

**Before the
Member Committee ("MC"/"Committee"/erstwhile "MCSGFC")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051
on October 21, 2024**

In the matter of the Trading Member: Gogia Capital Services Limited

CORAM

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

ALSO PRESENT

Mr. Piyush Chourasia	- Chief Regulatory Officer
Smt. Renu Bhandari	- Senior Vice President - Inspection, Member Registration & Compliance
Ms. Sonali Karnik	- Vice President – Enforcement
Mr. Janardhan Gujran	- Vice President – Enforcement

BACKGROUND

1. **Gogia Capital Services Limited ("Gogia")** is a Trading Member ("**TM**") registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**") segment since October 1995, Futures and Options ("**F&O**") segment since June 2000, Currency Derivatives ("**CD**") segment since August 2008, and Commodity ("**COM**") segment since May 2019.
2. The Exchange conducted a Regular Inspection ("**REG**") and two Limited-Purpose Inspections ("**LPI**") of the books and accounts of Gogia, covering different periods between April 1, 2022, and March 31, 2024. Post-inspection, the Exchange issued a Show-Cause Notice ("**SCN**") and two Letters of Observations ("**LO**") to Gogia seeking an explanation for the observed non-compliances with the regulatory provisions. The details of the SCN and the two LOs are as below:

SCN / LO	REG/LPI	Period under Inspection	Month/Year of Inspection	Date of SCN/LO	Date of Reply
SCN	<u>REG</u> 1. Shortfall in net worth 2. Improper use of clients' funds 3. Engagement as a principle in business other than securities/commodities 4. Incorrect data reported to the Exchange in the weekly client-level cash and cash equivalents balances 5. Non-maintenance of bank books in the prescribed standard format 6. Non-segregation of fund transfer between client bank account and own bank account 7. Non-maintenance of daily reconciliation statement 8. Material discrepancies in the retention statements 9. Operation of trading terminals in derivatives segment without valid certification 10. Error in uploading details of the trading terminals (CTCL) to the Exchange	April 01, 2022, to June 30, 2023	July 2023	February 23, 2024	March 14, 2024
LO-1	<u>LPI-1</u> 1. Engagement as a principle in business other than securities/commodities 2. Discrepancy in computation of net worth	September 30, 2023	January 2024	February 16, 2024	March 27, 2024
LO-2	<u>LPI-2</u> 1. Shortfall in net-worth	March 31, 2024	May 2024	June 26, 2024	June 28, 2024

INSPECTION OBSERVATIONS/ALLEGED VIOLATIONS

3. The observations/violations alleged in the SCN/LOs, are summarized hereunder:

3.1. SCN, LO-1 and LO-2

a. Violation pertaining to shortfall in net worth

- i. As on June 30, 2023: shortfall of Rs. 28.40 crores
- ii. As on September 30, 2023: shortfall of Rs. 5.07 crores

iii. As on March 31, 2024: shortfall of Rs. 26.60 crores

3.2. SCN and LO-1

- a. Engagement as a principle in business other than securities/commodities, involving personal financial liability

3.3. SCN

- a. Improper use of clients' funds as on April 8, 2022, involving Rs. 13.59 lakhs.
- b. Incorrect data reported to the Exchange in the weekly client-level cash and cash equivalents balances in 39 instances, involving Rs. 1.60 crores.
- c. Non-maintenance of bank books in the prescribed standard format.
- d. Non-segregation of fund transfer between client bank account and own bank account as below:
- Fund transfer from clients' bank account to own bank account in 8 instances, involving Rs. 2.87 crores
 - Fund transfer from own bank account to clients' bank account in 10 instances, involving Rs. 2.92 crores
 - Net transfer of funds from own bank account to client bank account, involving Rs. 5 lakhs.
- e. Non-maintenance of daily reconciliation statement for fund transfer between client bank account and own bank account in 18 out of 8,440 instances selected for sample scrutiny (0.21% of the total sample instances verified).
- f. Material discrepancies in the retention statements sent to clients in 6 out of 50 instances selected for sample scrutiny (12% of the total sample instances verified) involving a difference of Rs. 1.14 lakhs.
- g. Operation of 8 trading terminals in derivatives segment without valid certification

- h. Error in uploading details of the trading terminals (CTCL) to the Exchange as below: -
- 2 CTCL IDs were not found at the reported location
 - 12 CTCL terminals were not found at the reported location, of which trades were executed in the CM segment from 1 CTCL terminal and in the F&O segment from 5 CTCL terminals.

REGULATORY PROVISIONS

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

4.1. **Shortfall in net worth**

- a. Rule 33 of Chapter III of the Rules of the Exchange

Continued Admittance

The relevant authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum net worth and capital adequacy, renewal of certification, if any, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.

- b. Exchange Circular Nos. NSE/COMP/56144 dated March 27, 2023, and NSE/COMP/58570 dated September 26, 2023, and NSE/COMP/61335 dated March 27, 2024

As per the continuing membership norms of the Exchange, all Members of the Exchange are required to maintain minimum Networth at all points of time and submit the Net-worth certificate on a half yearly basis to the Exchange.

Non-submission of Networth certificate within the due date or in case of any shortfall, failure to submit a revised Networth certificate along with the original Networth certificate as on March 31, 2023, shall result in immediate withdrawal of trading rights/margin trading facility, as the case may be.

ANNEXURE – I**(A) Base Networth Requirement & Method of Computation**

Trading members / Clearing members of the Exchange/NCL are required to maintain Networth as prescribed by the Exchange/ NCL at all points of time as per the continuing membership norms of the Exchange/NCL.

(B) Formats of Networth Certificate

Format: C-1

The method of computation of Networth as prescribed by Schedule VI of SEBI (Stock Brokers) (Amendment) Regulations, 2022 is as follows:

Capital + Free Reserves

Less: Non-allowable assets viz.

- (a) Fixed assets*
- (b) Pledged securities*
- (c) Member's card*
- (d) Non-allowable securities (unlisted securities)*
- (e) Bad deliveries*
- (f) Any Debts and Advances (except trade debtors of less than 3 months)*
- (g) Prepaid expenses, losses*
- (h) Intangible assets*
- (i) 30% of marketable securities*

c. Exchange Circular No. NCL/CMPL/61368 dated March 28, 2023**CLARIFICATION ON NETWORTH COMPUTATION**

A) Share Capital + Free Reserves

2. Free Reserves

As per Sec. 2(43) of the Companies Act, 2013, free reserves mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend:

Provided that –

- (i) any amount representing unrealized gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or*
- (ii) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value,*

shall not be treated as free reserves.

Free Reserves shall include Profit & Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve, Capital Redemption Reserve etc. balance of which represents surplus arising out of sale proceeds of assets but will not include reserves created by revaluation of assets.

Free Reserves should not include reserves such as Revaluation Reserve, Capital Reserve, Amalgamation Reserve, Debenture Redemption Reserve and other like reserves.

B) Non-Allowable Assets

6. Any Debts and Advances

This shall include: -

- Any debts and advances (except trade debtors of less than 3 months)*
- Wherever, a provision is created for Doubtful / Bad Debts, net amount i.e. after reducing provision made for Doubtful / Bad Debts shall be considered.*

Any amount given in the nature of Loans, advances, inter corporate deposits given to associates including subsidiaries / group companies of the member.

- *Loans given to Directors/Partners or any related party of the Member or its Directors or its partners or to the entities in which such director /partners or their relatives have control, irrespective of time period, shall also be deducted.*
- *'Associate' shall have the meaning as per the SEBI (Intermediaries) Regulations, 2008*

"associate" means and includes any person controlled, directly or indirectly, by the intermediary, any person who controls, directly or indirectly, the intermediary, or any entity or person under common control with such intermediary, or where such intermediary is a natural person any relative as defined under the Companies Act, 1956 (1 of 1956) of such intermediary or where such intermediary is a body corporate its group companies or companies under the same management;

The expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

The term related party shall have the same meaning as given in clause 76 & 77 of Section 2 of Companies Act 2013 to be read with Rule 4 of the Companies (Specification and definition details) Rules, 2014.

4.2. **Engagement as a principle in business other than securities / commodities involving personal financial liability**

a. **Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957**

8. *The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:*
3. *No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if -*

- (f) *he engages either as a principal or employee in any business other than securities or commodity derivatives except as a broker or agent not involving any personal financial liability.*

b. Exchange Circular No. NSE/COMP/50957 dated January 7, 2022

In consultation with SEBI and other Stock Exchanges, the illustrative list of activities that are construed as non-compliance to Rule 8(1)(f) and 8(3)(f) of SCRR, if undertaken by a member, are provided as below:

9. *Entering into any arrangement for extending loans or giving deposits/advances to any entity, including group companies such as subsidiaries & associates etc., not in connection with or incidental to or consequential upon the securities/ commodity derivatives business.*
10. *Investments made in group companies such as subsidiaries & associates etc., not in connection with or incidental to or consequential upon the securities/ commodity derivatives business. (Ex: Investment in companies engaged in other businesses such as NBFC, Real Estate etc.)*

4.3. **Improper use of clients' funds**

Regulation 4.5.3 (e) of NSEIL Regulations (CM and F&O segments)

Trading Principles

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

4.4. **Incorrect data reported to the Exchange in the weekly client-level cash and cash equivalents balances**

Exchange Circular No. NSE/INSP/43926 dated March 23, 2020

Member's attention is drawn to Exchange circular NSE/INSP/43486 dated February 10, 2020, regarding proposed submission of the following data /details:

1. *Day-wise upload of Client Level Cash & Cash Equivalent Balances on a weekly basis for all calendar days of that week except Sunday (i.e. Monday to Saturday);*

2.

The aforesaid data / details shall be required to be submitted on or before the next four trading days of subsequent week.

4.5. **Non-maintenance of bank books in the prescribed standard format**

Exchange Circular No NSE/INSP/38743 dated August 30, 2018

In order to standardize the maintenance of books of accounts / records and to ensure uniformity across all Members, a standard format for register of securities, holding statement, bank book and client ledger is prescribed herewith.

The revised formats shall be applicable w.e.f. December 01, 2018. Members are advised to make necessary changes in their back office in order to comply with requirements.

Members may further note that non-maintenance of Register of Securities, Holding Statement, Bank Book and Client Ledger in the prescribed format is a violation of the provisions of the Securities Contracts (Regulation) Rules 1957 / Regulations of the Exchange and will attract appropriate disciplinary action as per Rule 1 and 2 of Chapter IV of NSEIL Rules.

4.6. **Non-segregation of fund transfer between client bank account and own bank account**

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

Transfer of funds between "Name of Stockbroker - Client Account" and "Name of Stockbroker - Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stockbroker - Client Account" to "Name of Stockbroker - Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stockbroker, etc. For such

transfer of funds, stockbroker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.

4.7. **Non-maintenance of daily reconciliation statement for fund transfer between client bank account and own bank account**

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

Transfer of funds between "Name of Stockbroker - Client Account" and "Name of Stockbroker - Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stockbroker - Client Account" to "Name of Stockbroker - Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stockbroker, etc. For such transfer of funds, stockbroker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.

4.8. **Material discrepancies in the retention statements sent to clients**

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

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

4.9. **Operation of trading terminals in derivatives segment without valid certification**

Exchange Circular No. NSE/MA/22732 dated February 13, 2013

2. *User Management*

B. *Particulars of Certification and type of Connectivity*

- *Certification:*

Trading member desirous of obtaining user ids are required to meet certification requirement as specified by SEBI /Exchange from time to time. Applicable requirement are as follows:

Sr. No.	Segment	Applicable Norms
1	Capital Market Segment	Valid NCFM certification for Corporate Manager & Branch Manager for each connectivity (Tap IP).
2	Futures & Options Segment	Valid Certificate issued through SEBI approved certification programme for each User Id.
3	Currency Derivatives Segment	Valid Certificate issued through SEBI approved certification programme i.e., Series-I: CD certification for each User Id.

Trading Members are required to keep track of the validity of the said certificate and ensure that the Approved User shall, preferably one month before the expiry of the validity of the Certificate, appear and clear the examination afresh and submit a fresh certificate to the Exchange on or before the expiry date of the old certificate. Failure to submit a fresh certificate indicating the extension in the validity of the certificate shall render the concerned user Id, for which the certificate validity has expired, liable for disablement.

4.10. **Error in uploading details of the trading terminals (CTCL) to the Exchange**

Exchange Circular No. NSE/MA/22732 dated February 13, 2013

2. *User Management*

D. Applicable Observances

- *Trading terminals*

- a) *Location: The location of the trading terminal is required to be only in the main/branch offices or in the office of the registered Sub-broker (only in CM segment) / approved Authorized Person (CM / FNO / CD Segment) of the trading member or at the co-location*

facility provided by the Exchange or at the third-party data centres/service provider's site.

- b) Control: The trading terminals are required to be under the direct control of the trading member and be managed either by an authorized employee or by a registered Sub-broker / approved Authorised Person of the trading member.*

PAST MEETING REFERENCES

5. The Exchange placed the matter before the Committee on the following meetings:

5.1 MCSGFC Meeting dated May 23, 2024

- a. The matter pertaining to the SCN was placed before the Committee in the said meeting.
- b. The Exchange vide its email dated May 15, 2024, granted Gogia with an opportunity of a personal hearing before the Committee. On behalf of Gogia, Ms. Bharti Rana (Compliance Officer) and Mr. Ashutosh Agrawal (Manager- Compliance) appeared before the Committee and claimed to have recouped the shortfall in its net-worth. Gogia requested the Committee to grant an opportunity to submit its revised net worth certificate as on March 31, 2024, to support its claim.
- c. Accordingly, the Committee directed Gogia to submit its recent net-worth computation along with relevant supporting documents. The Committee further directed that, if shortfall in net worth persists after considering the revised submission, Gogia would be disabled with immediate effect until the shortfall in net worth is recouped.
- d. Gogia vide its email dated May 23, 2024, submitted net-worth certificate claiming net worth of Rs. 15.66 crores as on March 31, 2024.

Developments post meeting dated May 23, 2024

Upon verification of the revised net worth certificate submitted by Gogia as on March 31, 2024, the Exchange observed that the net worth of Gogia was still below the minimum net worth requirement prescribed by the Exchange. Accordingly, in line with the Exchange Circular No. NSE/INSP/62146 dated May 22, 2024, the Exchange disabled the trading

terminals of Gogia on July 2, 2024. Gogia filed appeal before Hon'ble SAT against the said action of the Exchange. Hon'ble SAT, vide its interim order dated July 5, 2024, stayed the action taken by the Exchange and directed the Committee to pass its order in the said matter based on merits, wholly uninfluenced by any observations made in the said SAT order.

PRESENT MEETING

6. The matters pertaining to the SCN, LO-1, and LO-2 were placed before the Committee in its present meeting held on October 21, 2024. The Committee evaluated the facts and submissions made by Gogia against the observations/violations alleged by the Exchange in the SCN, LO-1 and LO-2, and reserved the matters for order.

CONSIDERATION AND FINDINGS

7. The observations/violations, replies of Gogia, and the findings of the Committee are as below:

- 7.1. **Shortfall in net worth**

- 7.1.1. The observations of the Exchange are as below:

SCN

Upon verification of Gogia's net-worth as on June 30, 2023, vis-à-vis the trial balance submitted by Gogia, the Exchange observed that Gogia's net worth stood at (-ve) Rs. 18.40 crores as on June 30, 2023, which is below the minimum net worth requirement of Rs. 10 crores prescribed by the Exchange. Gogia had a shortfall in net worth amounting to Rs. 28.40 crores.

LO-1

Upon verification of the net worth certificate submitted by Gogia for the half year ended September 30, 2023, certifying a net worth of Rs. 19.82 crores vis-à-vis the trial balance and balance sheet as on September 30, 2023, the Exchange observed that Gogia's net worth stood at Rs. 4.93 crores as on September 30, 2023, which is below the minimum net worth requirement of Rs. 10 crores prescribed by

the Exchange. Hence, Gogia had a shortfall in net worth amounting to Rs. 5.07 crores.

LO-2

Upon verification of the net worth certificate of Gogia certifying a net-worth of Rs. 15.66 crores as on March 31, 2024, vis-à-vis the trial balance submitted by Gogia vide email dated May 23, 2024, the Exchange observed that Gogia's net worth stood at (-ve) Rs. 11.60 crores as on March 31, 2024, which is below the minimum net worth requirement of Rs. 15 crores (as applicable from February 23, 2024) prescribed by the Exchange. Gogia had a shortfall in net worth amounting to Rs. 26.60 crores.

7.1.2. In reply, Gogia submitted as below:

SCN

- a. It maintained its net-worth at Rs. 34.36 crores as on June 30, 2023, which is over and above its minimum net worth requirement.
- b. Gogia is a Self-Clearing Member ("**SCM**"). Thus, its minimum net worth requirement is Rs. 3 crores, and not Rs. 10 crores, as alleged by the Exchange.
- c. The following particulars are already deducted while computing its net worth as on June 30, 2023, and must not be deducted again:
 - i. Journal Voucher (JV) entry – March 31, 2023 - Gogia Commodity Trading Private Limited (Unique Client Code: CGCPL) ("**Gogia Commodity**") involving Rs. 17.64 crores.
 - ii. JV entry – March 31, 2023, Olive Trading Sir (Unique Client Code: P547) ("**Oliv Trading**") involving Rs. 0.20 crore.
 - iii. Proprietary loss – April 1, 2022, to June 30, 2023 – F&O and CD segments involving Rs. 34.85 crores.
- d. Gogia reported a net worth of Rs. 15.66 crores as on March 31, 2024, and submitted Chartered Accountant ("**CA**") certified net-

worth certificate, financial ledger of Gogia Commodity, bank statement, retention data, trial balance and provisional balance sheet as on March 31, 2024, in support of the recoupment.

LO-1

- a. In reply to LO-1, Gogia submitted that it recouped its net worth as per the minimum net worth requirement prescribed by the Exchange. It shall share the net worth certificate duly signed by the auditor along with supporting documents, as soon as it is signed.

LO-2

- a. It endeavors to adhere to the requirements of statutory provisions and has maintained its net worth as on March 31, 2024.
- b. The Exchange failed to consider the value of share forfeiture amounting to Rs. 96.21 lakhs under the head "General Reserves".
- c. The Exchange incorrectly deducted the value of proprietary losses as per PS03 file for F&O and CD segments for the financial year 2022-23 from "free reserves" while calculating its net worth as on March 31, 2024.
- d. The agreement dated April 1, 2022, between Gogia and Arpana Capital pertains to sharing losses. The said agreement was executed transparently and based on prudent financial management. However, Gogia assured the Exchange that it will not be involved in such an arrangement in future.
- e. Gogia acknowledged that Rs. 33.82 crores were indeed transferred to Arpana Capital via a JV entry on March 31, 2023. Gogia recovered Rs. 2.20 crores from the said client and the remaining sum i.e. Rs. 31.61 crores were treated as bad debt for the financial year i.e., 2023-24. Gogia reported a net loss of Rs. 22.46 crores as on March 31, 2024.
- f. The opening balance of "reserves and surplus" (General Reserves + Share Premium + Retained Earnings + Share Forfeiture) was

Rs. 41.52 crores. However, after deducting the impugned net loss of Rs. 22.46 crores, the value of “general reserves” stood at Rs. 19.06 crores as on March 31, 2024. Gogia vide its email dated May 23, 2024, shared the ageing of debts pertaining to domestic clients amounting to Rs. 4.58 lakhs as on March 31, 2024.

- g. The Exchange has incorrectly adjusted the debit balance of one of its foreign portfolio investor clients (UCC: FPIO1) involving Rs. 4.83 lakhs from “any debts and advances” while calculating its net worth.
- h. Further, the Exchange incorrectly deducted an amount of Rs. 1.94 crores which is due from clients towards DP charges.
- i. Gogia is mandatorily required to render the deposit pertaining to Amazon Services to Amazon, towards maintenance services of the building used as its registered office. Thus, the said amount must not to be considered as loans/advances, while calculating its net worth.
- j. Gogia has considered the deposit maintained with Riddhisidhi Bullion Limited while calculating its net worth. Gogia is involved in bullion dealing through the said party.
- k. Mr. Satish Gogia holds 86% shareholding in Gogia Commodity. Being promoter director of Gogia, Mr. Satish Gogia along with his wife Mrs. Monica Gogia took charge of clearing the debit balance lying in our sister concern i.e., Gogia Commodity to the extent of its credit balance lying with Gogia. Accordingly, Gogia passed a JV entry debiting the account of Mr. Satish Gogia and crediting the account of Gogia Commodity.
- l. The impugned transactions involving Rs. 17.64 crores were pure accounting entries that reflect internal fund reallocation between Gogia and Gogia Commodity. Gogia assured that despite absence of immediate physical movement of funds in the bank account, the entries are substantiated by internal agreements and corresponding documentation expressing the consent of the impugned parties, justifying these transactions.

- m. There have been no investor grievances or complaints regarding misuse of funds or non-settlement of funds or any other complaints in the past.
- n. Gogia undertook to strictly comply with all the relevant bye laws, rules and regulations as applicable to them from time to time, issued by various regulatory authorities and stock exchanges.
- o. Further, Gogia also provided details of its net worth as on June 28, 2024, certifying net worth of Rs. 17.80 Crores.

7.1.3. The Committee finds that: -

- a. Upon verification of net worth computation vis-à-vis the trial balances submitted by Gogia, it is observed that Gogia's net worth was (-ve) Rs. 11.10 crores, Rs. 4.93 crores and (-ve) Rs. 11.60 crores as on June 30, 2023 (SCN), September 30, 2023 (LO-1), and March 31, 2024 (LO-2), respectively.
- b. As per the Exchange Circular No. NSE/COMP/55447 dated February 1, 2023, all registered Trading Members-Clearing Members shall maintain a minimum net worth of Rs. 10 crores and Rs. 15 crores effective from February 23, 2023, and February 23, 2024, respectively. Thus, Gogia had a shortfall of Rs. 21.10 crores, Rs. 5.07 crores and Rs. 21.60 crores in net worth as on June 30, 2023, September 30, 2023, and March 31, 2024, respectively. The details are as follows:

Net worth shortfall as on June 30, 2023 (SCN)

- c. The Committee observed the details of computation, as under:

(Amount in Rs.)

Table 1 - Net worth as on June 30, 2023				
Particulars	As per the SCN (I)	As per Gogia's reply (II)	Exchange computations as per L.C. Gupta method specified by SEBI (III)	Difference (II-III)
Capital	6,32,11,060	6,32,11,060	6,32,11,060	-
Free Reserves	40,56,27,073	41,52,48,611	14,64,45,559	26,88,03,052
Total (A)	46,88,38,133	47,84,59,671	20,96,56,619	26,88,03,052
Less- Non allowable assets:				
Fixed assets	3,52,47,613	3,52,47,613	3,52,47,613	-
30% value of marketable securities	49,84,040	49,84,040	49,84,040	-
Any debts & Advances	8,57,49,247	9,47,49,247	10,17,15,717	69,66,470
Prepaid Expenses			3,78,751	3,78,751
Total (B)	12,59,80,900	13,49,80,900	14,23,26,121	-
Net worth C = (A-B)	34,28,57,233	34,34,78,771	6,73,30,498	27,61,48,273
JV entry dated March 31, 2023, deducted from net worth. Client: Gogia Commodity Trading Pvt. Ltd (UCC: - CGCPL) (D)	17,63,70,000	-	17,63,70,000	17,63,70,000
JV entry dated March 31, 2023, deducted from net worth Client: Olive Trading Sir (UCC: - P547) (E)	20,00,000	-	20,00,000	20,00,000
Proprietary Losses for the period April 1, 2023, to June 30, 2023, in the F&O and CD segments (F)	34,84,91,792	-	-	-
Revised Net worth (C-D-E-F)	-	34,34,78,771	(-ve) 11,10,39,502	-
Minimum Net worth requirement	-	-	10,00,00,000	-
Shortfall in Net worth	-	-	21,10,39,502	-

d. With respect to net worth shortfall as on June 30, 2023, Gogia contended that its minimum net worth requirement is Rs. 3 crores.

As per records of the Exchange, Gogia is enabled as a Trading Member - SCM in the CM segment, Debt and Commodity segments and Trading Member-Clearing Member in F&O and CD segments. As per Exchange Circular No. NSE/COMP/55447, dated February 1, 2023 (SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022), effective from February 23, 2023, all registered Trading Members-Clearing

Members are required to maintain minimum net worth of Rs. 10 crores, effective as on February 23, 2023. Hence, Gogia's contention that its net worth requirement was Rs. 3 crores as on June 30, 2023, is not acceptable.

- e. The difference in amount is observed on account of the following particulars namely: -

Free Reserves involving Rs. 26.88 crores

Gogia inflated the value of free reserves by Rs. 26.88 crores while computing its net worth as on June 30, 2023, due to the following reasons: -

A. *Proprietary losses involving Rs. 34.85 crores*

Upon verification of PS03 file (position details of all contracts in which any client or the Trading Member has traded) of Gogia, it is observed that Gogia failed to consider proprietary losses involving Rs. 14.89 cores in CD segment and Rs. 19.96 crores in F&O segment of the Exchange for the period April 2022 to June 2023 aggregating to Rs. 34.85 crores. Hence, the said proprietary loss of Rs. 34.85 crores shall be excluded from free reserves while computing the net worth.

Hence, Gogia's contention that proprietary losses for the period from April 1, 2022, to June 30, 2023, in F&O and CD segments involving Rs. 34.85 crores were already deducted while computing its net worth as on June 30, 2023, and shall not be deducted again is not acceptable.

B. *Share forfeiture involving Rs. 0.96 crore*

Gogia incorrectly considered the value of shares forfeited under free reserves, thereby inflating the value of free reserves by Rs. 0.96 crore.

Exchange Circular No. NCL/CMPL/61368 dated March 28, 2023, stipulates that "*As per Sec. 2 (43) of the Companies Act, 2013, free reserves mean such reserves which, as per*

the latest audited balance sheet of a company, are available for distribution as dividend.....any amount representing unrealized gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise shall not be treated as free reserves. Free Reserves shall include Profit & Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve, Capital Redemption Reserve etc. balance of which represents surplus arising out of sale proceeds of assets but will not include reserves created by revaluation of assets. Free Reserves should not include reserves such as Revaluation Reserve, Capital Reserve, Amalgamation Reserve, Debenture Redemption Reserve and other like reserves.”

As per aforementioned Circular, “free reserves” shall only include the reserves which are unencumbered by future liabilities and are freely available for distribution of dividend. Further, “free reserves” shall not include capital reserve and other like reserves. Thus, the amount of share forfeiture considered by Gogia while computing its net worth as on June 30, 2023, shall be excluded from the value of free reserves while computing net worth as on June 30, 2023.

C. Profit and Loss involving Rs. 8.93 crores

Upon verification of Gogia’s trial balance, it is observed that Gogia did not consider profit of Rs. 8.93 crores under free reserves in its net worth computation as on June 30, 2023, thereby understating the value of free reserves by Rs. 8.93 crores. Thus, the same shall be included in the value of free reserves while computing its net worth.

Debts and Advances involving Rs. 69.66 lakhs

D. Upon verification of Gogia’s trial balance, it is observed that Gogia considered the loan/advance given to Gogia Commodity amounting to Rs. 9.47 crores but failed to consider advances/loans/security deposit given to the entities mentioned between Sr. Nos. 1 to 6 of Table 2 below. As per SEBI (Stock Brokers) (Amendments) Regulation, 2022, net

worth shall include any debts and advances except trade debtors of less than three months. Thus, the same shall be included in the value of debts and advances while computing its net worth. Further, Gogia failed to provide the debtors' aging report amounting to Rs. 5.12 lakhs, which is required to ascertain whether the debts/advances were overdue for more than three months. In the absence of supporting documents, the said amount of Rs. 5.12 lakhs shall be considered as debts due for more than three months. Thus, the amount of Rs. 5.12 lakhs shall be included in the value of debts and advances while computing its net worth. The details are as under:

Table 2

Sr. No.	Particulars	Amount (Rs.)
1.	Arun Kumar Bhalla HUF	25,00,000
2.	Om Gems and Jewellery	5,00,000
3.	Sachde Food and Beverage Loan a/c	5,00,000
4.	Amazon Maintenance Deposit 6 th Floor	11,90,000
5.	Riddisiddhi Bullions Ltd	14,64,000
6.	Security Deposit-Bribes Wit	3,00,000
7.	Debtors - Ageing not provided	5,12,470
	TOTAL	69,66,470

Prepaid Expenses involving Rs. 3.79 lakhs

- E. Gogia failed to consider the value of advances made to its employees involving Rs. 3.79 lakhs while computing its net worth. The same shall be included in the value of prepaid expenses while computing its net worth.

JV entries deducted by the Exchange involving Rs. 17.83 crores

- F. Gogia's contention that the JV entries dated March 31, 2023, of Gogia Commodity (UCC: CGCPL), and Olive Trading (UCC: P547) involving Rs. 17.64 crores and Rs. 0.20 crore respectively were already deducted while computing its net worth as on June 30, 2023, is not acceptable and the same is dealt with under Paragraph Nos. 7.1.3. h. (E) to 7.1.3. j.

Net worth shortfall as on September 30, 2023 (LO-1)

- f. With respect to net worth shortfall as on September 30, 2023, Gogia contended that net worth is recouped as per the minimum net worth requirement prescribed by the Exchange and it shall share the net worth certificate duly signed by the auditor along with supporting documents, as soon as it is signed. However, Gogia failed to provide its net worth certificate duly signed by the auditor along with supporting documents. Thus, the violation persists.

Net worth shortfall as on March 31, 2024 (LO-2)

- g. The Committee observed the details of computation, as under:

(Amount in Rs.)

Table 3 - Net worth as on March 31, 2024			
Particulars	As per Gogia's reply (I)	Exchange computation as per L. C. Gupta method stipulated by SEBI (II)	Difference (I-II)
Share Capital	6,32,11,060	6,32,11,060	-
Free Reserves	19,06,07,084	14,21,07,835	4,84,99,249
Total (A)	25,38,18,144	20,53,18,895	
Less - Non allowable assets			
Fixed assets	3,12,35,161	3,12,35,161	-
30 % value of marketable securities	2,62,800	2,62,800	-
Any debts & Advances (Loan to Gogia Commodity Trading Pvt. Ltd.)	6,57,47,854	28,97,73,689	-22,40,25,835
Prepaid Expenses	-	11,216	-11,216
Total (B)	9,72,45,815	32,12,82,866	
Net worth C= (A-B)	15,65,72,329	(-ve) 11,59,63,971	
Minimum Net worth requirement		15,00,00,000	
Shortfall in Net worth		26,59,63,971	

- h. The difference in amount is observed on account of the following particulars, namely: -

Free reserves involving Rs. 4.85 crores

Gogia inflated the value of free reserves by Rs. 4.85 crores while computing its net worth as on March 31, 2024, due to the following reasons: -

A. *Share forfeiture involving Rs. 96.22 lakhs*

As dealt under Paragraph No. 7.1.3. e. (B)

Hence, Gogia's contention that the Exchange failed to consider the value of share forfeiture is not acceptable.

B. *Profit and Loss involving Rs. 3.89 crores*

Upon verification of PS03 file (position details of all contracts in which any client or the member has traded), and trial balance, it is observed that Gogia incorrectly considered the value of proprietary losses as Rs. 30.83 crores instead of Rs. 34.72 crores (loss of Rs.19.92 crores and Rs.14.80 crores in F&O and CD segment respectively). Hence, Gogia inflated the value of free reserves by Rs. 3.89 crores, the same shall be excluded from the value of free reserves while computing net worth as on March 31, 2024.

Hence, Gogia's contention that the Exchange incorrectly deducted the value of proprietary losses from free reserve is not acceptable.

Debts and Advances involving Rs. 22.40 crores

C. *Debtors involving Rs. 2.04 crores*

Gogia failed to provide the report pertaining to ageing of debts, required to ascertain if the debts/advances are overdue for more than three months amounting to Rs. 2.04 crores including an amount of Rs. 1.94 crores towards DP charges. In the absence of supporting documents, the said amount is considered as debt due for more than three months. Thus, the

same shall be included in the value of debts and advances while computing its net worth.

D. *Amazon Maintenance Deposit involving Rs. 11.90 lakhs and Loan to Riddhi Siddhi Bullions Ltd. involving Rs. 14.64 lakhs*

Upon verification of Gogia's trial balance, it is observed that Gogia failed to consider maintenance deposit given to Amazon involving Rs. 11.90 lakhs and loans/advance extended to Riddhi Siddhi Bullions Ltd. involving Rs. 14.64 lakhs. As per SEBI (Stock Brokers) (Amendments) Regulation, 2022, net worth shall not include any debts and advances except trade debtors of less than three months. Thus, the same shall be included in the value of debts and advances while computing its net worth.

JV entries passed by Gogia involving Rs. 20.10 crores

- E. Upon verification of the trial balance of Gogia it is observed that on March 31, 2023, Gogia transferred proprietary/own losses of Rs. 33.82 crores and Rs. 14.21 crores from self-trading account (UCC: - GISL) to Arpana Capital (UCC: - P565) via JV entry (JV69-3103) and Gogia Commodity via JV entry (JV77-3103), respectively. The said JV entries were passed in the books of Gogia without corresponding transfer of underlying trades and shown as advances given to Arpana Capital and Gogia Commodity. The trades are reflected in the account of Gogia as per the records of the Exchange while the losses were accounted for as advances extended and shifted to Arpana Capital and Gogia Commodity, in the books of Gogia.

i. The details are as under:

Table 4

Date	Party code	Particular	Bill/Cheque	Debit (Rs.)	Credit (Rs.)
31-03-2023	Client: GISL Self Trading	Loss Arpana Capital [N]	JV69-3103	-	33,81,75,088.25
31-03-2023	Client: P565 Arpana Capital Services Pvt Ltd	Loss CDs [N]	JV69-3103	12,32,58,331.52	-
31-03-2023	Client: P565 Arpana Capital Services Pvt Ltd	Loss F&O [N]	JV69-3103	18,09,83,105.68	-
31-03-2023	Client: P565 Arpana Capital Services Pvt Ltd	Loss MCX [N]	JV69-3103	3,39,33,651.05	-

Table 5

Date	Party code	Particular	Bill/Cheque	Debit (Rs.)	Credit (Rs.)
31-03-2023	Client: GISL Self Trading	trf [N]	JV77-3103	-	14,20,53,819.00
31-03-2023	Client: CGCPL Gogia Commodity Trading Pvt. Ltd	trf [N]	JV77-3103	14,20,53,819.00	-

- ii. The Committee observed that as per Exchange Circular No. NSE/COMP/61335 dated March 27, 2024, profit and losses in own/proprietary account shall be included in free reserves. By passing these JVs in books, Gogia represented its proprietary losses as loans/advances extended to Arpana Capital and Gogia Commodity, thus inflating the value of free reserves thereby evading the impact of proprietary losses involving Rs. 48.03 crores on the free reserves.
- iii. The Committee noted that, while computing its net worth as on March 31, 2024, Gogia had written off the JV entries (JV69-3103) for loan advanced to Arpana Capital against its reserves as bad debts.
- iv. The Committee further observed that Gogia adjusted the advances extended to the Gogia Commodity and Olive Trading against loans taken from Mr. Satish Gogia Monica Gogia, promoter-director of Gogia and seven other entities:

-

- a) Advances extended to Gogia Commodity were adjusted through JV entries (JV28-3103) involving Rs. 17.64 crores on March 31, 2023, and (JV18-3009 and JV20-3009) involving Rs. 2.26 crores on September 30, 2023.
- b) Advances extended to Olive Trading were adjusted through JV entry (JV28-3103) involving Rs. 0.20 crore on March 31, 2023.
- v. The aforementioned adjustments made through JV entries were not backed by any actual movement of funds between the parties concerned. The details are as under:

Table 6

Date	Party code	Particular	Bill/Cheque	Debit (Rs.)	Credit (Rs.)
31-03-2023	Client: CGCPL Gogia Commodity Trading Pvt.Ltd	TRF [N]	JV28-3103	-	17,63,70,000.00
31-03-2023	Client: CGCPL1 Satish Gogia Monica Gogia All	TRF [N]	JV28-3103	11,33,70,000.00	-
31-03-2023	Client: P519 DR Nehas Medical Loan A/C	TRF [N]	JV28-3103	20,00,000.00	-
31-03-2023	Client: P542 Adcon Capital Services Limited Loan A/C	TRF [N]	JV28-3103	1,50,00,000.00	-
31-03-2023	Client: P543 Shreeji Ornaments Private Limited Loan A/C	TRF [N]	JV28-3103	1,00,00,000.00	-
31-03-2023	Client: P546 Sachde Food and Beverage Loan A/C	TRF [N]	JV28-3103	1,90,00,000.00	-
31-03-2023	Client: P547 Olive Trading Sir	TRF [N]	JV28-3103	-	20,00,000.00
31-03-2023	Client: P549 Makwana Trading Co Bhavin	TRF [N]	JV28-3103	65,00,000.00	-
31-03-2023	Client: P553 Yash Pal Sachdeva	TRF [N]	JV28-3103	50,00,000.00	-
31-03-2023	Client: P554 Sanjeev Nagpal / Poonam Nagpal	TRF [N]	JV28-3103	75,00,000.00	-

Table 7

Date	Particular	Bill/Cheque	Debit (Rs.)	Credit (Rs.)
30-09-2023	Balance Adjusted - Dr Nehas Medical	JV18-3009	-	4,00,000.00
30-09-2023	Balance Adjusted - Satish Gogia Monica Gogia	JV20-3009	-	2,22,33,953.00

- vi. The Committee observed that any amount given in the nature of loans, advances except trade debtors of less than three months, shall be classified as debts and advances and reduced as non-allowable assets in the computation of net worth as per Schedule VI of the SEBI (Stock Brokers) Regulations, 1992 and circulars issued by the Exchange from time to time (Dr. L. C. Gupta method for net worth computation). By adjusting the advances given to Gogia Commodity and Olive Trading against loans taken from other entities without actual movement of funds, Gogia evaded the effect of advances given to these entities thereby inflated the values of debts and advances (non-allowable assets).
- vii. The Committee observed that as a cumulative result of the JV entries discussed in (Paragraph Nos 7.1.3. h. (E) (i) to 7.1.3. h. (E) (vi) above) Gogia circumvented the provisions of computation of net worth stipulated under Schedule VI of the SEBI (Stock Brokers) Regulations, 1992 and the circulars issued by the Exchange from time to time. Thus, Gogia manipulated its books to ensure that its proprietary losses do not negatively impact on its net worth computation.
- viii. The Committee further noted that all these JV entries were passed by Gogia on the date of reporting i.e., March 31, 2023, and September 30, 2023.
- ix. The Exchange vide email dated March 21, 2024, requested Gogia to provide rationale for 10 JV entries (JV28-3103) passed by Gogia in its books of accounts along with proof of actual transfer of funds. However, despite reminders

dated April 9, 2024, and April 12, 2024, and extension of time granted upon request of Gogia vide its email dated April 16, 2024, Gogia failed to provide supporting documents for its contention.

- i. In view of the above, the Committee noted that:
 - i. Gogia transferred trading losses arising from trades executed on its own account to Arpana Capital and Gogia Commodity via JV entries, while the underlying value of the proprietary trades continued to reside in Gogia's account as per the records of the Exchange. Hence, Gogia failed to ensure that the financial statements reflected the true nature of the transactions and provided an accurate representation of the company's financial position and performance.
 - ii. Gogia recorded the said transfer in its books as advances extended to Arpana Capital and Gogia Commodity to avoid reflecting losses in its free reserves. Hence, Gogia misclassified the liabilities as assets and failed to recognize the losses transparently.
 - iii. Furthermore, by adjusting the advances extended to Gogia Commodity and Oliv Trading against loans taken from Mr. Satish Gogia, Monica Gogia, promoter-director of Gogia, and other entities by passing JV entries on the date of reporting its net worth, i.e., as on March 31, 2023, and September 30, 2023, without actual movement of funds, reflects hypothetical adjustments to avoid the effect of the advances in its non-allowable assets (debts and advances).
 - iv. Gogia passed all these JV entries without actual movement of funds on the date of net worth reporting to misrepresent its proprietary losses as a part of its net worth. By passing JV entries Gogia inflated the actual negative net worth and reported positive net worth, thus enhancing its financial position.
 - v. The act of inflating the net worth and avoiding recognition of losses transparently and misclassification of liabilities as

assets violated various fundamental accounting principles as prescribed under Indian Accounting Standards (IND-AS) and Generally Accepted Accounting Principles (GAAP).

- j. In view of the above, the following JV entries passed by Gogia shall not be considered for net worth computation: -
- i. As on June 30, 2023 - JV entries (JV28-3103) amounting to Rs. 17.84 crores, which includes entries pertaining to Gogia Commodity and Olive Trading involving Rs. 17.64 crores, and Rs. 0.20 crore respectively, as on March 31, 2023
 - ii. As on September 30, 2023, and March 31, 2024 – JV entries amounting to Rs. 20.10 crores, which includes JV entries pertaining to Gogia Commodity involving Rs. 17.64 crores dated March 31, 2023, and Rs. 2.26 crores dated September 30, 2023 (JV28-3103, JV18-3009, and JV20-3009) and Olive Trading involving Rs. 0.20 crore dated March 31, 2023 (JV28-3103)
- k. Gogia admitted that transactions involving Rs. 17.64 crores were pure accounting entries and without immediate physical movement of funds in the bank account. It further contended that the JV entries were substantiated by internal agreements and corresponding documentation expressing consent of the impugned parties and justifying these transactions. Gogia's contention is not acceptable as JV entries which are per se inappropriate as per accounting principles and standards cannot be substantiated by internal agreements and corresponding documentation.
- l. Thus, the violation persists as on June 30, 2023, September 30, 2023, and March 31, 2024.
- m. As per the continuing membership norms of the Exchange, all Trading Members of the Exchange are required to maintain minimum net worth at all times and submit net worth certificate to the Exchange on half-yearly basis i.e., on March 31 and September 30 of every year.
- n. The Committee noted that Gogia failed to recoup its net worth shortfall despite repeated opportunities and had a continuous

shortfall in net worth as of March 31, 2024, involving Rs. 26.60 crores while its minimum net worth requirement was Rs. 15 crores.

- o. The Committee noted that Gogia manipulated its books of accounts with the intention of inflating its net worth.
 - p. As per Rule 33 of Chapter III of the Rules of the Exchange for continued admittance, *“the Relevant Authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum net worth and capital adequacy, renewal of certification, if any, etc.”* Thus, Gogia violated the regulatory provisions for continued admittance by failing to maintain the minimum net worth prescribed by the Exchange.
 - q. Exchange Circular No. NSE/COMP/61335 dated March 27, 2024, stipulates that *“as per the continuing membership norms of the Exchange, all Members of the Exchange are required to maintain minimum Networth at all points of time and submit the Net-worth certificate on a half yearly basis to the Exchange...Non-submission of Networth certificate within the due date or in case of any shortfall, failure to submit a revised Networth certificate along with the original Networth certificate as on March 31, 2024, shall result in immediate withdrawal of trading rights/margin trading facility, as the case may be.”*
 - r. The Committee noted that as a risk mitigation measure, the Exchange has a graded mechanism for blocking the proprietary deposits/collaterals of Trading Members who are non-compliant with the continued minimum net worth requirement at all times for the membership of the Exchange as prescribed by SEBI and Exchange. The said mechanism is uniformly applicable to all the Trading Members of the Exchange.
- 7.1.4. Considering the continuous shortfall in Gogia’s net worth from June 30, 2023, to March 31, 2024, Exchange’s Circulars to mitigate the risk arising from the shortfall in Trading Members’ net worth and to facilitate clients to square off their open positions, the Committee decided to pass the following order:

- a) Block 100% of the average daily total deposits/collaterals (cash and cash equivalents of proprietary and clients' deposits of the Trading Member as reported to all Clearing Corporations in the previous calendar month, i.e. September 2024) from proprietary deposit/collateral subject to the minimum shortfall amount until recoupment of net worth with immediate effect. Accordingly, an amount of Rs. 10,92,58,333/- shall be blocked from proprietary deposits/collateral of Gogia.
- b) Recoup the shortfall in net-worth immediately.
- c) Prohibit Gogia from registering new clients until the recoupment of net worth.

7.2. **Improper use of clients' funds**

7.2.1. Upon verification of the bank books and bank statements of proprietary bank account and settlement bank account submitted by Gogia, the Exchange observed that Gogia used clients' funds to meet proprietary losses to the extent of Rs. 13.59 lakhs as on April 8, 2023.

7.2.2. In reply to the SCN, Gogia submitted as below:

- a. Clients' funds were not used improperly. Gogia diligently segregates clients' funds from the proprietary accounts in adherence to all the regulatory guidelines and ensures that the clients' funds are strictly utilized for authorized purposes.
- b. The total credit balance of all clients of Gogia was Rs. 3.71 crores, the total debit balance of its clients was Rs. 24.67 lakhs, as on April 8, 2023. The value of unutilized collateral lying with the Clearing Corporation across stock exchanges was Rs. 7.84 crores.

7.2.3. The Committee finds that: -

- a. Gogia contended that sufficient funds were available, and clients' funds were not used improperly.

b. Upon perusal of the Exchange's records for 'G' alerts, it is observed that Gogia had sufficient funds available in the client bank/settlement accounts maintained with it and/or collaterals deposited with the Clearing Member/Clearing Corporation in the form of cash and cash equivalents, to meet the credit balances of all its clients. As a result, the value of 'G' calculated as per Principle 1 of the Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, on Enhanced Supervision of Stockbrokers, was positive to the extent of Rs. 91.38 lakhs as on the last trading day i.e., April 6, 2023 (April 7, 2023, and April 8, 2023, were non-trading days). Thus, Gogia's contention is tenable, and the observation/violation ceases to persist.

7.2.4. Given the findings mentioned above, the Committee decided no action is warranted against Gogia for the observed observation.

7.3. **Engagement as a principle in business other than securities/commodities involving personal financial liability**

7.3.1. The observations of the Exchange are as below:

SCN

Upon verification of the bank statements, bank books, trial balance and annual statement submitted by Gogia, the Exchange observed that Gogia engaged as a principal in business other than securities/commodities, involving personal financial liability, by extending loans and advances to 19 entities involving Rs. 55.49 crores.

Upon verification of the agreement dated April 1, 2022, entered between Gogia and Arpana Capital with respect to sharing of losses, of bank statements and bank books submitted by Gogia, the Exchange observed that Gogia transferred proprietary losses amounting to Rs. 33.82 crores to Arpana Capital via JV entry on March 31, 2023, and received funds amounting to Rs. 2.50 crores from Arpana Capital on June 5, 2023, and June 9, 2023.

Upon verification of the trial balance, bank statements and bank books submitted by Gogia, the Exchange observed that Gogia utilized

the funds received from 9 parties in 152 instances to meet the proprietary margin obligations.

LO-2

Upon verification of the trial balance, provisional financial statement and net worth certificate submitted by Gogia, the Exchange observed that Gogia engaged in business other than securities, involving personal financial liability by extending a loan of Rs. 30 lakhs to its director as on September 30, 2023.

7.3.2. In reply, Gogia submitted as below:

SCN

Loans and advances extended to 19 entities involving Rs. 55.49 crores

- a. The intent of Rules 8 (1) (f), 8 (3) (f) of the Securities Contracts (Regulation) Rules, 1957 (“**SCRR**”) and other regulatory provisions is to prevent misuse of clients’ funds/securities. The impugned parties are not clients/related parties of Gogia which could potentially lead to misuse of clients’ funds and securities. There is clear demarcation between clients’ funds and securities and own funds/securities and funds are utilized exclusively for intended purposes.
- b. Gogia’s involvement in the non-securities business was primarily related to working capital requirement and external loans were sought to bolster operational liquidity, thereby ensuring seamless service to our clients.
- c. The loan is repaid as on March 14, 2024. Further, the loans did not involve personal financial liability, as they were extended at the organizational level, safeguarding the directors and promoters from any personal exposure.

Transfer of proprietary losses to Arpana Capital via JV entry and receipt of funds from Arpana Capital

- d. The agreement between Gogia and Arpana Capital pertaining to transfer of losses was executed transparently and in accordance with the legal norms. The decision was based on prudent financial management.
- e. It is acknowledged that loss involving Rs. 33.82 crores were transferred to Arpana Capital via JV entry on March 31, 2023. However, the loss so transferred, was incurred by Gogia's client – Arpana Capital, and is not related to proprietary trades. The transaction did not involve any personal financial liability as it was strictly at the organizational level, safeguarding directors, and promoters of Gogia.
- f. Gogia assured that it will not involve in such arrangement in future.

Funds received from 9 parties in 152 instances utilized to meet the proprietary margin obligations

- g. The transactions were exclusively directed towards the proprietary trading positions of Gogia and were not related to clients' accounts. Gogia's actions were consistent with prudent risk management principles which necessitate maintaining an adequate margin to safeguard market integrity.

LO-2

Gogia has established clear operational boundaries between the securities business and the other businesses to prevent any overlap. The intent of Rule 8(3)(f) was to prevent the Trading Member from misusing clients' funds/securities. However, Gogia maintains clear demarcation between clients' and own securities/funds.

7.3.3. The Committee finds as below:

In view of the latest developments and the stand taken by Union of India in the Writ Petition (WP (St.) No. 32739 of 2023) filed by Kotak Securities Limited before the Hon'ble High Court of Bombay, the

Committee decided to keep the enforcement action against Gogia under Rule 8(3)(f) of SCRR in abeyance, pending adjudication.

7.4. **Incorrect data reported to the Exchange in the weekly client-level cash and cash equivalents balances**

7.4.1. Upon verification of the weekly client-level cash and cash equivalent submissions, trial balance, client ledgers, and records of Clearing Corporation from April 7, 2022, to February 27, 2023, the Exchange observed that Gogia reported incorrect data to the Exchange as below:

- a. Financial ledger balance (clear) - B in 3 instances involving Rs. 12.25 lakhs
- b. Peak financial ledger balance (clear) - C in 36 instances involving Rs. 1.48 crores

7.4.2. In reply to the SCN, Gogia submitted as below:

- a. The submissions were made with utmost care and accuracy reflecting the true state of affairs regarding client-level cash and cash equivalent balances as well as bank account balances. The submissions align with the guidelines set by the Exchange.

7.4.3. The Committee finds that: -

- a. Gogia contended that correct balances were reported to the Exchange under weekly client-level cash and cash equivalents submissions.
- b. Financial ledger balance (clear) - B in 3 instances involving Rs. 12.25 lakhs

Upon verification of the ledgers vis-à-vis the cash and cash equivalents submissions of Gogia, it is observed as below:

- i. *2 instances involving Rs. 11.96 lakhs (UCCs: S211 and 011)*
– Gogia correctly reported financial ledger balances. Thus,

Gogia's contention is tenable, and the observation/violation ceases to persist in the aforementioned instances.

- ii. *1 instance involving Rs. 29,198.72 (UCC: 1689)* – Upon verification of financial ledger balances, Gogia's contention of having reported correctly the financial ledger balances is found incorrect. Thus, Gogia's contention is not tenable, and the violation persists in the aforementioned instance.

c. Peak financial ledger balance (clear) - C in 36 instances involving Rs. 1.48 crores

Upon verification of the ledgers vis-à-vis the cash and cash equivalents submissions of Gogia on a sample basis for top 16 instances involving Rs. 1.46 crores, it is observed as below:

- i. *9 instances involving Rs. 25.19 lakhs (UCCs: S211, 3367, 3379, 7405, 9023, FT221, 4220, H366, and H133)* - Gogia correctly reported the peak financial ledger balances. Thus, Gogia's contention is tenable, and the observation/violation ceases to persist in the aforementioned instances.
- ii. *7 instances involving Rs. 1.20 crores (UCCs - H1140, H1106, OSL, H122, FRAG, REAP01, and H1135)* – Upon verification of financial ledger balance, Gogia's contention that it correctly reported the balances is found to be incorrect. Thus, Gogia's contention is not tenable, and the violation persists in the aforementioned instances.

d. Hence, the violation stands reduced to 8 instances involving Rs. 1.20 crore.

e. As per Exchange Circular No. NSE/INSP/43926 dated March 23, 2020, and NSE/INSP/46960 dated January 8, 2021, Trading Members must upload day-wise client-level cash and cash equivalent balances on a weekly basis for all calendar days of that week except Sunday (i.e. Monday to Saturday). The Trading Members must verify the data before submission to the Exchange. Thus, Gogia violated the regulatory provisions mentioned above

by submitting incorrect data on the weekly client-level cash and cash equivalent balances.

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

7.5. **Non-maintenance of bank books in the prescribed standard format**

- 7.5.1. Upon verification of the ledgers submitted by Gogia, the Exchange observed that Gogia passed JV entries to clear the loan without actual fund movement reflected in the bank account.

- 7.5.2. In reply to the SCN, Gogia submitted as below:

- a. Gogia and Gogia Commodity Trading Pvt Ltd. ("**Gogia Commodity**") are associate companies promoted by the same promoter-director namely Mr. Satish Gogia (DIN- 00932987). Mr. Satish Gogia holds 86% shareholding in Gogia Commodity.
- b. The promoter-director of Gogia, Mr. Satish Gogia along with his wife, Mrs. Monica Gogia, decided to clear the debit balance of Gogia Commodity (Gogia's sister concern) to the extent of debit balances lying with Gogia. Accordingly, Gogia passed the JV entry debiting the account of Mr. Satish Gogia's and crediting the account of Gogia Commodity.
- c. The credit balance in Dr. Neha's Medical Loan Account (P519) was adjusted against the debit balance of Gogia Commodity, as Dr. Neha's Medical is a party to Gogia Commodity as well.
- d. The credit balance of Rs. 1.5 crores in Adcon Capital Services Limited Loan Account (P542) as on March 31, 2023, was adjusted against the debit balance of Gogia Commodity as Adcon Capital Services Limited is an active party to Gogia Commodity. Subsequently, Gogia paid Rs. 1.5 crores to Adcon Capital Services Limited in May 2023, which was duly recovered from Gogia Commodity.

- e. The credit balance of Rs. 1 crore in Shreeji Ornaments Private Limited Loan Account (P543) as on March 31, 2023, was adjusted against the debit balance of Gogia Commodity as Shreeji Ornaments Private Limited is an active party to Gogia Commodity. Subsequently, Gogia paid Rs. 25 lakhs to Shreeji Ornaments Private Limited in May 2023 which was duly recovered from Gogia Commodity.
- f. The credit balance of Rs. 1.90 crore in Sachde Food and Beverage Loan Account (P546) was adjusted against the debit balance of Gogia Commodity as Sachde Food and Beverage is a party common to Gogia and Gogia Commodity.
- g. The credit balance of Rs. 65 lakhs in Makwana Trading Co. Bhavin (P549) is adjusted against the credit balance in Gogia Commodity as Makwana Trading Co. Bhavin is a party to Gogia Commodity as well.
- h. The credit balance of Rs. 50 lakhs in Yash Pal Sachdeva (P553) is adjusted against the debit balance of Gogia Commodity as Yash Pal Sachdeva is a party to Gogia Commodity.
- i. The credit balance of Rs. 75 lakhs in Sanjeev Nagpal/ Poonam Nagpal (P554) is adjusted against the debit balance of Gogia Commodity as Sanjeev Nagpal/ Poonam Nagpal is a party to Gogia Commodity.
- j. These transactions are accounting entries that reflect internal fund re-allocation between Gogia and Gogia Commodity. Despite the absence of immediate physical movement of funds in the bank accounts, the entries are substantiated by internal agreements and corresponding documentation (consent of all the impugned parties) to justify the same.

7.5.3. The Committee finds that: -

- a. 1 instance (P547)

Gogia failed to respond to the observation pertaining to the client, Olive Trading. In absence of a reply from Gogia, the violation persists in the aforementioned instance.

- b. 9 instances (CGCPL, CGCPL1, P519, P542, P543, P546, P549, P553, and P554)

Gogia's contention that the transactions pertain to internal fund re-allocation between Gogia and Gogia Commodity and are justified/substantiated by internal agreements and the consent of all the parties involved is not acceptable for the reasons mentioned in Paragraph No.7.1.3. above.

- c. The Committee observes that as per Exchange Circular No. NSE/INSP/38743 dated August 30, 2018, a standard format for Register of Securities, Holding Statement, Bank Book and Client Ledger is prescribed to standardize the maintenance of books of accounts/records and to ensure uniformity across all Trading Members. Thus, Gogia violated the regulatory provisions mentioned above by failing to maintain the client ledgers in the prescribed standard format.

- 7.5.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 25,000/- on Gogia for the observed violation in terms of Sr. No. B (9) of Schedule I of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

7.6. **Non-segregation of fund transfer between client bank account and own bank account**

- 7.6.1. Upon verification of the bank books and bank statements submitted by Gogia, the Exchange observed that Gogia transferred funds from the client bank account to own bank account and vice versa in 18 out of 8,440 instances selected for sample scrutiny (0.21% of the total sample instances involved). The details are as below:

(Rs. in crores)

Sr. No.	Particulars	Instances	Amount
1	Fund transfer from client bank account to own bank account	8	2.87
2	Fund transfer from own bank account to client bank account	10	2.92
3	Net transfer from own bank account to client bank account	-	0.05

7.6.2. In reply to the SCN, Gogia submitted as below:

- a. Upon thorough review of the transactions in question, Gogia realized that the transactions were mistakenly processed due to an oversight and did not reflect the intended movement of funds.
- b. Upon identification of the error, Gogia initiated corrective actions immediately and reversed the transactions on the same day to ensure integrity of clients' accounts and Gogia's financial records.
- c. Furthermore, Gogia reviewed and strengthened its internal controls to ensure non-recurrence of the observed violation.

7.6.3. The Committee finds that: -

- a. Gogia attributed the violation to an oversight and claimed that the transactions were reversed on the day.

Upon verification of the bank books of Gogia, it is observed that Gogia reversed 17 out of 18 transactions on the same day. Considering Gogia reversed the transaction on the same day, the Committee decided to give benefit for the observed instances. The remaining 1 out of the 18 transactions pertaining to transfer of funds from own bank account to client bank account involving Rs. 5 lakhs as on June 9, 2023, were not reversed.

Thus, the violation persists.

- b. As per Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, "*the transfer of funds between "Name of Stockbroker - Client Account" and "Name of Stockbroker -*

Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stockbroker - Client Account" to "Name of Stockbroker - Proprietary Account" is permitted only for legitimate purposes, such as recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stockbroker, etc. For such transfer of funds, the stockbrokers shall maintain a daily reconciliation statement clearly indicating the amount of funds transferred." Thus, Gogia violated the regulatory provisions mentioned above by failing to segregate the transactions between the client and own bank accounts.

- 7.6.4. Given the findings mentioned above, the Committee decided to advise Gogia to ensure non-recurrence of the observed violation in terms of Sr. No. B (15) of Schedule I of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

7.7. **Non-maintenance of daily reconciliation statement for fund transfer between client bank account and own bank account**

- 7.7.1. Upon verification of the bank books and bank statements submitted by Gogia, the Exchange observed that Gogia did not maintain a daily reconciliation statement for fund transfers between the client bank account and own bank account in 18 out of 8,440 instances selected for sample scrutiny.
- 7.7.2. In reply to the SCN, Gogia submitted as below:
- a. The reported violation is a result of an isolated occurrence caused due to human error/oversight and does not reflect the usual practices of Gogia.
 - b. Upon discovery of the violation, Gogia initiated corrective actions immediately which includes implementation of a more rigorous review process to ensure daily reconciliation without any failure and upgradation to automate the reconciliation process on Gogia's back-office software viz., Shilpi, to reduce the likelihood of human errors.

- c. Gogia assured continued enhancement of the internal processes to ensure non-recurrence of the observed violation.

7.7.3. The Committee finds that: -

- a. Gogia accepted the inspection observation and attributed the violation to an oversight and claimed that corrective actions were initiated immediately. Thus, the violation persists in the aforementioned instance.
- b. As per Exchange Circular No. NSE/INSP/2016/33276 dated September 27, 2016, Trading Members are required to maintain the daily reconciliation statement clearly indicating the amount of funds transferred between the client account and proprietary accounts. Thus, Gogia violated the regulatory provision mentioned above by failing to maintain the daily reconciliation statement.

7.7.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 25,000/- on Gogia for the observed violation in terms of Sr. No. B (35) of Schedule I of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

7.8. **Material discrepancies in the retention statements sent to clients**

7.8.1. Upon verification of the retention statements sent to the clients, the Exchange observed that Gogia issued retention statements to the clients with material discrepancies in 6 out of 50 instances selected for sample scrutiny.

7.8.2. In reply to the SCN, Gogia submitted as below:

Gogia reviewed its records and internal processes but found no evidence for the observation with respect to the client codes: REAP02, FRAG, 10472, and 7405. Further, with respect to client code 4374, the difference between the actual value of securities as per the retention statement sent by Gogia to its clients is Rs. 1,657/- only.

7.8.3. The Committee finds that: -

a. 1 instance involving Rs. 78,541.29/- (UCC: CSAT)

Gogia failed to respond to the said observation/violation in its reply to the SCN.

The Exchange vide its email dated April 9, 2024, and reminder email dated April 12, 2024, requested Gogia to make its submissions, if any, for the said observation/violation along with relevant supporting documents. However, Gogia failed to make submissions despite seeking an extension of 5 days to respond to said emails of the Exchange, vide its email dated April 16, 2024.

In absence of a reply from Gogia, the violation persists in the aforementioned instance.

b. 5 instances involving Rs. 35,936.87/- (UCCs: REAP02, FRAG, 10472, 4374, and 7405)

Gogia stated that it found no evidence for the observation with respect to the client codes: REAP02, FRAG, 10472, and 7405, and contended that the difference in the case of client code 4374 was only Rs. 1,657/- instead of Rs. 6,343/- as alleged by the Exchange. Gogia failed to provide documents such as daily margin statement, demat holding statement for client code-4374 to elaborate and substantiate its contention.

Therefore, the Exchange vide its email dated April 9, 2024, and reminder email dated April 12, 2024, requested Gogia to make its submissions, if any, for the said observation/violation along with relevant supporting documents. However, Gogia failed to make its submissions despite seeking an extension of 5 days to respond to said emails of the Exchange, vide its email dated April 16, 2024.

In absence of adequate supporting documentation, Gogia's contention could not be verified. Thus, the violation persists in the aforementioned instances.

c. As per Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, all the stockbrokers shall ensure that "*statement of accounts containing an extract from the client ledger for funds and*

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.” Thus, Gogia violated the regulatory provisions mentioned above, by issuing the retention statement to the clients at the time of settlement of clients’ funds with material discrepancies.

7.8.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 15,000/- on Gogia for the observed violation in terms of Sr. No. B (82) of Schedule I of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

7.9. **Operation of trading terminals in derivatives segment without valid certification**

7.9.1. Upon verification of the details of trading terminals (CTCL) available as per the records of the Exchange and NISM certifications, the Exchange observed that Gogia operated 8 trading terminals in derivatives segment without valid certification.

7.9.2. Gogia failed to respond to the said observation/violation.

7.9.3. The Committee finds that: -

- a. Gogia failed to respond to the said observation/violation in its reply to the SCN. Thus, the violation persists.
- b. The Exchange vide its email dated April 9, 2024, and reminder email dated April 12, 2024, requested Gogia to make its submissions, if any, for the said observation/violation along with relevant supporting documents. However, Gogia failed to make its submissions despite seeking an extension of 5 days to respond to said emails of the Exchange, vide its email dated April 16, 2024.
- c. Upon verification of the CTCL files of Gogia, it is observed that 2 out of the 8 reported instances pertain to internet/mobile – based trading terminals which do not have the certification requirement. Thus, the observation/violation ceases to persist in 2 instances.

- d. In the remaining 6 out of 8 reported instances, Gogia failed to provide the NISM certificates for verification as requested by the Exchange vide its email dated April 9, 2024. Thus, the violation persists in the aforementioned instances.
- e. The violation stands reduced to 6 instances pertaining to 5 unique CTCL terminals.
- f. As per Exchange Circular No. NSE/MA/22732 dated February 13, 2013, "*Trading Members desirous of obtaining user ids are required to meet certification requirement as specified by SEBI /Exchange.*" Thus, Gogia violated the regulatory provisions mentioned above by operating trading terminals in the derivatives segment without valid certification.

7.9.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 7,500/- (Rs. 1,500/- per terminal * 6 unique CTCL terminals) in terms of Sr. No. B (51) of Schedule I of the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

7.10. **Error in uploading details of the trading terminals (CTCL) to the Exchange**

7.10.1. Upon verification of the connection log submitted by Gogia, the Exchange observed that 2 CTCL ID, i.e. BSNEGI and GISLBH, were not available at the location on the day of inspection.

Upon verification of the details of trading terminals (CTCL) available as per the records of the Exchange, the Exchange observed that 12 trading terminals are not available at the location during inspection. Furthermore, out of the 12 trading terminals, trades were executed from 1 trading terminal in CM segment and 5 trading terminals in F&O segment.

7.10.2. Gogia failed to respond to the said observation/violation.

7.10.3. The Committee finds that: -

- a. Gogia failed to respond to the said observation/violation in its reply to the SCN dated March 14, 2024.

- b. Therefore, the Exchange vide its email dated April 9, 2024, and reminder email dated April 12, 2024, requested Gogia to make its submissions, if any, for the said observation/violation along with relevant supporting documents. However, Gogia failed to make its submissions.
- c. In absence of a reply from Gogia, the violation persists. Upon verification of trading terminal details, it is observed that the violation pertains to 5 unique trading terminals wherefrom trades were executed by Gogia.
- d. As per Exchange Circular No. NSE/MA/22732 dated February 13, 2013, *“the status of the office where the terminal is located, and other required particulars shall be provided to the Exchange in the prescribed manner as specified in Chapter 3 under Point B of the aforementioned circular.”* Incorrect location of trading terminals reported to the Exchange may defeat the purpose of reporting and hinder the regulation of trading terminals by the Exchange. Thus, Gogia violated the regulatory provisions mentioned above by reporting incorrect terminal details to the Exchange.

7.10.4. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs. 1,00,000/- on Gogia in terms of Sr. No. B (53) of Exchange Circular No. NSE/INSP/53530 dated September 2, 2022.

DECISION

8. In view of the above, the Committee levies the following penalties as indicated against each of the violations mentioned above and reiterated below:

Sr. No.	Committee's Findings based on Gogia's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022	Penalty Levied post-considering Gogia's submission and the Committee's findings
1.	Shortfall in net worth as on: -	No prescribed penalty	Direction to recoup the shortfall in net-worth immediately +

Sr. No.	Committee's Findings based on Gogia's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022	Penalty Levied post-considering Gogia's submission and the Committee's findings
	<p><u>SCN</u> a. June 30, 2023 - Rs. 28.40 crores</p> <p><u>LO-1</u> b. September 30, 2023 - Rs. 5.07 crores.</p> <p><u>LO-2</u> c. March 31, 2024 - Rs. 26.60 crores</p>		<p>Block 100% of the average daily total deposits/collaterals (cash and cash equivalents of proprietary and clients' deposits of the Trading Member as reported to all Clearing Corporations in the previous calendar month, i.e. September 2024) from proprietary deposit/collateral subject to the minimum shortfall amount until recoupment of net worth with immediate effect. Accordingly, an amount of Rs. 10,92,58,333/- shall be blocked from proprietary deposits/collateral of Gogia</p> <p style="text-align: center;">+</p> <p>No new clients until recoupment of the net worth.</p>
2.	<p><u>SCN</u> Improper use of clients' funds</p>	No prescribed penalty	No action
3.	<p><u>SCN</u> Engagement as a principle in business other than securities/commodities involving personal financial liability by: -</p> <p>a. extending loans and advances to 19 entities involving Rs. 55.49 crores</p> <p>b. transferring proprietary losses to Aparna Capital</p>	<p>Amount involved > Rs. 5 crores: Rs. 5,00,000/-</p> <p style="text-align: center;">+</p> <p>No new clients if funds given as loans /advances are not recovered within the time allotted</p>	<p>Kept in abeyance</p> <p>The observation shall be dealt with subsequently by a separate order.</p>

Sr. No.	Committee's Findings based on Gogia's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022	Penalty Levied post-considering Gogia's submission and the Committee's findings
	<p>Aparna Capital via JV entry involving Rs. 33.82 crores as on March 31, 2023, and receiving funds from Aparna Capital involving Rs. 2.50 crores as on June 5, 2023, and June 9, 2023</p> <p>c. utilizing funds received from 9 parties in 152 instances to meet the proprietary margin obligations involving Rs. 11.34 crores</p> <p><u>LO-2</u></p> <p>d. by extending loan to director involving Rs. 30 lakhs</p>	<p>Amount involved <= Rs. 5 crores: 1% of the mount involved + direction to recover the funds given as loans/advances within the time allotted</p>	
4.	<p><u>SCN</u> Incorrect data reported to the Exchange in the weekly client-level cash and cash equivalents balances in 8 instances involving Rs. 1.20 crore.</p>	Rs. 1,00,000/-	<p>Advise (Considering that the violation is not repeated in the financial year)</p>
5.	<p><u>SCN</u> Non-maintenance of bank books in the prescribed standard format</p>	Rs. 25,000/-	Rs. 25,000/-
6.	<p><u>SCN</u></p>	Less than 2% of number of instances - Advise	Advise

Sr. No.	Committee's Findings based on Gogia's submission	Prescribed penalty as per Exchange Circular No. NSE/INSP/53530 dated September 2, 2022	Penalty Levied post-considering Gogia's submission and the Committee's findings
	Non-segregation of fund transfer between client bank account and own bank account in 1 out of 8,440 instances (0.01%)		
7.	<u>SCN</u> Non-maintenance of daily reconciliation statement for fund transfer between client bank account and own bank account in 18 instances.	Rs. 25,000/-	Rs. 25,000/-
8.	<u>SCN</u> Material discrepancies in the retention statements sent to clients in 6 instances	Rs. 15,000/-	Rs. 15,000/-
9.	<u>SCN</u> Operation of trading terminals in derivatives segment without valid certification involving 6 instances pertaining to 5 unique CTCL terminals	Rs. 1,500/- per terminal	Rs. 7,500/- (5 unique CTCL terminals * Rs. 1,500/- per terminal)
10.	<u>SCN</u> Error in uploading details of the trading terminals (CTCL) to the Exchange	Rs. 1,00,000/- per location	Rs. 1,00,000/-
TOTAL			Rs. 1,72,500/-

9. The Committee decided to block 100% of the average daily total deposits/collaterals (cash and cash equivalents of proprietary and clients' deposits in the previous calendar month) from proprietary deposit / collateral subject to the minimum shortfall amount until recoupment of net worth with immediate effect and prohibited Gogia from registering new clients until recoupment of net worth.

10. Gogia is directed as below:

- a. To recoup its net worth immediately.
- b. To pay a monetary penalty of Rs. 1,72,500/- (Rupees One Lakh Seventy-two Thousand Five Hundred Only).
- c. To note the non-monetary penalties mentioned above and ensure non-recurrence of the observed violations.

Sd/-
S Ravindran
(Chairperson)

Sd/-
Abhilasha Kumari
(Committee Member)

Sd/-
Mamata Biswal
(Committee Member)

Sd/-
Essaji Vahanvati
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: January 23, 2025