

**Before the
Member and Core Settlement Guarantee Fund Committee
("MCSGFC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra East, Mumbai – 400051
held on January 24, 2023
In the matter of the Trading Member M/s. Kedia Capital Services Private Limited**

CORAM:

Ms Mona Bhide	- Chairperson
Mr K Narasimha Murthy	- Committee Member
Mr Ranganayakulu Jagarlamudi	- Committee Member
Mr. S. Ravindran	- Committee Member
Mr. Ashishkumar Chauhan	- Committee Member

ALSO PRESENT:

Ms Priya Subbaraman	- Chief Regulatory Officer
Dr Dinesh Kumar Soni	- Senior Vice President – Regulatory
Mr Suresh Nair	- Vice President – Enforcement

BACKGROUND

1. M/s. Kedia Capital Services Private Limited ("**Kedia/noticee**") is a Trading Member registered with the National Stock Exchange of India Limited ("**NSEIL**"/"**Exchange**") and enabled for trading in the Capital Market ("**CM**"), Futures & Options ("**F&O**") and Currency Derivatives ("**CD**") segments since March 2018.
2. The Exchange conducted a limited purpose inspection of the books and records of Kedia from February 2022 to March 2022, to verify the availability of clients' funds under the Enhanced Supervision of Stockbrokers as of January 21, 2022. Post inspection, the Exchange issued a show-cause notice (**SCN-1**) dated April 25, 2022, for the observed non-compliance with the regulatory provisions. Kedia, failed to reply to the said SCN-1.
3. The Exchange conducted a regular inspection of the books and records of Kedia in the month of November 2021 covering the period October 01, 2020, to September 30, 2021. Post-inspection, the Exchange issued a letter of observation ("**LO**") dated June 06, 2022, to Kedia for the observed non-compliances with the regulatory provisions. Kedia replied to LO on October 14, 2022.
4. The Exchange conducted another limited purpose inspections of the books and records of Kedia in May 2022, to verify the data submitted under the Enhanced Supervision of Stockbrokers as of February 28, 2022, March 02, 2022, and March 03, 2022. Post inspection, the Exchange issued a show-cause notice (**SCN-2**) dated June

14, 2022, for the observed non-compliances with the regulatory provisions. Kedia vide letter dated June 24, 2022, replied to the said SCN-2.

INSPECTION OBSERVATIONS/VIOLATIONS

5. The observations/violations mentioned are summarized hereunder:

SCN-1

- 5.1 Misuse of clients' funds that is, funds of the credit balance were used to meet the margin obligation of the debit balance client and/or proprietary trading to the extent of Rs.2.86 crores as on January 21, 2022, thereby violating Principle 3 of the Enhanced Supervision of stockbrokers.
- 5.2 Incorrect data submitted for weekly monitoring of client funds in 3 areas, viz. credit balances of all clients, margin utilized for positions of credit balance clients, and unutilized collaterals lying with the Clearing Corporation/Clearing Member involving Rs.0.18 crore, Rs.0.46 crore, and Rs.0.05 crore as on January 21, 2022.

LO

- 5.3 Non-settlement of client funds and securities of
- a. active clients in the case of 1 instance out of 100 instances (1% to total instances) involving Rs.0.08 crore for the quarter ended December 2020 and,
 - b. inactive clients in the case of 240 instances out of 290 instances (82.76% of total instances) involving Rs.5.93 crores during the period October 01, 2020, to September 30, 2021.
- 5.4 Delay in settlement of client funds in the case of 2 instances out of 100 instances (2% of total instances) during the period October 01, 2020, to September 30, 2021.
- 5.5 Incorrect reporting of end of the day margin reported to the Exchange in the case of 1 instance (client code: 2651) out of 25 instances (4% of total instances) involving Rs.1,292/- as on May 21, 2021.
- 5.6 Material discrepancies in the retention statement sent to clients in the case of 1 instance involving Rs.0.32 crore for the quarter ended September 2021.

SCN-2

- 5.7 Misuse of clients' funds i.e., funds of the credit balance were used to meet the settlement obligation of the debit balance client and/or own purpose to the extent of Rs.1.24 crore, Rs.1.43 crore and Rs.2.77 crores as on

February 28, 2022, March 2, 2022, and March 03, 2022, thereby violating Principle 1 of the Enhanced Supervision of stockbrokers.

REGULATORY PROVISIONS

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

6.1 **Misuse of client funds**

a. Regulation 4.5.3 (e) of NSEIL Regulations (CM and F&O Segments)

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

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

Based on the aforesaid information submitted by the stockbroker, Stock Exchanges shall put in place a mechanism for monitoring clients' funds lying with the stockbrokers on the principles enumerated below:

3.3.1 Funds of credit balance clients used for settlement obligation of debit clients or for own purpose:

Principle

The total available funds i.e., cash and cash equivalents with the stockbroker and with the clearing corporation/clearing member (A + B) should always be equal to or greater than Clients' funds as per ledger balance (C)

Stock Exchanges shall calculate the difference i.e., G as follows-

$$G = (A+B) - C$$

3.3.3 Funds of credit balance clients used for margin obligations of debit balance clients and proprietary trading:

Principle:

The clients' funds lying with the clearing corporation/clearing member should be less than or equal to the sum of credit clients' margin obligations (MC) and free collateral deposits available with the clearing corporation/clearing member (MF).

$$J = (C-A) - (MC+MF)$$

6.2 **Incorrect data submitted to the Exchange for weekly monitoring of client funds**

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

3.2 Stockbrokers shall submit the following data as on last trading day of every week to the Stock Exchanges on or before the next trading day:

C - Aggregate value of Credit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bill of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations)

MC- Aggregate value of Margin utilized for positions of Credit Balance Clients across Stock Exchanges.

MF- Aggregate value of Unutilized collateral lying with the clearing corporations and/or clearing member across Stock Exchanges.

6.3 **Non-settlement of client funds and securities**

a. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009

Unless otherwise specifically agreed to by a client, the settlement of funds/securities shall be done within 24 hours of the pay-out. However, a client may specifically authorize the stockbroker to maintain a running account subject to inter alia the following condition: The actual settlement of funds and securities shall be done by the broker, at least once in a calendar quarter or month, depending on the preference of the client.

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

8.1. In partial modification of circular on running account settlement, the stockbroker 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.

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

5.4. For 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 TM, within next three working days irrespective of the date when the running account was previously settled.

6.4 Delayed in settlement of client funds**a. Exchange Circular No. NSE/INSP/2016/33276 dated September 27, 2016**

8.1. *In partial modification of circular on running account settlement, the stockbroker 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*

6.5 Incorrect reporting of margin collected from the clients**a. Regulation 3.9 of NSEIL Regulations (CM Segment)**

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. Regulation 3.10 of NSEIL Regulations (F&O Segment)

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.

a. 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.

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

CM Segment

In capital segment, Trading Members (TM) are required to mandatorily collect VaR margins and Extreme loss Margin (ELM) from their clients on an upfront basis. Other margins such as Markto-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 VaR margins and ELM are collected in advance of trade and other margins are collected/paid as soon as margin calls are made by the Stock Exchanges.

F&O segment

In the F&O segment, it is mandatory for Trading Members to collect initial margin, net buy premium, delivery margin & exposure margin from respective clients on an upfront basis. It must be ensured that all upfront margins are collected in advance of the trade. Mark-to-market losses (MTM) shall be collected from clients by T+1 day.

16. What does false reporting of margin/MTM (non-compliance) mean?

Where the margins, including upfront margins / MTM losses, have 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.

b. Exchange Circular No. NSE/INSP/45072 dated July 21, 2020

- 2. In order to align and streamline the risk management framework of both cash and derivatives segments, with respect to the collection of margins from the clients and reporting of short-collection/noncollection of margins, SEBI vide circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019, inter alia, required the Trading Members (TMs) / Clearing Members (CMs) in cash segment as well to mandatorily collect upfront VAR margins and ELM from their clients.*

Framework to enable verification of upfront collection of margins from clients in cash and derivatives segments

(ii) The client wise margin file (MG-12/13) provided by the CCs to TMs/CMs shall contain the EOD margin requirements of the client as well as the peak margin requirement of the client, across each of the intra-day snapshots.

(iii) The member shall have to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:

a) EOD margin obligation of the client shall be compared with the respective client margin available with the TM/CM at EOD. AND

b) Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the TM/CM during the day.

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty as per the extant framework.

6.6 Material discrepancy in retention statement sent to the clients

c. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009

While settling the account, the broker shall send the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.

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

Statement of accounts containing an extract from the 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.

PRESENT PROCEEDINGS BEFORE MCSGFC

7. The Exchange, vide email dated December 19, 2022, granted Kedia an opportunity of a personal hearing before the Committee. On behalf of Kedia, Mr. Vijay Kedia – Director appeared before the Committee and reiterated its written submissions.

CONSIDERATION & FINDINGS

8. The observations/violations, the reply of Kedia, and the findings of the Committee are as under:

SCN-1

8.1 Misuse of clients' funds

- 8.1.1 The Exchange verified the data submitted by Kedia towards weekly monitoring of clients' funds under the enhanced supervision of the stockbrokers as on January 21, 2022, vis-à-vis the trail balance, client ledgers, bank statements, and records of the Exchange/clearing corporation/clearing member pertaining to margin requirements and collateral maintained by Kedia. Upon verification, the Exchange observed that Kedia used the funds of credit balance clients to meet the margin obligation of the debit balance clients and/or proprietary trading to the extent of Rs.2.86 crores as on January 21, 2022,

thereby violated Principle 3 of the Enhanced supervision of Stockbrokers.

8.1.2 Kedia failed to submit its reply to the observation/violation.

8.1.3 The committee finds as under:

a. Kedia failed to submit its reply even after repeated reminders dated May 17, 2022, May 30, 2022, June 22, 2022, and October 17, 2022. Thus, in absence of any reply, the violation persists.

b. As per Regulation 4.5.3 (e) of the NSEIL Regulations (CM and F&O Segments), no Trading Member or person associated with a Trading Member shall make improper use of the constituent's securities or funds. Further, as per clause 3.3.3 of Exchange Circular No. NSE/INSP/33276 dated September 27, 2017, the clients' funds lying with the clearing corporation/clearing member should be less than or equal to sum of credit clients' margin obligations (MC) and free collateral deposits available with the clearing corporation/clearing member (MF). Thus, Kedia violated the regulatory provisions mentioned above by misusing the clients' funds.

c. The net worth of Kedia was Rs.3.75 crores as on September 30, 2021.

d. The misuse of clients' funds was Rs.2.86 crores as of January 21, 2022. As per Exchange Circular No. NSE/INSP/47457 dated February 25, 2021, if the misuse is above Rs.2 crores and less than Rs.10 Crore and the misuse is more than 50% of net worth, penal action as prescribed under point No. 1(c) is a monetary penalty up to 3% of the misuse plus no new clients up to six months is applicable. Considering the misuse is for a single day the Committee decided to levy a monetary penalty of Rs.2,86,000 at 1% of the misuse amount.

8.1.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.2,86,000/- (i.e., 1% Rs.2.86 crores) in terms of the Exchange Circular No. NSE/INSP/47457 dated February 25, 2021.

8.2 **Incorrect data submitted towards weekly monitoring of clients' funds**

8.2.1 Upon verification of the data submitted by Kedia towards weekly monitoring of clients' funds under the Enhanced Supervision of Stockbrokers, the Exchange observed that Kedia submitted incorrect data in the case of 3 areas viz. credit balances of all clients, margin

utilized for positions of credit balance clients and unutilized collaterals lying with the Clearing Corporation/Clearing Member involving Rs.0.18 crore, Rs.0.46 crore, and Rs.0.05 crore as on January 21, 2022.

8.2.2 Kedia failed to submit its reply to the observation/violation.

8.2.3 The committee finds as under:

- a. Kedia failed to submit its reply even after repeated reminders dated May 17, 2022, May 30, 2022, June 22, 2022, and October 17, 2022. Thus, in absence of any reply, the violation persists.
- b. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, the stock exchanges shall put in place a mechanism for monitoring clients' funds lying with the stockbroker to generate alerts on any misuse of clients' funds by stockbrokers, as per the guidelines stipulated. The stockbrokers shall submit the data on the last trading day of every week to the Stock Exchanges on or before the next trading day. Thus, Kedia has violated the regulatory provisions mentioned above by incorrectly reporting the data for the weekly monitoring of client funds.
- c. Given the findings mentioned above, the Committee decided to warn Kedia to ensure the non-recurrence of the observed violation.

LO

8.3 **Non-settlement of client funds and securities**

8.3.1 Upon verification of funds and securities balances after adjusting the amount to be retained towards margin requirement and pay-in obligations, and fund pay-outs vis-à-vis the bank statements and fund balances of clients, it is observed that Kedia failed to settle the funds and securities of active clients in a case of 1 instance of 100 instances (1% to total instances) involving Rs.0.08 crore for the quarter ended December 2020. Kedia further failed to settle the funds and securities of inactive clients in the case of 240 instances out of 290 instances (82.76% of total instances) involving Rs.5.93 crores during the period October 01, 2020, to September 30, 2021.

8.3.2 In reply to the LO, Kedia submitted as under:

a. Active Clients:

There is only a single account for non-settlement which was due to a system bug or error.

b. Inactive Clients

Kedia failed to submit its reply to the observation/violation.

8.3.3 The Committee finds as under:

- a. With respect to the non-settlement of active clients' funds, Kedia accepted the observed violation and attributed the same to a system bug or error. Thus, the violation persists.
- b. With respect to the non-settlement of inactive clients' funds, Kedia failed to submit its reply even after repeated reminders dated November 09, 2022, and November 10, 2022. Thus, in absence of any reply, the violation persists.
- c. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009, requires the Members to settle the accounts of its clients (both active and inactive) at least once in a calendar quarter or month, depending on the client's preference.
- d. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, stipulates that the stockbroker shall ensure that there must be a gap of a maximum of 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.
- e. As per Exchange Circular No. NSE/INSP/48624 dated June 16, 2021, for clients having a 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 the Trading Member, within the next three working days irrespective of the date when the running account was previously settled.
- f. Thus, Kedia violated the regulatory provisions mentioned above by failing to settle the funds of active and inactive clients' accounts.

8.3.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.2,00,000/- in terms of the Exchange Circular No. NSE/INSP/47457 dated February 25, 2021. Kedia is also directed to settle all client accounts and submit an Internal Auditor certificate certifying settlement for all clients for four subsequent quarters.

8.4 Delay in settlement of client funds and securities

8.4.1 Upon verification of funds and securities balances after adjusting the amount to be retained towards margin requirement and pay-in obligations, and fund pay-outs vis-à-vis the bank statements and fund balances of clients, it was observed that the difference between the two settlement dates of the client's funds and securities was more than 90 days in the case of 2 instances out of 100 instances (2% of total instances) during the period October 01, 2020, to September 30, 2021.

8.4.2 In reply to the LO, Kedia submitted as under:

a. Dealing with multiple segments of the Exchanges, the system faced some issues to calculate the due dates and settlement cycles. The errors were fixed, and settlements were done as per the bye-laws.

8.4.3 The Committee finds as under:

a. Kedia accepted the inspection observations and attributed the same to the system facing some issues in calculating the due dates and settlement cycles. Thus, the violation persists.

b. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009, requires the Members to settle the accounts of its clients (both active and inactive) at least once in a calendar quarter or month, depending on the client's preference.

c. Exchange Circular No. NSE/INSP/33276 dated September 27, 2016, stipulates that the stockbroker shall ensure that there must be a gap of a maximum of 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.

8.4.4 Given the findings mentioned above, the Committee decided to Advice Kedia to ensure the non-recurrence of the observed violation.

8.5 Incorrect reporting of margin collected from clients

8.5.1 Upon verification of the register of securities, client ledgers, demat transaction statement, and records of the Exchange pertaining to the margin required and margin reported, it is observed that Kedia incorrectly reported end of the day margin collected from the clients to the Exchange in the case of 1 instance (Client Code- 2651) out of

25 instances (4% of total instances) involving Rs.1,292/- as on May 21, 2021.

8.5.2 In reply to the LO, Kedia submitted as under:

- a. For the client bearing client code 2651, short reporting was already reported to the Exchange. Thus, no incorrect reporting was made to the Exchange.

8.5.3 The Committee finds as under:

- a. Upon verification of margin files and penalty files, Kedia's contention that there is no incorrect reporting as the short margin was already reported to the Exchange is found to be correct. Thus, no violation persists.

8.5.4 Given the findings mentioned above, the Committee decided that no action is warranted against Kedia.

8.6 **Material discrepancies in the retention statement sent to clients**

8.6.1 Upon verification of the retention statements sent to the clients, the Exchange observed material discrepancies in fund ledger balances in the case of 1 instance involving Rs.0.32 crore for the quarter ended September 2021.

8.6.2 In reply to the LO, Kedia submitted as under:

- a. The client having client code 10902 was settled on September 24, 2021. However, due to a bank holiday, the same was executed on September 27, 2021. Since the system considers only reconciled balances, there was a difference.

8.6.3 The Committee finds as under:

- a. Kedia's contention that the difference in the retention statement and the ledger balances was due to bank holiday which led to delay in transaction and that further back-office software takes only reconciled balances is not acceptable, as Kedia was required to report the client balances in the retention statement as per the ledger balances. Thus, the violation persists.
- b. Exchange Circular No. NSE/INSP/13606 dated December 3, 2009, stipulates that a 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.

- 8.6.4 Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.15,000/- in terms of the Exchange Circular No. NSE/INSP/47457 dated February 25, 2021

SCN-2

8.7 Misuse of clients' funds

8.7.1 The exchange verified the collateral/deposits available with the Clearing Corporation/Clearing Member, bank balances lying in the client and settlement bank accounts of Kedia, and client payables reported in the client-level cash and cash equivalent submission by Kedia on February 28, 2022, March 02, 2022, and March 03, 2022. Upon verification, the Exchange observed that Kedia used the funds of credit balance clients to meet the settlement obligation of debit balance clients and/or own purpose to the extent of Rs.1.24 crore, Rs.1.43 crore, and Rs.2.77 crores as on February 28, 2022, March 02, 2022, and March 03, 2022, thereby violated Principle 1 of the Enhanced supervision of Stockbrokers.

8.7.2 In reply of the SCN-2, Kedia submitted as under:

- a. On February 24, 2022, there was the monthly expiry of the F&O contracts, and the clients were requested to maintain sufficient margin during the tender period and review the same. The clients maintain a sufficient margin with Kedia to keep the position open in the last five working days. On a day of expiry i.e., February 24, 2022, many clients' positions of futures and options resulted in the physical delivery for a few clients involving Rs.3.21 crores.
- b. Once it's come to the knowledge that funds obligations were not met by the clients, Kedia as per the risk management policy initiated the sell proceeding for such clients. In the cash segment, the settlement was T+2, accordingly, the debit balances were recovered on T+2 i.e., on March 4, 2022. As such instances occurred for the first time, Kedia made adequate changes in the system and policy to avoid such instances. Post February 28, no such instance occurred.
- c. Kedia has not taken any proprietary position, therefore there is no question of Kedia using the client funds for the proprietary positions. As Kedia is a Trading Member in equity derivatives, currency, and commodity segments, in case Kedia required the

funds for the debit balance clients, Kedia can use the funds of the Clearing member.

- d. The said instance was not known by Kedia and ensure that in the future such an instance will not occur. So, we request not to initiate any action.

8.7.3 The Committee finds as under:

- a. Kedia's accepted inspection observation and ensured the non-recurrence of the observed instances in the future. Kedia attributed the misuse of client funds due to the open position of many clients in futures and options segment resulted in the physical delivery on a day of expiry and the failure of the said clients to meet the funds obligations. Thus, the violation persists.
- b. As per Regulation 4.5.3 (e) of the NSEIL Regulations (CM and F&O Segments), no Trading Member or person associated with a Trading Member shall make improper use of the constituent's securities or funds. Further, as per clause 3.3.1 of Exchange Circular No. NSE/INSP/33276 dated September 27, 2017, the total available funds i.e., cash and cash equivalents with the stock broker and with the clearing corporation/clearing member should always be equal to or greater than the Clients' funds as per ledger balance.
- c. Kedia recouped the shortfall of clients' funds, i.e. the value of "G" was positive to the extent of Rs.12.57 crores as of April 25, 2022.
- d. The net worth of Kedia was Rs.3.75 crores as on September 30, 2021.
- e. The highest misuse of clients' funds was observed for Rs.2.77 crores as on March 03, 2022. As per Exchange Circular No. NSE/INSP/47457 dated February 25, 2021, if the misuse is above Rs.2 crores and less than Rs.10 Crore and if the misuse is more than 50% of net worth, penal action as prescribed under point No. 1(c) is a monetary penalty up to 3% of the misuse plus no new clients up to six months is applicable. Since the amount of misuse is more than 50% of net worth, the Committee decided to levy a monetary penalty of Rs.8,31,000 at 3% of the misuse and no new clients for six months.

d. Given the findings mentioned above, the Committee decided to levy a monetary penalty of Rs.8,31,000/- (i.e., 3% Rs.2.77 crores) in terms of the Exchange Circular No. NSE/INSP/47457 dated February 25, 2021.

Further Kedia is prohibited from registering new clients with immediate effect for 6 months from the date of order.

DECISION

9. In view of the above, the Committee levies the following penalty as indicated against the violation:

Sr. No.	Committee's Findings	Penalty prescribed as per Exchange Circular No. NSE/INSP/47457 dated February 25, 2021	Penalty Levied
<u>SCN - 1</u>			
a.	Kedia misused the clients' funds to the extent of Rs.2.86 crores as on January 21, 2022	Monetary penalty up to 3% of the misuse + No new clients up to six months	Rs.2,86,000/- (1% of misuse amount; reason enumerated above)
b.	Kedia submitted Incorrect data for weekly monitoring of clients' funds	Rs.1 lakh	Warning
<u>LO</u>			
c.	Kedia failed to settle funds and securities of active and inactive clients	Monetary Penalty of Rs. 2 Lakhs + Direction to settle all client accounts and submit Internal Auditor certificate certifying settlement for all clients for four subsequent quarters.	Rs.2,00,000/- + Direction to settle all client accounts and submit Internal Auditor certificate certifying settlement for all clients for four subsequent quarters.
d.	Kedia delayed in settlement with a difference between the two settlement dates of the clients' funds and securities, was more than 90 days	Up to 50% of the instances verified – Warning / Advise	Advise
e.	Kedia sent retention statement to the clients with material discrepancy	Rs.15,000/-	Rs.15,000/-

<u>SCN-2</u>			
f.	Kedia misused the clients' funds to the extent of Rs.1.24 crore, Rs.1.43 crore, and Rs.2.77 crores as on February 28, 2022, March 02, 2022, and March 03, 2022	Monetary penalty up to 3% of the misuse + No new clients up to six months	Rs.8,31,000/- (i.e., 3% of Rs.2.77 crores). Further Kedia is prohibited from registering new clients with immediate effect for 6 months from the date of order.
Total			Rs.13,32,000/-

10. Kedia shall pay a monetary penalty of Rs.13,32,000/- (Rupees Thirteen Lakhs Thirty Two Thousand only) as indicated above.
11. Kedia is prohibited from registering new clients for six months from the date of this order.
12. Kedia shall note the non-monetary penalties mentioned above and ensure the non-recurrence of the observed violations.

Sd/-
Mona Bhide
(Chairperson)

Sd/-
K Narsimha Murthy
(Committee Member)

Sd/-
S. Ravindran
(Committee Member)

Sd/-
Ranganayakulu Jagarlamundi
(Committee Member)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: March 03, 2023