



**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, 2022**

**In the matter of the Trading Member M/s. Abhipra Capital Limited**

**CORAM:**

Ms Mona Bhide	- Chairperson
Mr K Narasimha Murthy	- Committee Member
Ms Anuradha Rao	- Committee Member
Mr Ranganayakulu Jagarlamudi	- 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 Abhipra Capital Limited ("Abhipra")** is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**") and enabled for trading in Capital Market ("**CM**") segment since November 1995, Futures & Options ("**F&O**") segment since July 2000, and Currency Derivatives ("**CD**") segment since September 2008.

**LETTER OF OBSERVATION**

2. Based on alerts concerning shortfall of clients' funds, the Exchange conducted a limited purpose inspection of the books of accounts and records of Abhipra to verify the data submitted towards the weekly monitoring of clients' funds under the Enhanced Supervision of Stockbrokers as of May 7, 2021, May 14, 2021, May 21, 2021, May 28, 2021, June 4, 2021, and June 11, 2021. Post-inspection, the Exchange observed that Abhipra had a shortfall of clients' funds on the said dates. Therefore, the Exchange issued a letter of observation dated August 27, 2021 ("**LO**") to Abhipra for the observed non-compliance with the regulatory provisions.

3. The observation/alleged violation mentioned in the LO is summarized hereunder:
- 3.1 Shortfall of clients' funds amounting to Rs.0.87 crores, Rs.0.92 crores, Rs.0.83 crores, Rs.0.96 crores, Rs.1.07 crores and Rs.0.47 crores as of May 7, 2021, May 14, 2021, May 21, 2021, May 28, 2021, June 4, 2021, and June 11, 2021, respectively, thereby violating Principle 1 of the Enhanced Supervision of Stockbrokers (funds of credit balance client used to meet the settlement obligations of debit balance clients or own purpose).

### **PREVIOUS PROCEEDINGS BEFORE MCSGFC**

4. The matter was placed before the Committee on the following dates:

#### **November 29, 2021**

- 4.1 The Committee noted that Abhipra had a shortfall of clients' funds on six dates between May 7, 2021, to June 11, 2021, to the maximum extent of Rs.1.07 crores as of June 4, 2021.
- 4.2 Abhipra, vide email dated October 5, 2021, replied to the LO. Upon considering the written submissions, the Committee granted Abhipra an opportunity to recoup the shortfall of the clients' funds and submit documentary evidence to the Exchange within 15 days from the date of the communication of the interim direction.
- 4.2 The Exchange, vide email dated December 3, 2021, communicated the interim direction to Abhipra. Subsequently, the Exchange, vide email dated December 8, 2021, reiterated the interim direction to Abhipra.

#### **December 23, 2021**

- 4.3 The Committee noted that Abhipra, vide email dated December 12, 2021, requested the Exchange to grant 30 days to recoup the shortfall of clients' funds. The Committee acceded to the request of Abhipra and directed Abhipra to recoup the shortfall of clients' funds and submit documentary evidence to the Exchange within 30 days from the date of its email dated December 12, 2021, i.e. by January 12, 2022.
- 4.4 The Exchange, vide email dated December 29, 2021, communicated the interim direction mentioned above to Abhipra.

5. Meanwhile, the Exchange conducted a limited purpose inspection of the books of accounts and records of Abhipra to verify the data submitted towards the weekly monitoring of clients' funds under the Enhanced Supervision of Stockbrokers and weekly client level cash and cash equivalent balances for the period November 2021 to December 2021. Post-inspection, on analysis of the data collected from Abhipra for the period April 2021 to December 2021, the Exchange observed as under:
  - a. Abhipra posted debit journal vouchers entries with the narration 'BEING FUND TRANSFER' on December 3, 2021, in the financial ledgers of 84 clients amounting to Rs.3,15,02,600/-, thereby reducing the credit balance.
  - b. Abhipra failed to respond to the various emails dated December 9, 2021, December 10, 2021, December 15, 2021, December 17, 2021, December 21, 2021, December 23, 2021, and December 24, 2021, of the Exchange seeking an explanation concerning the said journal voucher entries.
6. The Exchange observed that Abhipra *inter alia* misused the clients' funds. Therefore, the Exchange issued the show-cause notice dated January 11, 2022 ("**SCN**") for the observed non-compliances with the regulatory provisions. Abhipra did not reply to the SCN to date.
7. The observations/alleged violations mentioned in the SCN are summarized hereunder:

#### 7.1 Misuse of clients' funds

Abhipra had misused the clients' funds amounting to Rs.3.33 crores, Rs.4.68 crores, Rs.4.69 crores, Rs.4.75 crores, Rs.4.72 crores and Rs.4.84 crores as of December 3, 2021, December 6, 2021, December 7, 2021, December 8, 2021, December 9, 2021, and December 10, 2021, respectively, thereby violating Principle 1 of the Enhanced Supervision of Stockbrokers.

#### 7.2 Improper use of clients' funds

In 117 clients' financial ledgers, the total amount of credit journal voucher entries observed was more than the debit journal voucher entries. In 31 out of the said 117 clients' financial ledgers, Abhipra paid actual funds to the extent of Rs.2.60 crores against these journal voucher entries. The said 31 clients either had a debit balance or insufficient balance.

### 7.3 Improper maintenance of clients' ledgers in the prescribed standard format

In 31 clients' financial ledgers, Abhipra posted credit journal voucher entries with the narration "Being Fund Transfer", thereby creating credit balances in the clients' ledgers. Against these credit balances, Abhipra paid funds from the client bank account to the extent of Rs.2.60 crores to the said 31 clients.

### 7.4 Funding of clients' transactions

Abhipra granted further exposure to 12 clients to the extent of Rs.0.32 crores beyond the fifth trading day, as reckoned from the pay-in date, despite the debit balance in the financial ledgers.

### 7.5 Incorrect data reported towards weekly monitoring of clients' funds

Abhipra submitted incorrect data towards weekly monitoring of clients' funds under the Enhanced Supervision of Stockbrokers as of December 3, 2021, in 2 areas, viz. collateral deposited with Clearing Corporation and Clearing Member in the form of cash and cash equivalents and credit balance of all clients. The incorrect amounts were in the range of (-ve) Rs.3.15 crores to Rs.0.23 crores.

In 84 clients' financial ledges, Abhipra posted debit journal vouchers entries with the narration 'Being Fund Transfer' to the extent of Rs.3.15 crores, thereby reducing the credit balance as of December 3, 2021. Abhipra reversed these entries on the next working day, i.e. December 6, 2021. However, Abhipra did not pay the funds to the said clients. Therefore, the Exchange added the debit journal voucher entries to the financial ledgers to calculate the credit balance as of December 3, 2021.

### 7.6 Incorrect data reported in the client level cash and cash equivalent balances

Abhipra reported incorrect data regarding fund balances of 84 clients to the extent of Rs.3.15 crores as of December 3, 2021. Abhipra posted debit journal voucher entries with the narration 'BEING FUND TRANSFER' without actual fund payment to the extent of Rs.3.15 crores in the financial ledgers and reversed the said entries on the next working day, i.e. December 6, 2021.

## 7.7 Non-settlement of clients' funds and securities

Abhipra had not settled the funds and securities of 15 out of 51 active clients selected for sample scrutiny having credit balance funds of more than Rs.1 lakh as per the trial balance as of December 3, 2021 (29%) involving Rs.1.15 crores.

Abhipra posted debit journal voucher entries with the narration 'BEING FUND TRANSFER' on the respective settlement dates without actual payments to the clients.

Moreover, Abhipra had not settled the funds and securities of 398 inactive clients involving Rs.65.21 lakhs as of December 3, 2021.

## **REGULATORY PROVISIONS**

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

### 8.1 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.*

### 8.2 Regulation 6.1.5 (c)(ii) of NSEIL Regulations (CM segments) and Regulation 6.1.6.2 (ii) of NSEIL Regulations (F&O segment)

*Moneys to be paid into "clients account": No money shall be paid into clients account other than*

- A. money held or received on account of clients;*
- B. such moneys belonging to the Trading Member as may be necessary for the purpose of opening or maintaining the account;*
- C. money for replacement of any sum which may by mistake or accident have been drawn from the account;*
- D. a cheque or draft received by the Trading Member representing in part money belonging to the client and in part money due to the Trading Member.*

### 8.3 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 payout. 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.*

8.4 Exchange Circular No. NSE/INSP/29096 dated March 11, 2015

*Members are advised to ensure that the funds & securities available in the client bank/s and client beneficiary account/s together with balances available with clearing Member and funds with clearing corporation are not less than the funds and securities payable to the client at all times.*

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

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

....

*B - Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in the form of cash and cash equivalents (fixed deposit (FD), bank guarantee (BG), etc.) (across Stock Exchanges). Only funded portion of the BG, i. e. the amount deposited by stockbroker with the bank to obtain the BG, shall be considered as part of B.*

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

3.3.1. *Funds of credit balance clients used for margin obligations of debit balance clients or 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)*

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

8.1.1 *The stockbroker shall ensure that there must be a gap of a maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.*

8.6 Exchange Circular No. NSE/INSP/35184 dated June 23, 2017

*Stockbrokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount, and such debit balances continue beyond the fifth trading day, as reckoned from the date of pay-in, except, in accordance with the margin trading facility provided vide SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017, or as may be issued from time to time.*

8.7 Exchange Circular No. NSE/INSP/37395 dated April 2, 2018

*All Trading Members are requested to note that, w.e.f. April 2018 data towards monitoring of clients' funds is required to be submitted on weekly basis. Members will have to submit the data as on last trading day of every week on or before the next three trading days. Accordingly, the first weekly submission shall be made for the week ended on April 06, 2018, by April 11, 2018.*

*Also note that actions for late/non-submission of the data shall be applicable as per Exchange Circular NSE/INSP/36405 dated November 29, 2017.*

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

*In order to standardize the maintenance of books of accounts/records and ensure uniformity across all Members, a standard format for Register of Securities, Holding Statement, Bank Book and Client Ledger is prescribed in the circular.*

*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.*

## 8.9 Exchange Circular No. NSE/INSP/44478 dated May 27, 2020

*Members are advised to note that, in consultation with SEBI, it has been decided to implement the said submissions with effect from June 01, 2020. Members will have to submit the data for all calendar days of the week except Sunday on or before the next four trading days of the subsequent week. The first submission shall have to be made for the week ending on June 06, 2020, whose due date will be June 11, 2020.*

*The procedure for submitting the aforesaid information through the inspection module of the Member portal is enclosed as Annexure-A, and Annexure-B for Cash & Cash Equivalent Balances and Bank Balances, respectively, for our reference.*

*Further, Members are requested to take note of the below:*

- Members have to submit "Client Level Cash & Cash Equivalent Balances" data on a consolidated basis across all Exchanges. The data shall be prepared & submitted for all the clients irrespective of the Exchange on which the clients are trading, and the same shall be reported to all the exchanges.*
- Members shall not be required to upload data for clients with zero cash and cash equivalent balances and have not traded in last 12 months.*
- The requirement for aforementioned submissions are applicable to all Trading Members, except for those who are carrying out only proprietary trading and/or only trading for Custodian Settle clients. Members carrying out only proprietary trading and/or only trading for Custodian Settle clients will have to give a onetime declaration through the system.*
- Member will have to continue to submit the monthly client wise fund & securities balances (under the provision of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016) till further instruction from the Exchange. Exchange will issue appropriate communication regarding the same in due course.*

## **PRESENT PROCEEDINGS BEFORE MCSGFC**

9. The matter relating to the LO and SCN was placed before the Committee on January 24, 2022. The Exchange vide email dated January 18, 2022, granted Abhipra an opportunity of personal hearing before the Committee. Abhipra, vide email dated January 21, 2022, informed the Exchange that it is unable to collate the data/information and provide the written submissions to the SCN due to the ill-health

of its Compliance Officer. Therefore, Abhipra requested the Exchange to grant an extension of at least 15 working days to provide the written submissions to the SCN. Abhipra further requested the Exchange not to proceed with the matter without the written submissions on record in the interest of natural justice.

10. Considering the observation/alleged violation involves the misuse of the clients' funds, the Exchange, vide email dated January 21, 2022, requested Abhipra to depute a representative to attend the personal hearing via Microsoft Teams. Abhipra failed to present itself at the time of hearing. Belatedly, Abhipra, vide email dated January 24, 2022, at 1:22 p.m., submitted an authority letter in favour of Mr Ravi Prakash, Authorized Representative, to represent the matter before the Committee. However, in the meantime, the Committee concluded the proceedings after taking into consideration the following: -
- a. The shortfall of clients' funds increased from Rs.0.87 crores as of May 7, 2021, to Rs.4.84 crores as of December 10, 2021.
  - b. Abhipra failed to comply with the interim directions of the Committee in its meetings held on November 29, 2021, and December 23, 2021, to recoup the shortfall of clients' funds and to provide documentary evidence to the Exchange.
  - c. Abhipra sought time to recoup the shortfall of clients' funds on one pretext or the other without demonstrating any concrete steps to the Exchange.
  - d. Abhipra did not reply to the various charges, including misuse of clients' funds, observed during the limited purpose inspection conducted in December 2021.
  - e. The fact that Abhipra failed to provide explanations for the shortfall of client' funds is a matter of grave concern. The Committee is of a view that any further potential damage to the investors' interest need to be mitigated under any circumstances.

### **DECISION**

11. In view of the foregoing, while granting 15 days to file the reply to the show-cause notice and avail hearing, the Committee decided to pass the following interim directions in the interests of the investors:
- a. Abhipra shall file the reply to the show-cause notice with documentary evidence within 15 days from the date of direction.

- b. Abhipra shall recoup the shortfall of clients' funds and submit documentary evidence to the Exchange within 15 days from the date of direction.
  - c. Abhipra shall settle all the clients' funds and submit documentary evidence to the Exchange within 15 days from the date of direction.
  - d. In the interim, Abhipra is prohibited from registering new clients in all segments with immediate effect.
12. The proceedings of the MCSGFC meeting were held on January 24, 2022, through video conferencing. At this stage, it is not possible to sign a copy of this order, nor the Exchange can issue a certified copy of the order. Therefore, an electronic copy of this order sent from the Exchange's email id shall be treated as a signed copy for all purposes.

Sd/-  
Mona Bhide  
(Chairperson)

Sd/-  
Anuradha Rao  
(Committee Member)

Sd/-  
K Narasimha Murthy  
(Committee Member)

Sd/-  
Ranganayakulu Jagarlamudi  
(Committee Member)

Date: January 27, 2022