May 25, 2022

The Manager,
Listing Department,
The National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor, Plot C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai 400 051.
NSE Symbol: IIFLSEC

Dear Sir/ Madam

Sub: Clarification /Confirmation on news item appearing in "Media/Publication"

Reference: NSE/CM/Surveillance/11960 and mail received dated May 24, 2022.

This is with reference to the clarification sought on the recent news item which appeared in the "livemint.com" dated May 20, 2022 captioned "Sebi Imposes A Penalty of 1 Crore On IIFL Securities For Violating Provisions.

In relation to the above, please find below the response:

a. IIFL Securities Limited (**"the Company"**) as a responsible market intermediary have implemented SEBI Circular on Enhanced supervision dated September 26, 2016 regarding monitoring of clients' funds calculation and implemented the systems and processes.

With regard to the present order, the same is with respect to very old SEBI inspection conducted in 2014, wherein although the inspection was for the period April 2011 to June 2014, SEBI applied the new methodology prescribed vide SEBI Circular on Enhanced supervision dated September 26, 2016 regarding monitoring of clients' funds calculation retrospectively. Accordingly, the Company responded that the allegations are improper and not in line with the industry wide practice followed since 1993 to June 30, 2017 by all the brokers.

The Company submitted that there was always adequate surplus of our own funds lying in clients' pool account/and exchange settlement account and margins with exchanges on all the particular days as per the erstwhile practices followed by all the brokers as demonstrated in our replies. Accordingly, the surplus of our own funds were only used towards the transfer to and from Commodities, Insurance, Wealth Management, Realty, Foreign Remittances, transactions pertaining to FD, MF, ICD etc.

Further, the Company had not misused client funds, hence interest on misuse of funds was a notional figure arrived at by SEBI considering hypothetical interest rate and borrowings.

The Company further submitted that it had always issued pay-outs to the clients as per the clients' request/ settlement periods and there has been no instance observed by SEBI or Exchanges' wherein we were unable to make payment to the clients due to insufficiency of funds.

In this regard, the Company is in discussion with legal counsel for further course of action.

b. The Company made all the necessary disclosures to stock exchanges pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and has not withheld any material information/event that in our opinion would have movement in the trading of the script. The Company shall continue to make applicable disclosures, within the stipulated time.

c. There is no material impact of this penalty on the Company.

Kindly consider the above response and oblige.

Thanking you,
Yours faithfully

For IIFL Securities Limited

IIFL Securities Limited

Meghal Shah
Company Secretary
Email: secretarial@iifl.com