

**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 February 21, 2025
In the matter of the Trading Member – Manali Trading and Holdings 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

-
1. **Manali Trading and Holdings Private Limited ("MTHPL")** 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 since April 1996, and Futures and Options ("**F&O**") segments since August 2001.
 2. The Exchange conducted a regular inspection of the books of accounts and records of MTHPL in July 2024, covering the period July 01, 2023, to June 30, 2024 ("**Inspection Period**"). Post-inspection, the Exchange issued a Letter of Observation (**LO**) dated October 03, 2024, for the observed violations. MTHPL replied to the said LO on October 21, 2024.

INSPECTION OBSERVATIONS/VIOLATIONS ALLEGED IN LO

3 The observations/violations mentioned in the LO are summarized hereunder: -

- 3.1 Non-adherence to the Member Core Settlement Guarantee Fund Committee (MCSGFC) (Now Member Committee) directions
- 3.2 Non-maintenance of appropriate evidence with respect to the orders placed by the clients
- 3.3 Unauthorised execution of trades since pre order confirmation not maintained
- 3.4 Non- settlement of client funds
- 3.5 Non-closure of demat account tagged as Client Collateral Account
- 3.6 Delay in issuance of Daily Margin Statement
- 3.7 Daily Margin Statement to clients with discrepancies
- 3.8 In-person verification (IPV) not done while registering the client
- 3.9 Material discrepancies in the retention statement sent to clients
- 3.10 Incorrect data submitted towards Risk Based Supervision (RBS)
- 3.11 Incorrect reporting of margin collection from clients to Exchange
- 3.12 Allocation of trading terminals to Compliance Officer
- 3.13 Non-maintenance of registration documents in two parts viz. mandatory and non-mandatory
- 3.14 Non-maintenance of client registration documents containing all the prescribed mandatory documents and all fields properly filled up
- 3.15 Incorrect data submitted towards Client Level Holding Statement
- 3.16 Incorrect data submitted towards weekly monitoring of client funds
- 3.17 Non-upload of KYC information to KRA within 10 days from the date of registration
- 3.18 Non-issuance of intimation of transfer of funds to clients by SMS at the time of running account settlement
- 3.19 Client Unpaid Securities Account not wound-up on or before April 15, 2023

REGULATORY PROVISIONS

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

4.1 **Non-adherence to the Member Core Settlement Guarantee Fund Committee (MCSGFC) (Now Member Committee) directions**

a. Chapter IV of Exchange Rules

Misconduct

(3) *A trading member shall be deemed guilty of misconduct for any of the following or similar acts or omissions, namely:*

(e) *Failure to comply with Resolutions: If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the relevant authority or of any Committee or officer of the Exchange or other person authorized in that behalf under the Byelaws, Rules and Regulations of the Exchange.*

b. Regulations 4.5.1 and 4.5.2 of Exchange Regulations (CM and F&O Segments)

4.5.1 ADHERENCE TO SEBI CODE OF CONDUCT *The Trading Member shall at all times subscribe to the Code of Conduct as prescribed by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992.*

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.*

4.2 **Non-maintenance of appropriate evidence with respect to the orders placed by the clients**

a. Regulation 3.2.1 of Exchange Regulations (CM Segment) and Regulation 3.4.1 of Exchange Regulations (F&O Segment)

3.2.1 *Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.*

Notwithstanding the above, wherever the order instructions are received from clients through the telephone, Members shall mandatorily use the telephone recording system to record the instructions and maintain telephone recordings as part of its records.

- b. Exchange Circular No. NSE/INSP/37301 dated March 26, 2018 (SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018)

III. To further strengthen regulatory provisions against un-authorized trades and also to harmonize the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:

- a. Physical record written & signed by the client,*
- b. Telephone recording,*
- b. Email from authorized email id,*
- b. Log for internet transactions,*
- c. Record of messages through mobile phones,*
- d. Any other legally verifiable record.*

When a dispute arises, the broker shall produce the above-mentioned records for the disputed trades. However, for exceptional cases such as technical failure etc. where broker fails to produce order placing evidence, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

IV. Further, wherever the order instructions are received from clients through the telephone, the stockbroker shall mandatorily use the telephone recording system to record the instructions and maintain telephone recordings as part of its records.

4.3 **Unauthorised execution of trades since pre order confirmation not maintained in case of 20 instances.**

- a. Exchange Circular No. NSE/INSP/62813 dated July 05, 2024

Sub: Enforcement actions against the Trading Members

This is with reference to Exchange Circular NSE/INSP/53530 dated September 2, 2022, on Enforcement actions against the Trading Members which is modified as below

Trading Members are informed as follows:

1. Schedule I (B) Sr. No. 63 for observation 'Member has not maintained pre order confirmation of trades':

SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018, mandates Trading Members to maintain evidence of pre-order placement for trades of clients.

Non-compliance to above Circular such as non-maintenance or not providing pre-order placement evidence for trades of clients when sought, shall be construed by the Exchange as unauthorized trade executed by the Trading Member as said trades were executed without the consent of the client. Accordingly, penalty structure with respect to unauthorized trades informed vide Exchange Circular No. NSE/ISC/60035 dated December 29, 2023, and similar circulars issued from time to time, shall be applicable to the above-mentioned non-compliance.

4.4 Non-settlement of clients' fund

- a. 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. In partial modification of circular on running account settlement, the stock broker shall ensure that;

8.1.1 There must be a gap of maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.

- b. Exchange Circular No. NSE/INSP/49458 dated August 31, 2021,

SEBI/HO/MIRSD/DOP/P/CIR/2021/577 (SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018)

12. *In which circumstances does settlement need not be done by a member?*

The periodic settlement as per the above-mentioned rules (Point no.1) is not required to be done in the following cases:

- a) ..
- b) ..
- c) ..
- d) ..
- e) *In the case of new clients, no settlement would be required in the month/quarter in which funds are received by the Member for the first time. However, members shall ensure that, if the client is having credit balance and has 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.*

15. *What is the applicable last transaction date, for returning the credit balance of clients who have not done any transaction in the 30 calendar days since the last transaction? –*

For the clients having credit balance (on or after August 01, 2021), 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 trading member, within next three working days irrespective of the date when the running account was previously settled.

4.5 **Non-closure of demat account tagged as Client Collateral Account by August 31, 2020**

- a. Exchange Circular No. NSE/INSP/43653 dated February 25, 2020 (SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020)

12. Trading Member/Clearing Member shall be required to close all existing demat accounts tagged as 'Client Margin/Collateral' by June 30, 2020. The Trading Member/Clearing Member shall be required to transfer all client's securities lying in such accounts to the respective clients' demat accounts. Thereafter, Trading Member/Clearing Member are prohibited

from holding any client securities in any beneficial owner accounts of Trading Member/Clearing Member and in pool account(s), unpaid securities account, other than specifically tagged accounts as indicated above, and in pool account(s), unpaid securities account, as provided in SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019.

- b. Exchange Circular No. NSE/INSP/45191 dated July 29, 2020 (SEBI/HO/MIRSD/DOP/CIR/P/2020/143 dated July 29, 2020)

3. It is reiterated that, in terms of paragraph 12 of the circular dated February 25, 2020, the TM / CM shall be required to close all existing demat accounts tagged as 'Client Margin / Collateral' by August 31, 2020.

4.6 **Delay in issuance of Daily Margin Statement to clients**

- a. Exchange Circular No. NSE/INSP/45134 dated July 25, 2020

16. Are Members required to provide the Margin related information to clients?

*Members should send margin related information to their clients. An indicative format of daily margin statement stipulating the minimum information to be provided to clients is enclosed as **Annexure B**.*

Such margin related information (Daily margin statement) should be issued by Members to clients on a daily basis at the end of the trade day (T-Day) itself or by such timelines as may be specified from time to time.

4.7 **Daily Margin Statement to clients with discrepancies**

- a. Exchange Circular No. NSE/INSP/45134 dated July 25, 2020

Annexure A

16. Are Members required to provide the Margin related information to clients?

*Members should send margin related information to their clients. An indicative format of daily margin statement stipulating the minimum information to be provided to clients is enclosed as **Annexure B**.*

Such margin related information (Daily margin statement) should be issued by Members to clients on a daily basis at the end of the trade day (T-Day) itself or by such timelines as may be specified from time to time.

4.8 In-person verification (IPV) not done while registering the client.

- a. Exchange Circular No. NSE/INSP/19654 dated December 26, 2011 (SEBI Circular no MIRSD/Cir- 26 /2011 dated December 23, 2011)

3. In-Person Verification (IPV):

With regard to the requirement of in-person' verification (IPV), SEBI has issued guidelines to the stockbrokers and depository participants (DPs). However, in line with the uniformity brought out in the KYC procedure across intermediaries, the IPV requirements for all the intermediaries have now been streamlined and harmonized, as follows:

- i. It shall be mandatory for all the intermediaries addressed in this circular to carry out IPV of their clients.*
- ii. The intermediary shall ensure that the details like name of the person doing IPV, his designation, organization with his signatures and date are recorded on the KYC form at the time of IPV.*
- iii. The IPV carried out by one SEBI registered intermediary can be relied upon by another intermediary.*
- iv. In case of Stockbrokers, their sub-brokers or Authorised Persons (appointed by the stockbrokers after getting approval from the concerned Stock Exchanges in terms of SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009) can perform the IPV.*

4.9 Material discrepancies in retention statements sent to clients

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

8.1 The stockbroker shall ensure that;

8.1.4 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 Circular No. 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.

4.10 **Incorrect data submitted towards Risk Based Supervision (RBS) as on March 31, 2024**

- a. Exchange Circular No. NSE/INSP/61572 dated April 12, 2024

Members are requested to submit the information / data towards the Risk Based Assessment for the period April 01, 2023 – March 31, 2024, to the Exchange. The particulars of such information / data sought in this regard are enclosed as Annexure-A.

.....

It is to be noted that the submission of RBS data is mandatory for all active Members of the Exchange (i.e. those who have executed even a single trade during the assessment period April 01, 2023 – March 31, 2024). Furthermore, the data collated from the Trading Members/Exchange towards RBS is shared with SEBI and in case of any non-submission/delayed submission by a Trading Member, disciplinary action as prescribed in Annexure-C will be initiated

Annexure A

RISK TEMPLATE FOR MEMBERS FOR THE PERIOD APRIL 01, 2023 - MARCH 31, 2024			
SR. No.	Particulars	Details	Description
22	Total debit balances of all clients as on last day of assessment		Aggregate value of clear Debit Balances of all clients across MTF/Non-MTF balances as obtained from trial balance across segments and across exchanges (after adjusting for open bills of clients,

<i>RISK TEMPLATE FOR MEMBERS FOR THE PERIOD APRIL 01, 2023 - MARCH 31, 2024</i>			
<i>SR. No.</i>	<i>Particulars</i>	<i>Details</i>	<i>Description</i>
	<i>period (in Rs.)</i>		<i>uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations if posted in the client ledger if any). Open bills also contain 'value of credit entry posted in client ledger in lieu of successful EPI of securities to CC.</i>
23	<i>Total available collaterals from all debit balance clients as on last day of the Assessment period</i>		<p><i>Total available collateral from debit balance clients (as considered for the point no. 22 above) as on last day of the assessment period:</i></p> <p><i>For aggregating total available collateral of the member for the debit balance clients, the client wise available collateral should be considered as lower of debit and Total value of collateral for that client.</i></p> <p><i>Total value of collateral to be considered should be, collateral available in the demat account of the Trading Member which is Pool Account and Pledged to the Trading Member i.e., Client Securities Margin Pledge Account, Client Securities Under Margin Funding Account, Client Unpaid Securities Pledge Account.</i></p> <p><i>Further, value of the collaterals to be reported as: -</i></p> <ol style="list-style-type: none"> <i>a. T day for quantity and</i> <i>b. T – 1 day for Var & Closing price</i>

4.11 Incorrect reporting of margin collected from the clients**a. Regulation 3.10 of NSEIL Regulations (F&O Segment)*****MARGIN FROM THE CONSTITUENTS***

(a) The Trading Members must demand from its constituents the margin deposit which the Member has to provide under these Trading Regulations in respect of the business done by the Members for such constituents.

b. Exchange Circular No. NSE/INSP/10367 dated February 28, 2008

..... all clearing members and trading members in the F & O segment are required to collect initial margin from all the trading members / constituents whose transactions are settled by them and also to report on a daily basis, details in respect of such margin due and collected.

c. Exchange Circular No. NSE/INSP/43069 dated December 31, 2019

Exchange issued the clarification in the form of frequently asked questions on margin collection and reporting.

16. What does false reporting of margin/MTM (Non-Compliance) mean?

Where the margins including upfront margins /MTM Losses has not been collected/short collected by the Member in any of the applicable modes prescribed above, however the same has been reported by the member as collected, it would be construed as false reporting to the clearing corporation.

d. Exchange Circular No. NSE/INSP/45191 dated July 31, 2020

Exchange issued clarification in the form of frequently asked questions on margin collection and reporting.

1. What margins are required to be collected by Trading Members from clients in the Capital & Derivatives Segment?***B. F&O segment***

In the F&O segment, it is mandatory for Trading Members to collect SPAN margin & Extreme loss margin from respective clients on a upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Delivery Margin and margin on consolidated crystallized obligation shall be collected from clients by T+1 day.

C. Currency Derivative segment

In case of Currency Derivatives segment also, it is mandatory for Trading Members to collect initial margin and extreme loss margins from their client on an upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Margin on consolidated crystallized obligation shall be collected from clients by T+1 day. However, in case of currency future contracts, final settlement amount shall be collected by T+2 day.

- e. Exchange Circular No. NSE/INSP/45534 dated August 31, 2020

A. Capital Market Segment

In Capital Market segment, Trading Members (TM) are required to mandatorily collect minimum 20% upfront margin in lieu of VaR and ELM from the client on an upfront basis. Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed from time to time, shall be collected within 'T+2' working days from their clients. It must be ensured that minimum 20% upfront margin is collected in advance of trade and other margins are collected/paid as soon as margin calls are made by the clearing corporations.

4.12 **Allocation of trading terminals to Compliance Officer from where trades were executed**

- a. Exchange Circular No. NSE/COMP/54600, dated November 25, 2022

8. Allotment of Trading Terminals: Members shall ensure that no trading terminal is allotted to the Compliance Officer or any staff of his office except for the purpose of risk management /monitoring/testing or for view only purpose and no trades shall be executed from such terminals.

4.13 Improper / incomplete maintenance of client registration documents

- a. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI Circular No. MIRSD/ SE /Cir-19/2009 dated December 3, 2009)

Client Registration Procedure

1. *The stockbroker shall register a client by entering into an agreement with him. For this purpose, the stockbroker shall make available a folder / book containing all the documents required for registration of a client. The folder/book shall have an index page listing all the documents contained in it and indicating briefly significance of each document. Once signed, a copy of the same shall be made available to the client.*

- b. Exchange Circular No. NSE/INSP/18677 dated August 22, 2011 (SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011)

2. *SEBI has devised the uniform documentation to be followed by all the stockbrokers / trading members; a copy thereof to be provided by them to the clients. The details of such documents are listed below:*

- i. *Index of documents giving details of various documents for client account opening process*
- ii. *Client Account Opening Form in two parts:*
 - a. *Know Your Client (KYC) form capturing the basic information about the client and instruction/check list to fill up the form.*
 - b. *Document capturing additional information about the client related to trading account.*
- iii. *Document stating the Rights & Obligations of stockbroker, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet / wireless technology-based trading).*
- iv. *Uniform Risk Disclosure Documents (for all segments / exchanges).*
- v. *Guidance Note detailing Do's and Don'ts for trading on exchanges.*

4.14 Registration document book does not contain demarcation of mandatory and non-mandatory fields

- a. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI Circular No. MIRSD/ SE /Cir-19/2009 dated December 3, 2009)

Client Registration Procedure

1. *The stock broker shall register a client by entering into an agreement with him. For this purpose, the stock broker shall make available a folder /book containing all the documents required for registration of a client. The folder/book shall have an index page listing all the documents contained in it and indicating briefly significance of each document. Once signed, a copy of the same shall be made available to the client.*
2. *The folder/book shall have two parts: (a) Mandatory and (b) Nonmandatory.*

Mandatory Documents

3. *The mandatory documents are:*
 - a. *Member Client Agreement (MCA)/Tripartite Agreement in case sub-broker is associated,*
 - b. *Know Your Client (KYC) Form*
 - c. *Risk Disclosure Document (RDD)*

These shall be executed in the format as prescribed by SEBI

4.15 Incorrect data submitted towards Client Level Holding Statement

- a. Exchange Circular No. NSE/INSP/39855 dated January 3, 2019

All Members were advised to comply with the requirement and upload the Holding statement data electronically for all calendar days of the reporting week on or before the next four trading days of the subsequent week through the inspection module in the Member portal. The procedure for submission of the data was given in Annexure-1 of this circular.

4.16 Incorrect data submitted towards weekly monitoring of client funds

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

- 3.2 *Stock brokers 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:*

A-....

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 stock broker with the bank to obtain the BG, shall be considered as part of B

F- ...

MC-....

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

4.17 **Non-upload of KYC information to KRA within 10 days from the date of registration**

- a. Exchange Circular No. NSE/INSP/19654 dated December 26, 2011 (SEBI Circular No. MIRSD/Cir- 26 /2011 dated December 23, 2011)

1.Guidelines for Intermediaries

- i. After doing the initial KYC of the new clients, the intermediary shall forthwith upload the KYC information on the system of the KRA and send the KYC documents, i.e. KYC application form and supporting documents of the clients, to the KRA within 10 working days from the date of execution of documents by the client and maintain the proof of dispatch.*

- b. Exchange Circular No. NSE/INSP/23113 dated April 02, 2013 (SEBI Circular No. CIR/MIRSD/ 4 /2013 dated March 28, 2013)

- 2. The Securities and Exchange Board of India {KYC (Know Your Client) Registration Agency} Amendment Regulations, 2013 have been notified vide No. LADNRO / GN/2012-13/35/6998 with effect from March 22, 2013 whereby the requirement for sending original KYC documents of the clients to the KRA has been removed.*

4.18 **Non-issuance of intimation of transfer of funds to clients by SMS at the time of running account settlement.**

- 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)

5.8. *Once the TM 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 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.*

4.19 **Client Unpaid Securities Account not wound-up on or before April 15, 2023**

- a. Exchange Circular No. NSE/INSP/54390 dated November 11, 2022 (SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022)

3.11 *All the existing “client unpaid securities accounts” shall be wound up on or before April 15, 2023. The securities lying in such accounts shall either be disposed off in the market or be transferred to the client’s demat account by the TM/CM, accordingly, failing which such accounts shall be frozen for debit and credit*

PRESENT PROCEEDINGS BEFORE THE COMMITTEE

The Exchange, vide its email dated February 14, 2025, granted MTHPL an opportunity of personal hearing before the Committee in its meeting held on July 29, 2024. On behalf of MTHPL, Mr. Sailesh Jasani (Director) and Mr. Rajesh Parekh (Director) appeared and reiterated their written submission before the Committee.

CONSIDERATION AND FINDINGS

- 5 The observations/alleged violations, the reply of MTHPL and the findings of the Committee are as under: -

5.1 Non-adherence to the Member Core Settlement Guarantee Fund Committee (MCSGFC) (Now Member Committee) directions

5.1.1 Upon verification of action letter having reference No. NSE/INSP/MCSGFC-89/CMFO/REG/21-22/ACT/08859 dated April 11, 2023, issued to MTHPL, it was observed that MTHPL has not adhered to the following Committee's directions for the violation, - *"Member has not kept appropriate evidence in respect of the order placed by their clients"*.

"Given the findings mentioned above, the Committee decided to levy monetary penalty of Rs. 25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication for the observed violation."

5.1.2 In reply to the LO, MTHPL submitted as under:

- a. MTHPL implemented the 'voice recording' system to record, inter alia, pre-trade orders, funds withdrawal requests, etc. in the previous year only. However, in course of time, the system failed on most of the deliverables and turned out to be unstable and unreliable. Rather, it was prone to malfunction and ultimately the whole data got corrupted. MTHPL had to scrap the entire system.
- b. Unfortunately, MTHPL completely lost all the earlier data till August 2024. As a replacement, after evaluating a few proven and recommended vendors, finally installed a new 'voice recording' system in the previous month. The TM further submitted that, but for this inadvertent aberration, they have an operational 'voice recording' system in place and are fully compliant with the committee's directions and other relevant provisions.

5.1.3 The Committee finds as under:

- a. The Exchange vide action letter bearing reference No. NSE/INSP/MCSGFC-89/CMFO/REG/21-22/ACT/08859 dated April 11, 2023, levied the penalty of Rs. 25,000/- and directed MTHPL to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication for the violation. However, MTHPL, failed to adhere to the Committee's directions within 30 days i.e. by May 11, 2023,

and submitted that due to system malfunctioning, entire data got corrupted and they lost the entire data till April 2024. Thus, MTHPL violated the Committee's direction of keeping appropriate evidence for orders placed by client within 30 days. Hence, the violation persists.

- b. Thus, MTHPL violated Chapter IV (3) (e) of NSEIL Rules and Regulation 4.5.1 and 4.5.2 of NEIL Regulations (CM and F&O Segment)

5.1.4 Given the finding as above, the Committee decided to levy a combined penalty for this violation under paragraph no. 5.1.1 and 5.2.1, as specified under paragraph no. 5.2.4 below.

5.2 Non-maintenance of appropriate evidence with respect to the orders placed by the clients

5.2.1 Upon verification of the pre-order placement records of MTHPL, the Exchange observed that MTHPL did not maintain appropriate evidence in respect of the orders placed by the clients in case of 20 instances out of 20 sample instances (100% of sample instances) verified during the inspection period between July 2023 to June 2024.

5.2.2 In reply to the LO, MTHPL submitted as under:

- a. MTHPL implemented the 'voice recording' system to record, inter alia, pre-trade orders, funds withdrawal requests, etc. in the previous year only. However, in the course of time, the system failed on most of the deliverables and turned out to be unstable and unreliable. Rather, it was prone to malfunction and ultimately the whole data got corrupted. MTHPL had to scrap the entire system.
- b. MTHPL further submitted that, they completely lost all the earlier data till August 2024. As a replacement, after evaluating a few proven and recommended vendors, they have installed a new 'voice recording' system in the previous month. The TM further submitted that, for this inadvertent aberration, they have an operational 'voice recording' system in place and are fully compliant with the committee's directions and other relevant provisions.

- c. MTHPL further submitted that they have installed a stable call recorder and all the calls are recorded for order placement, trade confirmation, payout request or for other matters. Thus, they are fully compliant.

5.2.3 The Committee finds as under:

- a. MTHPL, in its reply to the LO dated October 21, 2024, claimed that it has installed a stable call recording system, and all calls are being recorded. Furthermore, MTHPL submitted that it has completely lost all the earlier data up to August 2024.
- b. In view of the above submission by MTHPL, the Exchange, via email dated December 03, 2024, sought an additional reply along with supporting documents from MTHPL for the observed violation for the period from August 2024 till date, for the clients as listed out under *Annexure 11* attached to the email dated December 03, 2024.
- c. MTHPL, via an email dated December 11, 2024, provided 8 random call recordings pertaining to the period from August 2024 to November 2024 and reiterated their earlier submission dated October 21, 2024. However, MTHPL failed to provide the call recordings of the 20 clients as mentioned in the said *Annexure* attached to the email dated December 03, 2024.
- d. Considering that a) MTHPL failed to provide call recordings of 20 clients as mentioned in *Annexure 11* attached to the email dated December 03, 2024, b) MTHPL lost all call recording data up to April 2024, and c) MTHPL failed to adhere to MCSGFC directions dated April 11, 2023, to maintain appropriate evidence for orders placed by clients within 30 days from the date of communication and d) the violation is repetitive in nature, as it was earlier observed during the inspection period from January 2021 to December 2021 and again observed during the Inspection Period from July 01, 2023, to June 30, 2024, the Exchange, via email dated December 30, 2024, directed MTHPL to submit the following documents:
 - i. *Vendor certificate for the system failure resulting in loss of call recordings for inspection period i.e.; pre-Aug 2024.*
 - ii. *Certificate from the vendor / system auditor certifying compliance*

- on capturing call recordings post corrective actions taken by TM.*
- iii. *Call recordings for all trades of all sample clients mentioned in Annexure_11 attached to the email dated December 03, 2024, for the period Aug-24 till date.*

MTHPL was further requested to take note that “...the said observation was also reported in previous inspection whereby TM was directed to have proper systems in place in order to comply with pre-order confirmation from clients vide action letter dated April 11, 2023 (attached). Thus, the escalated penalty is applicable including “No new clients till such system is put in place”

MTHPL, was requested to provide the said information within 5 days i.e. by January 04, 2025.

- e. On February 06, 2025, MTHPL, via 12 separate emails, submitted letters signed by the clients. Upon verification of these letters, it was observed that the letters were addressed to MTHPL, requesting the placement of orders as mentioned in the letters as evidence of order placement in written form. However, the letters were without a timestamp, and thus it could not be ascertained whether the client requests were received prior to execution of the orders. Further, these letters are contrary to MTHPL submission that they have fully complied by installing a stable call recording system, and all calls are being recorded. Furthermore, MTHPL failed to submit the documents as requested by the Exchange via email dated December 30, 2024.
- f. Accordingly, in reply to MTHPL email dated February 06, 2025, the Exchange via email dated February 07, 2025, requested MTHPL to demonstrate the process flow or mechanism adopted for keeping the records in physical form written and signed by the clients and requested to provide following further supporting documents;
- i. *Any SOP/Document which can demonstrate that member is following process or mechanism to maintain records of pre-order placement for the period Aug-24 till date.*
- ii. *While maintaining the records in “Physical form written & signed by clients” the methodology adopted by member to match the “price-range” and “quantities” of trades as required by clients.*

- iii. Any relevant supporting or document which can demonstrate that current status of system in place for confirmation of pre-order placement.

The Exchange has also reiterated its earlier requirements as mentioned in email dated December 30, 2024, and indicative penalty as *“Monetary Penalty of Rs. 37,500/- + No new clients till such system is put in place”*.

- g. However, MTHPL failed to provide the documents / information sought under the aforementioned email dated December 30, 2024, and February 07, 2025. Thus, MTHPL failed to maintain appropriate evidence with respect to clients placing such orders. Hence, the violation persists.
- h. As per Regulation 3.2.1 of NSEIL Regulations (CM Segment) and Regulation 3.4.1 of NSEIL Regulations (F&O Segment, Trading Members shall ensure that appropriate confirmed order instructions are obtained from the clients before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof
- i. Exchange Circular No. NSE/INSP/37301 dated March 26, 2018 (SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018) stipulates Trading Members to execute clients' trades only after keeping evidence of the client placing such an order, which could be, *inter alia* in the form of a physical record written and signed by the client, telephone recording, email from authorized email id, log for internet transactions, the record of messages through mobile phones, and any other legally verifiable record.
- j. Thus, MTHPL has violated the regulatory provisions as mentioned above by failing to maintain appropriate evidence with respect to clients placing such orders.
- k. The violation was initially observed during the inspection period from January 2021 to December 2021 and was observed again during the Inspection Period from July 1, 2023, to June 30, 2024. Since the same violation is observed second time, the prescribed

penalty/disciplinary action shall be a 50% escalation of penalty and a prohibition on onboarding new clients until the required systems are put in place, as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

5.2.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 37,500/- (Penalty of Rs. 25,000 + 2nd time - 50% escalation) and prohibition on the onboarding of new clients till an appropriate system is put in place to the satisfaction of the Exchange in terms of Schedule – I, Part B, Sr. No. 63 of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

5.3 Unauthorised execution of trades since pre order confirmation not maintained

5.3.1 MTHPL has not kept appropriate evidence with respect to the order placed by its clients in case of 20 instances. Thus, MTHPL executed unauthorised as the said trades were executed without clients' consent.

5.3.2 In reply to the LO, MTHPL submitted that the observation is not in accordance with the Exchange Circular No. NSE/INSP/62813 dated July 05, 2024. The said circular was implemented with immediate effect and applicable prospectively i.e. for July 05, 2024. All the observations are before July 05, 2024 (effective date) and therefore the said circular is not applicable.

5.3.3 The Committee finds as under:

The contention of MTHPL that the inspection period pertaining to the observation alleging unauthorised trades is before the effective date of implementation of the Exchange Circular No. NSE/INSP/62813 dated July 05, 2024, and the provisions of the said circular cannot be applied prospectively is found to be correct. Hence, no violation persists.

5.3.4 Given the findings mentioned above, the Committee decided that no action is warranted against MTHPL for the observed violation.

5.4 Non-settlement of clients' fund

5.4.1 The Exchange verified the settlement declaration, register of securities, client ledgers, bank books, weekly client level cash and cash equivalent

submission and trade data along with margin and obligation data from Clearing Corporations. Upon verification, it is observed that MTHPL had failed to settle the active and inactive client's funds in 19 out of 152 instances (12.5%) amounting to Rs. 42.16 Lakhs during the period from January 5, 2024, to July 5, 2024, as under: -

- a. Active Clients - 2 instances out of 77 instances selected for sample scrutiny involving an amount of Rs. 42.09 lakhs.
- b. Inactive clients - 17 out of 75 clients involving Rs. 7,520/-.

5.4.2 In reply to the LO, MTHPL submitted as under:

- a. Non- settlement of active clients:
 - i. Client code 30036: - The difference in valuation of collateral securities due to back-office process which resulted in the observed shortfall.
 - ii. Client code 10015: - The tagging of client pledge account with the client was not done properly in the back-office software which resulted in lesser value of collateral and in turn led to the observed shortfall. The clients are related parties. The issue has already been taken up with software vendor and the same is expected to be rectified shortly.
- b. Non- settlement of Inactive clients:
- c. MTHPL was Depository Participant (DP) of CDSL also. The 17 instances pertain to amount unsettled were retained towards CDSL Annual Maintenance Charges (AMC)/Fees. The details are as under:
 - i. 11 Clients (Unique Client Code (UCC): 12506, 12514, 12515, 12518, 12519, 20375, 20404, 21273, 30014, 30196 and 32210:
=
These clients have a credit balance of Rs. 354/- while the remaining 7 client had a credit balance ranging from lowest of Rs. 4/- to highest of Rs. 1,059/-, aggregating to merely Rs. 3,926/- Total AMC of Rs. 354/- (AMC Rs. 300/- + GST Rs. 54/-) and the credit balance of all 11 instances is matching.

- ii. 6 Clients (UCC: 22246, 30015, 30032, 30044, 32222, 32586): -
The credit amount varies. These six instances not settled, and the amount was retained towards CDSL fees. MTHPL was of the view that the regular settlement of funds is to be done only for Exchange related amount and not for CDSL related amount. The amount involved is not material too.

5.4.3 The Committee finds as under:

- a. Non- settlement of active clients:

MTHPL accepted the inspection observation and attributed the same to back- office issues resulting in incorrect computation of the value of collateral securities. MTHPL has stated that steps have been taken to ensure future rectification and compliance. Hence, the violation persists.

- b. Non- settlement of Inactive clients:

Exchange Circular no. NSE/INSP/49458 dated August 31, 2021 and 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), stipulates that 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 Trading Member (TM), within next three working days irrespective of the date when the running account was previously settled. Further, retention of any amount towards administrative / operational difficulties in settling the accounts of regular trading clients (active clients), is discontinued.

- c. In view of the above, the contention of MTHPL in case of 11 inactive clients (Client codes: 12506, 12514, 12515, 12518, 12519, 20375, 20404, 21273, 30014, 30196 and 32210) that the unsettled amounts pertain to AMC and hence not settled is not acceptable. Further, the contention of MTHPL in case of 6 other inactive clients (Client codes: 22246, 30015, 30032, 30044, 32222, 32586), that the unsettled amounts pertain to CDSL fees that were retained, is not acceptable, since all the clients who have not done any transaction in the 30

calendar days since the last transaction, must be mandatorily settled within three working days. Thus, the violation persists.

- d. 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, violation persists.
- e. In view of the above, violation persists for non-settlement of client funds, in case of 19 out of 152 instances (12.5% of the total instances verified).
- f. MTHPL violated the provision of Exchange Circular No. NSE/INSP/33276 dated September 27, 2016 (SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016), and Exchange Circular No. NSE/INSP/49458 dated August 31, 2021, by failing to settle the active and inactive client accounts.

5.4.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 21,080/- (0.5% of Rs. 42,16,089) 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 Non-closure of demat account tagged as Client Collateral Account by August 31, 2020

5.5.1 The Exchange verified the demat accounts of MTHPL from the records of the Exchange. Upon verification, the Exchange observed that MTHPL failed to close 1 demat account (A/c -1203260000006435) tagged as client collateral account by August 31, 2020.

5.5.2 In reply to the LO, MTHPL submitted as under:

- a. MTHPL's old client collateral demat account holds 2 ISINs belonging to their clients that are in the 'Frozen for both Debit and Credit' mode since very long. A demat account can be closed only after its holding becomes NIL. In this case, due to not able to transfer the securities to respective clients, the demat account is frozen and therefore cannot be closed.

- b. MTHPL have been regularly commenting the same in internal audit reports and in reply to inspection queries. Moreover, have made several requests and attempts to resolve this matter, but till date unable to resolve the issue. Further, MTHPL added the action was supposed to be taken during the times of pandemic and its aftermath.

5.5.3 The Committee finds as under: -

- a. MTHPL contention that the account was frozen for debit and credit is not acceptable as MTHPL failed to submit supporting to show the efforts taken by MTHPL with Depository to unfreeze the demat account. Hence, the violation persists.
- b. As per Exchange Circular No. NSE/INSP/43653 dated February 25, 2020 (SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020), Trading Member/Clearing Member shall be required to close all existing demat accounts tagged as 'Client Margin / Collateral' by August 31, 2020. MTHPL violated the regulatory provisions mentioned above by failing to close demat accounts tagged as client collateral account.

5.5.4 Given the findings mentioned above, the Committee decided to levy a financial disincentive of Rs. 5,000/- and direct MTHPL to close the demat account, in terms of Annexure 1.1, Sr. No. 58 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.6 Delay in issuance of Daily Margin Statement to clients

5.6.1 The Exchange verified the logs of daily margin statements issued to clients. Upon verification, the Exchange observed that MTHPL issued the daily margin statements to the clients with delay in 2 out of 12 instances selected for sample scrutiny (16.67 % of the total sample instances verified).

5.6.2 In reply to the LO, MTHPL submitted as under:

- a. The delivery of daily margin statement to those 2 clients happened after midnight of December 19, 2023, but before the market opening

on December 20, 2023. Therefore, the delay (if it considered so) was by few hours only and not by 1 day.

- b. Further, it is very difficult to any how issue such reports late in the night. In almost all cases, the client is going to peruse it in the morning only. Issuing a report late in the night or first thing next morning is one and the same from the recipient point of view.

5.6.3 The Committee finds as under:

- a. MTHPL submitted that daily margin statement sent after midnight but before opening of market on immediate day is not acceptable.
- b. As per Exchange Circular No. NSE/INSP/45134 dated July 25, 2020, *Annexure B* stipulates the Trading Members to send margin related information (daily margin statement) to clients on a daily basis at the end of the trade day (T-Day) itself. Hence, MTHPL violated the regulatory provisions by issuing daily margin statement with delay. Hence, the violation persists.

5.6.4 Given the findings mentioned above, the Committee decided to advise MTHPL to ensure non-recurrence of the observed violation in terms of Annexure 1.1, Sr. No. 22 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025..

5.7 **Daily Margin Statement to clients with discrepancies**

5.7.1 The Exchange verified the Daily Margin Statements (DMS) issued to clients, client ledgers, and margin files. Upon verification, the Exchange observed that MTHPL issued the DMS to the clients with material discrepancies in 2 out of 12 instances selected for sample scrutiny (16.67 % of the total sample instances verified). The DMS sent to the clients incorrectly captured the free balance in all segments and value of margin pledged securities.

5.7.2 In reply to the LO, MTHPL submitted as under:

The amount of Early Pay In (EPI) was somehow missing from the data of breakup. Otherwise, all the data was correct. This single missing amount made the DMS technically incomplete, but it was otherwise correct.

MTHPL already taken up this matter with vendor and the same is expected to be rectified shortly.

5.7.3 The Committee finds as under:

- a. MTHPL accepted the inspection violation claiming that the value of EPI securities was missed leading to incomplete DMS being sent to the clients. MTHPL accepted the violation and ensured future compliance. Hence, the violation persists.
- b. As per Exchange Circular No. NSE/INSP/45134 dated July 25, 2020, in *Annexure A*, Trading Members should issue margin related information to their clients. An indicative format of daily margin statement stipulating the minimum information to be provided to clients is enclosed as Annexure B to the said circular. MTHPL violated the regulatory provisions mentioned above by issuing DMS with material discrepancies.

5.7.4 Given the findings mentioned above, the Committee decided to levy a financial disincentive of Rs. 2,000/- for the observed violation in terms of Annexure 1.1, Sr. No. 20 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.8 In-Person Verification (IPV) not done while registering the client

5.8.1 The Exchange verified the client registration document. Upon verification, the Exchange observed that MTHPL had not done In-Person Verification (IPV) while registering the clients in 17 instances.

5.8.2 In reply to the LO, MTHPL submitted as under:

- a. MTHPL has a limited but niche clientele comprising of family and friends and they do not entertain any walk-in or stranger as client. They personally know each client. IPV is practically already done by default. Putting a stamp/sign on the form is mere a formality. MTHPL have physical process for onboarding of client, and do not have any online mode.
- b. Therefore, during the account opening process, again IPV gets done simultaneously. MTHPL put 'Verified in Person' stamp on the

document set of the form, as a mark of IPV. It seems that the inspection team has somehow missed it.

- c. It is to be noted that out of the list of 17 observations, 3 pertains to non-traded client who are inactive and out of remaining 14, only in 2 cases the IPV stamp/sign is missing (Client Code 34220 and 30038) and one is the daughter-in-law of one of the designated directors. It is a situation where the IPV stamp inadvertently remained to be put on those 2 forms. All the rest 12 cases are IPV compliant due to stamp/sign on documents/form. They regret missing the stamp/sign on those 2 forms. Henceforth, will take corrective steps to avoid such repetition.

5.8.3 The Committee finds as under:

- a. MTHPL claimed that it has a limited but niche clientele comprising family and friends, and does not entertain any walk-ins or strangers, with IPV being done by default. MTHPL further claimed that three clients never traded, and in two cases, the IPV stamp/signature is missing. Additionally, one of these clients is the daughter-in-law of one of the designated directors. However, such submissions are not acceptable as Exchange circular NSE/INSP/19654 dated December 26, 2011 (SEBI Circular No. MIRSD/Cir- 26 /2011 dated December 23, 2011), mandates all Trading Members to carry out IPV of all clients at the time of opening an account. Hence, the violation persists.
- b. As per Exchange circular NSE/INSP/19654 dated December 26, 2011 (SEBI Circular No. MIRSD/Cir- 26 /2011 dated December 23, 2011), it is mandatory for all the intermediaries addressed in the said circular to carry out IPV of clients. The Circular explicitly mandates that the intermediary shall ensure details such as the name of the person doing IPV, their designation, organization, signatures and date of verification are duly recorded on the KYC form at the time of IPV.

5.8.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 17,000/- (17 clients x Rs.1,000 per client), in terms of Schedule – I, Part B, Sr. No. 1 of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

5.9 Material discrepancies in retention statement sent to clients

5.9.1 The Exchange verified the retention statements, margin files and client ledgers submitted by MTHPL. Upon verification, the Exchange observed that MTHPL has issued retention statements to its clients with material discrepancies in 3 instances involving Rs. 18.20 Lakhs as on July 05, 2024.

5.9.2 In reply to the LO, MTHPL submitted as under:

The error in valuation of collateral securities was caused due to glitch in the back-office software. The vendor has been informed, and necessary remedial action is being undertaken.

5.9.3 The Committee finds as under:

- a. MTHPL accepted the inspection violation and attributed the violation to glitch in the back-office software. MTHPL assured future compliance. Hence, the violation persists.
- b. As per 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), in *Annexure A*, Trading Members are required to send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days. MTHPL violated the regulatory provisions mentioned above by issuing the retention statement to the clients with material discrepancies.

5.9.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 15,000/- for the violation, in terms of Schedule – I, Part B, Sr. No. 82 of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

5.10 Incorrect data submitted towards Risk Based Supervision (RBS)

5.10.1 Upon verification of RBS data reported by MTHPL as of March 31, 2024, trial balance, client ledgers, register of securities, demat holding statements, and depository margin pledge records, it is observed that MTHPL submitted incorrect data in 2 areas, viz. debit balance of all

clients, involving a difference of Rs. 52.07 lakhs and the value of collaterals from the debit balance clients involving a difference of Rs. 38.84 lakhs as on March 31, 2024.

5.10.2 In reply to the LO, MTHPL submitted as under:

- a. The RBS data is derived from the financial statements. All previous RBS (prior to March 31, 2024), the 'debit balance of client' was described as "Total debit balance of all clients across all segments and the Exchanges" (as per Exchange circular issued for each specific period).
- b. However, in the case of RBS for March 31, 2024, the description was modified to consider the same as 'clear debit balance (after adjusting for open bills of clients, uncleared cheques deposited by clients, uncleared cheques issued to clients, and the margin obligations if posted in the client ledger if any)' vide Annexure A of Exchange Circular No. 61572 dated April 12, 2024. This was an unexpected and sudden change that somehow was neither highlighted nor noticed.
- c. The data submitted was as per the financial statements and records which become incorrect only due to the aforesaid change in the 'Description' of debit balance of clients.
- d. The observation of 'incorrect data' of value of Debit balance of clients and the value of collaterals from those clients, which otherwise matches with the financial statements, is entirely due to the said change in Description of 'Debit Balance of client' effective this submission.
- e. For the value of collaterals from the debit balance clients, MTHPL agrees with and accepts the 'value of collaterals from the debit balance clients' as per Exchange working.

5.10.3 The Committee finds as under:

- a. Debit balance of all clients, involving difference of Rs. 52.07 lakhs

MTHPL accepted the inspection observation and attributed the incorrect reporting to not noticing the changes referred under

Exchange Circular NSE/INSP/61572 dated April 12, 2024. Hence the violation persists.

- b. Value of collaterals from the debit balance clients involving Rs. 38.84 lakhs

MTHPL accepted the inspection observation and further accepted the value of collaterals computation of the Exchange. Hence, the violation persists.

- c. Exchange Circular No. NSE/INSP/61572 dated April 12, 2024, Trading Members are requested to submit the information / data towards the Risk Based Assessment for the period April 01, 2023, to March 31, 2024, to the Exchange. The particulars of such information / data sought in this regard are enclosed as Annexure-A along with the circular. MTHPL violated the regulatory provisions mentioned above by reporting incorrect data towards RBS submission to the Exchange.

- 5.10.4 Given the findings mentioned above, the Committee decided to advise the MTHPL to ensure non-recurrence of the observed violation in terms of Annexure 1.1, Sr. No. 89 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.11 Incorrect reporting of margin collected from the clients

- 5.11.1 Upon verification of the client ledgers, trial balance, register of securities, demat holding statements, records of depository margin pledge and records of the Exchange/Clearing Corporation pertaining to margin required and margin reported, it was observed that MTHPL incorrectly reported the margin collected from clients in 1 out of 79 instances selected for sample scrutiny (1.27% of the total sample instances verified) involving Rs. 1.71 lakhs as of June 25, 2024.

- 5.11.2 In reply to the LO, MTHPL submitted as under:

- a. The peak margin collection reporting was incorrectly submitted due to some process error in the back-office software. End of the Day margin collection amount is correct. MTHPL taken up this matter with vendor and the same is expected to be rectified shortly.

5.11.3 The Committee finds as under:

- a. MTHPL accepted the inspection observation and attributed the same to error in back-office software. Hence, the violation persists.
- b. As per Regulation 3.9 and 3.10 of Exchange Regulations (CM & CD Segment), Regulation 3.10 of the Exchange Regulations (F&O Segment), Exchange Circular No. NSE/INSP/45191 dated July 31, 2020, and Exchange Circular No. NSE/INSP/45534 dated August 31, 2020, Trading Members are required to demand from their constituents the margin deposit which the Trading Member has to provide in respect of the business done by the Trading Member for such client. MTHPL violated the regulatory provisions mentioned above by reporting incorrect margin collected from the clients.

5.11.4 Considering the violation is observed in 1 instance, the Committee decided to levy a monetary penalty of Rs. 3,400/- i.e. 2% of Rs. 1,71,351 i.e. Rs. 3,427/- rounded off to Rs. 3,400/- for the observed violation.

5.12 Allocation of trading terminals to Compliance Officer from where trades were executed

5.12.1 The Exchange verified the Trading terminals of MTHPL on August 27, 2024. Upon verification the Exchange observed that, MTHPL has failed to ensure that two of its terminals that were allocated to Compliance officers are for the purpose of risk management /monitoring/testing or for view purposes only and no trades are being executed from such terminals in 2 instances.

5.12.2 In reply to the LO, MTHPL submitted as under:

- a. Mr. Sailesh J. Jasani, the designated director of MTHPL, was the Compliance Officer and also the 'corporate/admin' user of the trading terminals, executing trades. However, during inspection, MTHPL was informed of the recent Exchange circular, whereby no trades can be executed through the terminal allocated to the Compliance Officer. MTHPL was not aware of this change, and therefore, on August 27, 2024, when MTHPL became aware of such provision, Mr. Sailesh J. Jasani resigned as Compliance Officer with immediate effect.

- b. Consequently, all the trades done after August 27, 2024, by Mr. Sailesh J. Jasani are normal and proper. Trade executed during the intervening period up to August 27, 2024, were not in order as per the said circular, but this was purely due to a lack of awareness of the changed provisions.

5.12.3 The Committee finds as under:

- a. MTHPL accepted the inspection observation and attributed it to ignorance of Exchange Circular No. NSE/COMP/54600, dated November 25, 2022. Such inadvertent errors caused by ignorance are unacceptable, and MTHPL is expected to ensure compliance with regulatory directives. Hence, the violation persists.
- b. It was observed that the total turnover from the two terminals during the inspection period was Rs. 5,867.97 crores. Additionally, on August 27, 2024, when the Compliance Officer, Mr. Sailesh J. Jasani, resigned, the total turnover from the two terminals was Rs. 31.07 crores.
- c. Exchange Circular No. NSE/COMP/54600, dated November 25, 2022, stipulates Trading Members shall ensure that no trading terminal is allotted to the Compliance Officer or any staff of his office except for the purpose of risk management /monitoring/testing or for view only purpose and no trades shall be executed from such terminals. Thus, MTHPL violated the regulatory provisions mentioned above allocating two terminals to the Compliance officer for executing trades.

5.12.4 Given the findings mentioned above, the Committee decided to warn MTHPL to ensure non-recurrence of the observed violation and direct MTHPL to deactivate the trading terminals allocated to the Compliance Officer.

5.13 Improper / incomplete maintenance of client registration documents:

5.13.1 The Exchange verified the client registration documents. Upon verification, the Exchange observed that MTHPL has maintained

improper / incomplete client registration documents wherein fields are not properly filled up in 20 instances.

5.13.2 In reply to the LO, MTHPL submitted as under:

- a. MTHPL does not have a complete set of booklet type client registration forms but uses a mix of part booklet type forms and part loose sheets, as MTHPL has a very limited number of clients. This may have caused confusion due to some inadvertent lapse in filling that resulted in such an observation being made.
- b. MTHPL is reviewing the same and is in the process of taking due curative actions so that such shortcomings do not repeat in the future.

5.13.3 The Committee finds as under:

- a. MTHPL accepted the inspection observation and attributed it to not having booklet type forms but using a mix of part booklet type forms and part loose sheets. Hence, the violation persists.
- b. MTHPL has violated Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI Circular No. MIRSD/ SE /Cir-19/2009 dated December 3, 2009), and Exchange Circular No. NSE/INSP/18677 dated August 22, 2011 (SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011), by failing to maintain the client registration folder / book with proper demarcation of mandatory and non- mandatory documents for all the observed instances.

5.13.4 Given the findings mentioned above, the Committee decided to advise MTHPL to ensure non-recurrence of the observed violation in terms of Annexure 1.1, Sr. No. 64 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.14 Registration document book does not contain demarcation of mandatory and non-mandatory fields

5.14.1 The Exchange verified the client registration documents. Upon verification, the Exchange observed that the client registration document book does not contain any demarcation of mandatory and non-mandatory documents in the case of 20 instances selected for sample scrutiny.

5.14.2 In reply to the LO, MTHPL submitted as under:

- a. MTHPL does not have a complete set of booklet type client registration forms but uses a mix of part booklet type forms and part loose sheets, as MTHPL has a very limited number of clients. This may have caused confusion due to some inadvertent lapse in filling that resulted in such an observation being made.
- b. MTHPL is reviewing the same and is in the process of taking due curative actions so that such shortcomings do not repeat in the future.

5.14.3 The Committee finds as under:

- a. MTHPL accepted the inspection observation and attributed it to not having booklet type forms but using a mix of part booklet type forms and part loose sheets. Hence, the violation persists.
- b. MTHPL has violated Exchange Circular No. NSE/INSP/13606 dated December 3, 2009 (SEBI Circular No. MIRSD/ SE /Cir-19/2009 dated December 3, 2009), by failing to maintain the client registration folder with proper demarcation of mandatory and non - mandatory documents for all the observed instances.

5.14.4 Given the findings mentioned above, the Committee decided to advise MTHPL to ensure non-recurrence of the observed violation in terms of Annexure 1.1, Sr. No. 64 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.15 Incorrect data submitted towards weekly Holding Statement

5.15.1 The Exchange verified the daily/weekly submission of holding statement, register of securities and demat holding statements. Upon verification, the Exchange observed that MTHPL reported incorrect data in the weekly holding statement in 71 instances totalling to Rs. 10.36 Crores as on March 30, 2024, as detailed below:

- a. Excess quantity reported in holding submission vis-a -vis quantity available in DP: 59 ISIN involving Rs. 9,49,22,615/-

- b. Excess quantity available in DP not reported in holding submission to the Exchange: 12 ISIN involving Rs. 86,55,484.50.

Further MTHPL has incorrectly reported client level holding statement to the Exchange in 2 instances involving Rs. 1,270.98 as of June 29, 2024.

5.15.2 In reply to the LO, MTHPL submitted as under:

- a. Incorrect reporting of March 30, 2024 (71 ISINs)

The mismatch happened due to some process error in back-office software. The glitch has already been rectified.

The process error responsible for incorrect reporting which was rectified in due course. Henceforth, MTHPL will take care of reconciliation and report all holdings correctly.

- b. Incorrect reporting of June 29, 2024 (1 ISIN, 2 instances)

Mismatch observed only in 1 ISIN (Nippon India ETF Nifty 1D Rate Liquid Bees) with a mismatch quantity of 1.271 valued at Rs.1,271/-. This scrip is an ETF with daily dividend and compulsory reinvestment of income distribution. In other words, the dividend is distributed daily but is reinvested back in the scheme and additional units are credited periodically. This generates a timing difference in the reporting of the holding as per Trading Member and DP. The amount is miniscule and not material.

5.15.3 The Committee finds as under:

- a. Incorrect reporting of March 30, 2024 (71 ISINs)

MTHPL accepted the inspection violation and attributed the same to error in back-office software. Hence, the violation persists.

- b. Incorrect reporting of June 29, 2024 (1 ISIN)

MTHPL accepted the inspection violation and submitted that the error in reporting of 1 ISIN is due to additional units of ETF dividend being credited which was missed to be reported owing to timing difference in the holding reporting to the Exchange vis-à-vis DP stock. Hence, the violation persists.

- c. As per the Exchange Circular No. NSE/INSP/40743 dated April 12, 2019 and, Exchange Circular No. NSE/INSP/39855 dated January 3, 2019, all the Trading Members are advised to comply with the requirement and upload the holding statement data electronically for all calendar days of the reporting week on or before the next four trading days of subsequent week through the Inspection module in the Member portal. MTHPL violated the regulatory provisions mentioned above by incorrectly reporting the data in the weekly holding statement to the Exchange.

5.15.4 Considering the violation is not repeated in the financial year, the Committee decided to advise MTHPL to ensure non-recurrence of the observed violation.

5.16 Incorrect data submitted towards weekly monitoring of client funds

5.16.1 The Exchange verified the data submitted by MTHPL for weekly monitoring of client funds under the Enhanced Supervision of the Stockbrokers as of January 05, 2024, trial balance, client ledgers, bank statement and collateral and margin files.

Upon verification, the Exchange observed that MTHPL submitted incorrect data to the Exchange in the 2 areas viz. Collateral deposited with Clearing Member in form of Cash and Cash Equivalent and free/unblocked Collateral deposited with Clearing Corporation involving differences of Rs. 8 lakhs and Rs. 3.49 crores respectively between the actual and reported figures as of January 5, 2024

5.16.2 In reply to the LO, MTHPL submitted as under:

- a. Collateral deposited with Clearing Member in form of Cash and Cash Equivalents involving Rs. 8 Lakhs

The difference of Rs. 8 lakhs were due to the amount of cash and cash equivalents deposited with the Clearing Member (F&O segment). NCL claims that the amount is held by the Clearing Member, while the Clearing Member claims that it is held with NCL. While both acknowledge that Rs. 8 lakhs is in the system, each claim that the other party is holding it. In this confusion and lack of clarity from either side, despite seeking resolution, this unfortunate situation arose.

- b. For Free/unblocked Collateral deposited with Clearing corporation involving Rs. 3.49 crores - Such differences are the result of process errors and/or inadvertent lapses. The above reporting of such data was the last, and it has since been discontinued.

5.16.3 The Committee finds as under:

- a. Differences in balances reported under the heading “Collateral deposited with Clearing Member in form of Cash and Cash Equivalents”

MTHPL submitted that the incorrect reporting was due to confusion and lack of clarity. MTHPL failed to submit any documents to substantiate its claim. Hence, the violation persists.

- b. Differences in balances reported under ‘Free/unblocked Collateral deposited with Clearing corporation’

MTHPL accepted the inspection violation and attributed the same to process error/ inadvertent lapse. Hence, 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. MTHPL violated the regulatory provisions mentioned above by reporting incorrect data towards weekly monitoring of client funds to the Exchange.

- 5.16.4 Considering the violation is not repeated in the financial year, the Committee decided to advise MTHPL to ensure non-recurrence of the observed violation.

5.17 Non - upload of KYC information to KRA within 10 days from the date of registration

- 5.17.1 The Exchange verified the KRA status of the clients on the KRA website. Upon verification, the Exchange observed that MTHPL failed to upload

the KYC information with the SEBI registered KRAs within 10 days from the date of registration in the case of 1 out of 20 clients (5% of the total sample clients verified).

5.17.2 In reply to the LO, MTHPL submitted that they re-uploaded the set of documents. Henceforth, they will take corrective steps to avoid such repetition.

5.17.3 The Committee finds as under:

a. MTHPL accepted the inspection violation and assured future compliance. Hence the violation persists.

b. As per Exchange Circular No. NSE/INSP/19654 dated December 26, 2011 (SEBI Circular No. MIRSD/Cir- 26 /2011 dated December 23, 2011), and Exchange Circular No. NSE/INSP/23113 dated April 02, 2013 (SEBI Circular No. CIR/MIRSD/ 4 /2013 dated March 28, 2013), stipulates that post KYC of the new clients, the intermediary shall perform the initial KYC / due diligence of the client, shall upload the KYC information with proper authentication in the system of KRA, furnish the scanned images of the KYC documents to the KRA and retain the physical KYC documents. MTHPL violated the regulatory provisions mentioned above by failing to upload the KYC information with the SEBI registered KRAs within 10 days from the date of registration.

5.17.4 Given the findings mentioned above, the Committee decided to advise the Member in terms of Schedule – I, Part B, Sr. No. 3 of the Exchange Circular No. NSE/INSP/53530 dated September 02, 2022.

5.18 Non-issuance of intimation of transfer of funds to clients by SMS at the time of running account settlement

5.18.1 The Exchange verified the log of SMS (Short Message Service) and email sent to clients as provided by MTHPL. Upon verification, the Exchange observed that MTHPL 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 27 instances involving Rs. 1.80 crores as of April 05, 2024.

5.18.2 In reply to the LO, MTHPL submitted as under:

The intimation is sent by email to all the clients. MTHPL did not have an SMS facility. Recently, MTHPL tied up with a service provider for sending all the necessary intimation via SMS, and this is currently under implementation.

5.18.3 The Committee finds as under:

- a. MTHPL accepted the inspection observation and ensure compliance. Hence the violation persists.
- b. 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), stipulates that 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, MTHPL 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.

5.18.4 Given the findings mentioned above, the Committee decided to advise MTHPL to ensure non-recurrence of the observed violation in terms of Annexure 1.1, Sr. No. 114 of the Exchange Circular No. NSE/INSP/70746 dated October 10, 2025.

5.19 Client Unpaid Securities Account (CUSA) not wound-up on or before April 15, 2023

5.19.1 The Exchange verified the demat accounts of MTHPL from the records of the Exchange. Upon verification, the Exchange observed that MTHPL failed to close 1 CUSA (1203260000006441) account by August 31, 2020

5.19.2 In reply to the LO, MTHPL submitted as under:

- a. The CUSA (A/c: 1203260000006441) holds a single ISIN, but the account has been 'Frozen for both Debit and Credit' for a very long time. A demat account can only be closed after the holding becomes

NIL. In this case, MTHPL is not able to transfer the security to the respective client since the account is frozen, and therefore, this account cannot be closed.

- b. MTHPL have been regularly commenting on the same in remarks in internal audit reports and inspection queries. Moreover, MTHPL have made several requests and attempts to resolve this matter, but to date, MTHPL have been unable to do so.

5.19.3 The Committee finds as under: -

- a. MTHPL contention that the account was frozen for debit and credit is not acceptable as MTHPL failed to provide documentary evidence (e.g., mail communication with depositories) of the efforts to unfreeze the CUSA account for securities transfer. Hence, the violation persists.
- b. As per Exchange Circular No. NSE/INSP/54390 dated November 11, 2022 (SEBI Circular No: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022), All the existing “client unpaid securities accounts” shall be wound up on or before April 15, 2023. The securities lying in such accounts shall either be disposed off in the market or be transferred to the client’s demat account by the TM/CM, accordingly, failing which such accounts shall be frozen for debit and credit. MTHPL violated the regulatory provisions mentioned above by failing to close the CUSA by April 15, 2023.

5.19.4 Given the findings mentioned above, the Committee decided to advise MTHPL to ensure non-recurrence of the observed violation for the deficiency observed in the said violation.

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 MTHPL 's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/70746 dated October 10, 2025	Monetary Penalty / Financial Disincentive	Penalty levied post- considering MTHPL's submissions and the Committee's findings
1.	Non-adherence to the Member Core Settlement Guarantee Fund Committee (MCSGFC) (Now Member Committee) directions	No prescribed penalty	Monetary Penalty	Rs. 37,500/- (Penalty of Rs. 25,000 + 2 nd time - 50% escalation) and prohibition on the onboarding of new clients till an appropriate system is put in place to the satisfaction of the Exchange
2.	Non-maintenance of appropriate evidence with respect to the orders placed by the clients	Rs. 25,000/- + Direction to comply with the requirement of keeping appropriate evidence for orders placed by client within 30 days from the date of communication If the observation / violation is observed for the 2 nd time - 50% escalation + No new clients till such system is put in place		
3.	Unauthorised execution of trades since pre order confirmation not maintained	No prescribed penalty	--	No Action
4.	Non- settlement of client funds in 19 out of 152 instances (12.5%) amounting to Rs. 42.16 Lakhs	For Amount not settled- 0.5% of the amount not settled, maximum up to Rs. 10 Lakhs	Monetary Penalty	Rs. 21,080/-

Sr. No.	Committee's Findings based on MTHPL's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/70746 dated October 10, 2025	Monetary Penalty / Financial Disincentive	Penalty levied post-considering MTHPL's submissions and the Committee's findings
5.	Non-closure of demat account tagged as Client Collateral Account in 1 instance by August 31, 2020.	Rs. 5,000/- per account (where Members are unable to provide reasonable explanation) + Direction to close.	Financial Disincentive	Rs. 5,000/- + direction to close the demat account
6.	Delay in issuance of Daily Margin Statement to clients in 2 out of 12 instances (16.67%) as on December 20, 2023.	Up to 10 Instances - a) Up to 2 instances - Adviseb	--	Advise
7.	Daily Margin Statement to clients with discrepancies in 2 out of 12 instances (16.67%) as on October 25, 2023, and March 22, 2024, involving Rs. 1.78 crores.	Rs.1000/- per instance, subject to maximum penalty of Rs.50,000/-	Financial Disincentive	Rs. 2,000/-
8.	In-person verification (IPV) not done while registering the client in 17 instances	Rs. 1,000/- per client	Monetary Penalty	Rs. 17,000
9.	Material discrepancies in the retention statement sent to clients in 3 instances	Rs. 15,000/-	Monetary Penalty	Rs. 15,000
10.	Incorrect data submitted towards Risk Based Supervision (RBS) in 2 areas	Advise	--	Advise
11.	Incorrect reporting of margin collection from clients to Exchange in 1 out of 79 instances (1.27%)	Less than 10% instances - 5% of incorrect reporting	Monetary Penalty	Rs. 3,400

Sr. No.	Committee's Findings based on MTHPL's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/70746 dated October 10, 2025	Monetary Penalty / Financial Disincentive	Penalty levied post-considering MTHPL's submissions and the Committee's findings
12.	Allocation of trading terminals to Compliance Officer from where trades were executed in 2 instances as on September 06, 2024.	No prescribed penalty	--	Warning + direction to deactivate the trading terminals allocated to the Compliance Officer
13.	Improper / incomplete maintenance of client registration documents in 20 instances.	Advise	--	Advise
14.	Registration document book does not contain demarcation of mandatory & non-mandatory fields in 20 instances.	Advise	--	Advise
15.	Incorrect data submitted towards Client Level Holding Statement in 73 instances amounting to Rs. 10.36 crores as on March 30, 2024, and June 29, 2024.	Rs. 1,00,000/-	--	Advise
16.	Incorrect data submitted towards weekly monitoring of client funds in 2 areas ranging from Rs. (-)349.71 Lakhs to Rs. 8 Lakhs as on January 05, 2024.	Rs. 1,00,000/-	--	Advise

Sr. No.	Committee's Findings based on MTHPL's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022, and Exchange Circular No. NSE/INSP/70746 dated October 10, 2025	Monetary Penalty / Financial Disincentive	Penalty levied post-considering MTHPL's submissions and the Committee's findings
17.	Non-upload of KYC information to KRA within 10 days from the date of registration in 1 out of 20 instances (5%).	Less than 20% of number of instances - Advise	--	Advise
18.	Non-issuance of intimation of transfer of funds to clients by SMS at the time of running account settlement in 27 instances amounting to Rs. 1.80 Crores as on April 05, 2024.	In case either of SMS or email has been sent to client – Advise	--	Advise
19.	Client Unpaid Securities Account (CUSA) not wound-up on or before April 15, 2023, in 1 instance	No prescribed penalty	--	Advise
Total				Rs. 1,00,980 + Directions

7. MTHPL is directed to pay a financial disincentive of Rs. 7,000 and monetary penalty of Rs. 93,980/- (Rupees Ninety-Three Thousand Nine Hundred Eighty only) as indicated above.
8. MTHPL is prohibited from the onboarding of new clients till an appropriate system is put in place to the satisfaction of the Exchange.

9. MTHPL 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 24, 2026