exchanges. On November 28, 2019, KSBL filed an Appeal no. 579 of 2019 before Hon'ble Securities Appellate Tribunal, Mumbai (hereinafter

referred to as “**Hon’ble SAT**”) *inter alia* praying directions to SEBI to allow the KSBL to use the PoA given by its clients for limited purpose of transfer of securities to the pool account from demat accounts for settling clients’ pay-in obligations to the exchanges. Hon’ble SAT vide order dated November 29, 2019 directed SEBI to consider the request of KSBL made vide its letters dated November 24, 25 and 26, 2019 and pass an appropriate order after giving an opportunity of hearing by December 02, 2019. Accordingly, a clarificatory order dated November 29, 2019 was passed by SEBI rejecting the request of KSBL to use the PoA given by its clients.

4. The aforesaid order dated November 29, 2019 passed by SEBI was challenged by KSBL by filing an Appeal No. 65 of 2020 – Karvy Stock Broking Ltd. Vs. SEBI before Hon’ble SAT.
5. On December 02, 2019, NSDL issued a press release *inter alia* stating that pursuant to the orders dated November 22, 2019 and November 29, 2019 passed by SEBI NSDL has transferred securities from the demat account IN300394-11458979 named Karvy Stock Broking Limited (BSE) to the demat accounts of respective clients who have paid in full against these securities and that the number of such clients who have received securities are 82,559.
6. National Stock Exchange of India Ltd. (NSE) vide its order dated December 02, 2019, suspended KSBL from its membership. Against the said decision of NSE, KSBL filed an Appeal Lodging No. 587 of 2019 before Hon’ble SAT. The said appeal was disposed of by Hon’ble SAT vide its order dated December 03, 2019 with a liberty to KSBL to file an appeal as provided by Rule 13A(d) of the NSE Rules. It is understood that KSBL filed an appeal before the relevant authority i.e. Member and Core Settlement Guarantee Fund Committee (MCSGFC) of NSE against the said decision of NSE. MCSGFC by its order dated December 06, 2019 dismissed the appeal of KSBL and upheld the decision of temporary suspension.
7. KSBL vide its letter dated December 10, 2019, submitted *inter alia* as under:

- (i) We have filed an another appeal challenging the SEBI order dated November 19, 2019. The said appeal is listed for admission on December 13, 2019.
- (ii) We have been temporarily suspended by NSE under Rule 13A vide an order dated December 02, 2019 of Managing Director, NSE ("NSE order we had challenged the said decision/order of NSE in an appeal before SAT which was disposed of vide order dated December 03, 2019. We had filed our Appeal before the NSE, which was disposed of by NSE, on December 06, 2019. NSE has also issued a Show Cause Notice in the matter, which has been duly replied by us. NSE has called for hearing on December 13, 2019 pursuant to SCN issued by it.
- (iii) In the meantime, Bajaj Finance, HDFC Bank, ICICI Bank, IndusInd Bank and Axis Bank have filed Appeals before SAT against certain findings of the SEBI Order dated November 22, 2019.
- (iv) We have also been, besides dealing with the said Appeals, making sincere efforts to reply to the Ex-parte Order dated November 22, 2019. We are also trying for expeditious resolution of various issues raised in the said order and also the Show Cause Notice issued by NSE.
- (v) In view of the above, it is requested humbly that the date for filing our objections/reply to the said order may kindly be extended till December 26, 2019 and fix personal hearing anytime thereafter.
- (vi) Since we are under suspension by NSE and under prohibitory order passed by SEBI, there will be no prejudice caused to SEBI or any other stake holder and balance of convenience is in our favour for extension of time.

8. In view of the submissions made in the letter dated December 10, 2019, hearing in the matter was adjourned to January 24, 2020. Vide its letter dated January 20, 2020 KSBL submitted that it was at an advanced stage of concluding certain material events, which would enable it to sort out a number of issues cited in the SEBI order

dated November 22, 2019 and to provide a comprehensive reply. Such events would enable it in fund raising through which it would be redressing the investor complaints pending with the stock exchanges and also address the other issues which are mentioned in the captioned order of SEBI. It was submitted that KSBL expected to conclude such material events by the third week of January 2020, however, the fund raising exercise would conclude latest by February 2020. In view of this, KSBL sought an adjournment of hearing to a date any time after February 16, 2020. In view of the submission made in the letter dated January 20, 2020, hearing in the matter was adjourned to February 27, 2020.

9. On February 11, 2020, Appeal No. 65 of 2020 – Karvy Stock Broking Ltd. Vs. SEBI filed by KSBL impugning the order dated November 29, 2019 passed by SEBI came to be dismissed by Hon'ble SAT, as not pressed.
10. Vide its letter dated February 25, 2020, KSBL submitted that it had transferred Rs. 60.12 crore to its clients and securities worth Rs. 525 crore are available with them their clearing members and associates, to be transferred to clients. KSBL further submitted that the action taken by it on the resolution passed by its board including sale of stake, stock dilution of equity for raising funds. KSBL further submitted that the initiatives taken by it regarding fund raising would concluded by March 15, 2020. Accordingly, KSBL sought hearing after March 15, 2020 as it expected to receive funds by that time. In view of the submission made in the letter dated February 25, 2020, hearing in the matter was adjourned to March 19, 2020.
11. KSBL vide its letter dated March 19, 2020, *inter alia* submitted that it is in the process of stake sale in its subsidiary company i.e. Karvy Data Management Services Ltd. for an expected consideration of Rs. 3000 crore which would help it in discharging its liabilities towards its clients. It was also submitted that KSBL has transferred securities worth Rs. 83.35 crore to its respective clients and in the next two to three days, it expect to transfer securities worth Rs. 49.81 crore to its clients. Accordingly, KSBL sought adjournment of hearing scheduled on March 19, 2020. In view of the

submission made in the letter dated March 19, 2020, hearing in the matter was adjourned to April 16, 2020 which was rescheduled to May 05, 2020 due to lockdown imposed because outbreak of COVID-19 pandemic.

12. By an email dated May 04, 2020, KSBL *inter alia* submitted that in view of the nationwide lockdown imposed in the country and especially in Telangana and state of Maharashtra, it is impossible for its authorised representative to travel from Hyderabad to Mumbai for attending hearing in the matter. KSBL submitted that proposal for sale of its subsidiary is underway and getting delayed due to COVID-19. Regarding settlement of claims of its clients, KSBL submitted asunder:
 - (i) KSBL has transferred securities amounting to Rs. 154.55 crores in 2 tranches, (March 06, 2020 and March 19, 2020) to 97,999 clients. KSBL is in process of facilitating further transfer of securities amounting to Rs. 13.34 crores to 5837 clients.
 - (ii) From March 01, 2020 till date KSBL has transferred funds amounting to Rs. 11.93 crores to 3363 clients out of which Rs. 10 crores were realised through the sale of securities held by its associate companies. The total securities sold from such companies till date is Rs. 13 crores. KSBL has received a payout of Rs. 3 crores which is now being paid out to approximately 66,600 clients.
 - (iii) Further, KSBL is in the process of ensuring the sale of balance securities amounting to Rs. 5.5 crores held in the accounts of its associate companies and shall effect payment of the proceeds to its clients whose accounts are in credit.
13. Accordingly, KSBL sought adjournment of hearing scheduled on May 05, 2020. In view of the submissions made in the email dated May 04, 2020, hearing in the matter was adjourned to May 28, 2020.
14. KSBL vide its email dated May 27, 2020 submitted that from December 2019 till date, it has transferred securities amounting to Rs. 292.75 crores, to 1,15,369 clients and

funds amounting to Rs. 111.13 crores to 1,01,320 clients during the period November 2019 till date. KSBL also submitted that a material portion of the transfer of balance funds and securities due to clients would be effected after we receive the fund remittance relating to our stake sale in subsidiary company which is getting delayed due to travel restrictions imposed because of COVID-19. Accordingly, KSBL sought adjournment of hearing scheduled on May 28, 2020. Thereafter, vide its email dated May 28, 2020, KSBL further submitted that securities amounting to Rs. 98.48 crore are present in their seven demat accounts, as mentioned in the email, which are fully paid up and can be allowed to be transferred to its clients, under supervision of NSE. In view of the submissions made in the email dated May 27, 2020 and May 28, 2020, hearing in the matter was adjourned to July 02, 2020.

15. KSBL vide its email dated July 01, 2020 while requesting the adjournment of hearing scheduled on July 02, 2020, submitted *inter alia* as follows:

- (i) The travel restrictions and other challenges arising out of Covid-19 have still not normalized due to rising number of Covid-19 cases in the states of Telangana and Maharashtra and also the cities of Hyderabad and Mumbai. The Maharashtra Government has also extended the lockdown till July 31, 2020. Therefore, it would not be conducive for our authorised representatives to undertake travel to Mumbai for the hearing.
- (ii) The buyer of its subsidiary is striving to expedite the travel to Malaysia/ Singapore and completing the formalities required for the conclusion of the fund raising. The buyer had confirmed that he would be in a position to commence the remittances within 15 days after the restrictions on the lockdown and travel are lifted in those geographies.
- (iii) The buyer had initially anticipated that the restrictions on international travel would relaxed by June 10, 2020 and he would be in a position to travel and complete the formalities required for transfer of funds to our accounts. However, presently with

the travel restrictions being further extended, the buyer is still unable to travel and complete the formalities.

(iv) Since our last correspondence dated May 27, 2020 to SEBI, we have transferred securities amounting to Rs. 19.1 crores to 20827 clients and funds amounting to Rs. 3.7 crores to 12742 clients. Till date we have transferred securities amounting to Rs. 311.82 crores to 1,15,788 clients and funds amounting to Rs. 114.89 crores to 1,12,927 clients.

(v) We have also requested NSE to assist us in disposing securities aggregating to about Rs. 11 crore, out of which the exchange has confirmed that Rs. 8 crore worth of securities are liquid, and these will be sold immediately. We wish to utilise a major portion of the funds so received in affecting payment to various customers.

(vi) Further, we have been coordinating with the exchanges for release of shares valued at Rs. 6.42 crore, covering 6,758 customers. This will be completed in the next few days.

16. In view of the submissions made in the email dated July 01, 2020, hearing in the matter was adjourned to August 06, 2020.

17. KSBL vide its email dated August 05, 2020, while seeking adjournment of four weeks, *inter alia* submitted as under:

(i) The travel restrictions and other challenges arising out of Covid-19 have still not normalized due to rising number of Covid-19 cases in the states of Telangana and Maharashtra, and also in the cities of Hyderabad and Mumbai, it would not be conducive for our authorised representatives to undertake travel to Mumbai for the hearing.

(ii) Chairman and Managing Director of KSBL has been tested positive for COVID-19 due to which he is quarantined at home and is undergoing medication.

(iii) The buyer was anticipating travel restrictions to be relaxed by the mid of July 2020. However, the same has not happened. However, buyer is making efforts to complete the deal by making alternative travel arrangements.

(iv) Since our last correspondence dated July 01, 2020 to SEBI, KSBL has transferred securities amounting to Rs. 1.77 crores to 652 clients and funds amounting to Rs. 5.26 crores to 41,174 clients. From December, 2019 to July 31, 2020, KSBL has transferred securities amounting to Rs. 316.03 crores to 1,27,070 clients and from November 2019 to July 31, 2020, KSBL has transferred funds amounting to Rs. 117.93 crores to 1,52,041 clients.

18. In view of the submissions made in the email dated August 05, 2020, hearing in the matter was adjourned to August 19, 2020.

19. KSBL vide its email dated August 19, 2020, while seeking adjournment by three weeks, *inter alia*, submitted as under:

(i) Its Chairman and Managing Director continues to be under medication, has not yet recovered, and, is still under home quarantine. He is expected to recover and is confident of not requiring to be under any restrictions after the next ten days. In view of his health condition, and as per doctor's advice, he has been advised rest, and has not been able to coordinate the progress and completion of the transaction.

(ii) KSBL have been in communication with the NSE and have represented to them that KSBL will place 25% of the equity share capital of its subsidiary i.e. Karvy Data Management Services Ltd. and shall ensure that such shares placed are under the supervision of NSE in a manner that they deem fit, till such time the consideration is received from the buyer.

(iii) We reiterate that, the buyer was anticipating travel restrictions to be relaxed soon. However, the travel restrictions are still in force. The buyer has indicated that he has not been successful in his attempts to travel and complete the documentation required, so as to ensure that the funds are released. The buyer is now making alternate arrangements for travel.

(iv) In view of the confirmation received from the buyer once again and in view of his commitment to complete the transaction, we are confident that the transaction will be consummated within the next three weeks and remittances received thereafter. The main reason for the delay in completion of this transaction has been the inability of the buyer to travel due to the travel restrictions presently imposed, the end date of which is not indicative. We would humbly request you to give us additional time of about 30 days for not only receipt of funds but also to fulfill our obligations.

20. In view of the submissions made in the email dated August 19, 2020, hearing in the matter was adjourned to September 03, 2020.

21. KSBL vide its email dated September 03, 2020, while seeking adjournment by three to four weeks, *inter alia*, submitted as under:

(i) In the month of August 2020, KSBL has transferred funds amounting to Rs. 2.59 crores to 7968 clients and securities amounting to Rs. 4.88 crores to 2871 clients. From December, 2019 to August 26, 2020, KSBL has transferred securities amounting to Rs. 320.91 crores to 1,28,527 clients and from November 2019 to August 29, 2020, KSBL has transferred funds amounting to Rs. 120.52 crores to 1,55,095 clients.

(ii) The buyer has been making unstinted efforts in order to undertake travel to foreign jurisdiction, however, the lockdown on account of COVID-19 has severely hampered and derailed his travel plans.

22. In view of the submissions made in the email dated September 03, 2020, hearing in the matter was adjourned to October 13, 2020 which was further adjourned to October 16, 2020 due to administrative exigencies.
23. KSBL vide its email dated October 15, 2020, while seeking adjournment by 30-45 days, *inter alia*, submitted as under:
- (i) Till date, KSBL has transferred securities amounting to Rs. 322.01 crores to 1,28,672 clients during the period December, 2019 to September 26, 2020 and funds amounting to Rs. 142.9 crores to 1,95,348 clients during the period November 2019 to October 14, 2020.
 - (ii) The buyer has now informed that pursuant to discussions with his bankers and legal advisors, who have advised that he can travel, he will be travelling shortly. He would update the exact date of his travel in the next 3 - 4 days, which has got delayed on account of some clarification that UK and France were to announce as safety measures being undertaken in their respective countries based on the second wave of the pandemic situation.
 - (iii) Telangana state has been experiencing incessant rainfall since yesterday due to which normal life has been thrown out of gear in many parts of Hyderabad city. India Meteorological Department (IMD) is predicting heavy to very heavy rain at isolated places including Hyderabad, on October 15 and 16. There has also been power cut since yesterday and Internet connectivity has also been severely disrupted on account of the continuous power outage. It is being predicted that the situation will continue for a week. This unprecedented event also impacts the buyer's travel plan.
 - (iv) As per the directions of the MCSGFC of NSE, KSBL had opened a designated demat account in the name of Karvy Realty India Ltd (KRIL) and had ensured transfer of sixty lakh unencumbered shares of Karvy Data Management Services Ltd. (KDMSL) to such demat account.

(v) KSBL is extending the necessary cooperation to NSE in order to ensure that, its bank guarantees with NSE are duly invoked and the proceeds so realized are utilized for settlement of investor claims. Through invocation of bank guarantee by NSE, KSBL has transferred proceeds amounting to Rs. 20.34 crores to 41,398 clients in the month of October 2020.

(vi) The buyer is expediting the completion of transaction by undertaking travel to alternate jurisdiction and we are confident that, the transaction and the remittances would be completed latest by the end of November, 2020 pursuant to which we shall commence the process of settling the dues of investors through such remittances.

24. In view of the submissions made in the email dated October 15, 2020, hearing in the matter was adjourned to November 18, 2020.

25. KSBL vide its email dated November 17, 2020, while seeking adjournment by 3-4 weeks, *inter alia*, submitted as under:

(i) We submit that, till date we have with the unstinted support of SEBI and Stock Exchanges, transferred securities amounting to Rs. 322.42 crores to 1,28,888 clients during the period December 03, 2019 to November 16, 2020 and funds amounting to Rs. 173.47 crores to 2,08,105 clients during the period November 01, 2019 to November 16, 2020.

(ii) We submit that, out of the total fund transfer of Rs. 173.47 crores, an amount of Rs. 50.9 crores has been transferred to 55,305 clients in the last 45 days. Such fund transfer has been mostly done through invocation of the bank guarantees (BG's) provided by us as a Broker to NSEIL. It is submitted that we have extended the necessary cooperation to NSEIL so that, the BG's could be invoked.

- (iii) We submit that, with regard to the conclusion of the stake sale and remittances, both the buyer and Karvy have been sincerely engaged trying to progress the transaction and particularly the remittances at the earliest. Unfortunately, the buyer has faced practical hurdles that have delayed the remittances and the consummation of the transaction. We wish to emphasise that there is no change whatsoever in the buyer's commitment towards the investment on the same terms and valuation committed in the term sheet signed with us.
- (iv) With a view to initiating the remittance, given the constraints at present in transferring from Kuala Lumpur, the buyer had initiated the fund transfer process to the bank account of his wealth management company, in Zurich and transferred US\$ 120 Million to the credit of his account in Zurich as on 31st October 2020. However onward remittance to Karvy in India was fraught with certain procedural issues and thus could not be accomplished. Therefore, the buyer is making alternate arrangements in order to ensure payment as early as possible and set out the proposed plan in his letter dated November 12, 2020.
- (v) It is submitted that as per the letter dated November 12, 2020 the buyer is in the process of negotiating with Standard Chartered Bank Kuala Lumpur to issue Bank Guarantee to a paymaster in Europe pursuant to which the discounted proceeds would be invested in Karvy. The buyer had also stated in the letter that, the first tranche amounting to USD 125 million would be completed by November 20, 2020 and the transfer of the balance amount would be completed by December 07, 2020.
- (vi) We now submit that, in a sudden and unfortunate development the Buyer has tested positive for Covid-19 and is undergoing the medication and other procedures for the same.
- (vii) The buyer vide his letter dated November 17, 2020 has stated that, he has been making all efforts and maintaining operational readiness across teams and time

zones in order to ensure that the financial transactions are concluded. However, when the efforts on his part were on the verge of conclusion, he has been diagnosed with Covid-19. The buyer has stated that, on account of this unprecedented development, the process of issuance of bank guarantee (BG) to a paymaster in Europe has been impaired. The buyer has assured that he would prioritize the BG issuance upon his recovery. The buyer has once again reiterated his commitment to the transaction.

26. NSE vide its email dated November 17, 2020 has informed SEBI that it has issued a press statement informing that funds and securities worth Rs. 2,300 crore belonging to about 2.35 lakh investors of KSBL have been settled so far.
27. Member and Core Settlement Guarantee Fund Committee of NSE vide its order dated November 23, 2020 has decided that KSBL be expelled from the membership of NSE.
28. Ex parte order in the matter was passed in view of the fact that KSBL had unauthorisedly pledged the securities belonging to its clients. The directions given in the ex parte order were issued during the pendency of the forensic audit of KSBL as ordered by NSE. Since, ex parte order was passed without hearing KSBL, therefore, ex parte order provided that KSBL can file its reply to the observations made in the ex parte order as well as avail opportunity of personal hearing if it so desires. I note that no reply to the ex parte order has been filed by KSBL till date. KSBL had indicated its willingness to avail opportunity of personal hearing, however, as narrated above, it did not avail such opportunity and sought adjournment hearing in the matter, as more specifically narrated in paras 7 to 25, above. In all the requests made for the adjournment of personal hearing, KSBL has sought adjournment on the ground that it had been making efforts to arrange funds to settle the claims of its clients. In the requests for adjournment, KSBL also informed that it has also been settling the claims of the clients by arranging funds from its different sources.

29. I note that the directions issued against KSBL in the ex parte order are operating against it till date. It is further noted that trading terminals of KSBL were disabled by NSE, BSE and MSEI, with effect from December 02, 2019. Scope of the present proceedings is to confirm/revoke the directions issued vide ex parte order after hearing KSBL. Normally, the entity against whom an ex parte ad interim order is passed, files reply and try to seek expeditious hearing in the matter for revocation of ex parte ad interim order by bringing facts in support of vacation of ex parte ad interim order which has been passed pending investigation/inquiry/forensic audit. However, in the present case, KSBL neither filed any reply for revocation of ex parte order or not to confirm the ex parte order nor availed opportunity of hearing. On the contrary, on the eve of each date of hearing, KSBL sought adjournment, *inter alia*, on various pleas such as COVID-19 pandemic, heavy rains in Telangana, sickness of its Chairman, sickness of the buyer, etc. It is important to note here that in all the hearings granted on May 05, 2020 and afterwards, KSBL was given an option to avail virtual hearing through electronic audio-visual conference. I note that KSBL has not challenged transfer of securities made by NSDL from its demat account no. 11458979, to its 82559 fully paid clients, as referred to in para 5 above. I also note that in the various letters seeking adjournment, KSBL made submissions that it is transferring securities and funds to its clients. Such letters and conduct of KSBL shows that it admits the wrongdoing, as alleged in the ex parte order and therefore, has been taking the steps to remove the effects of its wrongdoing such as requesting more time so as to return the funds/securities to its clients whose securities were unauthorisedly pledged by KSBL. However, claims of many clients of KSBL still remains to be satisfied. Meanwhile, report of the forensic audit, which was directed to be conducted in the matter, has been received by SEBI from NSE and subsequent clarifications on the audit report have also been received on November 23, 2020. Thus, appropriate actions against KSBL and its directors, are to be initiated by SEBI for violation of the securities laws, as have been found in the forensic audit report and order dated November 23, 2020 of NSE.

30. In view of the above, I deem it fit to proceed further in the facts and circumstances of the case and in exercise of powers conferred upon me under Sections 11(1), 11(4) and 11B read with Section 19 of the SEBI Act, 1992 and Regulation 35 of SEBI (Intermediaries) Regulations, 2008, hereby confirm the directions issued vide ex parte ad interim order dated November 22, 2019.
31. Transfer of funds/securities made by the KSBL to its clients subsequent to SEBI order dated November 22, 2019, would not absolve KSBL or its directors from violations of the provisions of the securities laws, as have been found in the forensic audit report received in the matter. It is clarified that confirmation of the directions issued in the ex parte order by the present order shall not in any way come in the way of transfer of the funds/securities, to be made by the KSBL to its clients. KSBL shall not alienate any of its assets, except with the prior permission of NSE till the settlement of claims of the investors or under direction or order by any Court or Tribunal.
32. Stock Exchanges and Depositories shall initiate appropriate action against KSBL and its directors, for the violations of their respective bye-laws, as have been found in the forensic audit report received in the matter, in accordance with law. NSE shall invite and deal with the claims of the clients of KSBL, in accordance with its bye-laws.

Sd/-

ANANTA BARUA

WHOLE TIME MEMBER

Date: November 24, 2020

Place: Mumbai

SECURITIES AND EXCHANGE BOARD OF INDIA