

**Before the
Member Committee
("MC"/"Committee")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra East, Mumbai – 400 051
held on November 25, 2024
In the matter of the Trading Member – Simandhar Broking Limited**

CORAM

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

ALSO PRESENT

Mr. Piyush Chourasia	Chief Regulatory Officer
Shri. Ankit Sharma	Chief Regulatory Officer
Ms. Sonali Karnik	Vice President – Enforcement
Mr. Janardhan Gujuran	Vice President – Enforcement

BACKGROUND

1. **Simandhar Broking Limited** (“**Simandhar**”) is a Trading Member registered with the Exchange. It was enabled for trading in the Capital Market (“**CM**”) and Futures and Options (“**F&O**”) segments since August 2010, and in the Currency Derivatives (“**CD**”) segment since June 2012.
2. The Exchange conducted a regular inspection of the books of accounts and records of Simandhar for the period from October 1, 2019, to September 30, 2020, across segments from January 2021 to February 2021. Post-inspection, the Exchange issued a letter of observation (“**LO**”) bearing reference No. NSE/INSP/CM/REG/20-21/LO/13904 dated April 29, 2021, advising Simandhar to submit its reply to the LO by May 9, 2021. However, Simandhar failed to submit reply to the LO.
3. The matter was placed before the Committee in its meetings dated June 24, 2021, August 23, 2021, February 18, 2022, and March 8, 2022. In the meeting held on March 8, 2022, the Committee advised the Exchange to issue a Show Cause Notice (“**SCN**”) to Simandhar prior to taking any further disciplinary action.

4. The Exchange issued a Show Cause Notice (SCN) on April 3, 2024, to Simandhar, alleging non-compliance with the directions of the Committee. The SCN sought an explanation as to why appropriate disciplinary action under Rules 1 and 2 of Chapter IV of NSEIL Rules (which includes expulsion, suspension, or withdrawal of all or any of the membership rights) should not be initiated against Simandhar for the violations. However, Simandhar failed to submit reply to SCN.

INSPECTION OBSERVATIONS / VIOLATIONS

5. The observation/violation alleged in the LO/ SCN are summarized hereunder:
 - 5.1. Non-settlement of clients' funds and securities
 - i. Active clients - 1 instance of 1 client out of 40 instances of 10 clients verified (2.5%) involving Rs.36.97 lakhs
 - ii. Inactive clients - 7 instances of 4 clients out of 40 instances of 10 clients verified (17.5%) involving Rs.12.21 lakhs
 - 5.2. Incorrect reporting of margin collected from the clients in 2 out of 6 instances selected for sample scrutiny (33.33% of the total sample instances verified) involving Rs. 10.28 lakhs
 - 5.3. Non-reporting of weekly client-level cash and cash equivalents and bank balances to the Exchange since June 1, 2020
 - 5.4. Non-maintenance of register of securities, holding statements, bank books and client ledgers in the prescribed standard format
 - 5.5. Non-upload of Know Your Client ("KYC") information with SEBI registered KYC Registration Agency within ten days from the date of registration in the case of 5 clients
 - 5.6. Incorrect flagging of power of attorney in the Unique Client Code database registered after February 13, 2015, in the case of 1 client
 - 5.7. Receipt of funds in 8 instances involving Rs.59.42 lakhs and payment of funds in 2 instances involving Rs.2.15 lakhs from/to clients to/from own bank account
 - 5.8. Use of client bank account for purposes other than specified in 14 out of 17 instances selected for sample scrutiny (82.35% of the total sample instances verified) pertaining to 1 client.

- 5.9. Use of client beneficiary account for purposes other than specified involving Rs.50 lakhs.
- 5.10. Non-reconciliation of securities recorded in the register of securities vis-a-vis the securities available in the beneficiary accounts as of December 13, 2019, in 1 instance involving Rs.50 lakhs
- 5.11. Non-receipt and non-delivery of securities from/to clients in 7 instances involving Rs.3.20 crores
- 5.12. Failure to open client unpaid securities account by September 30,2019
- 5.13. Incorrect reporting of bank and demat account details to the Exchange
 - a. Bank Accounts: - 3 out of 29 bank accounts selected for sample scrutiny (10.34% of the total sample bank accounts verified)
 - b. Demat Accounts: - 9 out 17 demat accounts selected for sample scrutiny (52.94% the total sample demat accounts verified)
- 5.14. Non-closure/winding up of 1 client demat accounts by August 31, 2019
- 5.15. Non-issuance of the statement of accounts and retention statement to 5 clients at the time of settlement of client accounts
- 5.16. Failure to dispatch/deliver the contract notes to clients in 9 instances
- 5.17. Non-maintenance of systems in place to maintain evidence for order placement by clients in 9 instances
- 5.18. Non-issuance of annual global statement to all 5 active clients selected for sample scrutiny (100% of the total sample instances verified)
- 5.19. Non-adherence to directions of the erstwhile Internal Committee for Minor Actions ("ICMA") regarding maintenance of systems in place to maintain evidence for order placement
- 5.20. Non-maintenance of adequate systems to generate and scrutinize alerts based on set parameters for suspicious transactions and report them to Financial Intelligence Unit ("FIU")

REGULATORY PROVISIONS

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

6.1. Non-settlement of clients' funds and securities

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

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.

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.

- b. Exchange Circular No NSE/INSP/2016/33276 dated 27-09-2016

8. Running Account settlement

8.1.1 In partial modification of circular on running account settlement, the stockbroker shall ensure that there must be a gap of maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.

6.2. Incorrect reporting of margin collected from the clients

- a. 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.

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

All Clearing Members and Trading Members in the F&O segment are required to collect upfront initial margins from all the Trading

Members/Constituents whose transactions are settled by them and report on a daily basis, details in respect of such margin due and collected.

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

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

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.

6.3. **Non-reporting of weekly client-level cash and cash equivalents and bank balances to the Exchange since June 1, 2020**

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. Day-wise upload of bank balances (as per the bank statement) of all bank accounts on a weekly basis for all the calendar days of that week except Sunday (i.e. Monday to Saturday)*

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

6.4. **Non-maintenance of register of securities, holding statements, bank books and client ledgers in the prescribed standard format**

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

In order to standardise the maintenance of books of accounts/records and ensure uniformity across all Members, a standard format for the register of securities, holding statements, bank books and client ledgers are 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

6.5. Non-upload of Know Your Client ("KYC") information with SEBI registered KYC Registration Agency within ten days from the date of registration

Exchange Circular No. NSE/INSP/19654 dated December 26, 2011

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

Exchange Circular No. NSE/INSP/23113 dated April 02, 2013

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

6.6. Incorrect flagging of power of attorney in the Unique Client Code database registered after February 13, 2015

Exchange Circular No. NSE/INVG/28739 dated January 30, 2015

SEBI has directed the Exchange to provide a facility of flagging of Power of Attorney (POA) in the Unique Client Code database of the Exchange. In view of the above, Members shall be required to mandatorily flag POA executed in their favour for all clients registered on or after February 13, 2015, in the UCC database. Members shall ensure that flagging is done according to the type of POA executed by the client, i.e. for funds or/and securities

6.7. **Receipt of funds and payment of funds from/to clients to/from own bank account**

a. Regulation 6.1.5 (c) of NSEIL Regulations - Part A (CM Segment) and Regulation 6.1.6.2 of NSEIL Regulations (F&O Segment)

i. Obligation to pay money into "Client's account": Every Trading Member who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients Account"). Trading Member may keep one consolidated clients account for all the clients' accounts in the name of each client, as he thinks fit; provided that when a Trading Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Trading Member, he shall pay the whole of such cheque or draft into the client's/constituent's account and effect subsequent transfer as laid down below in para (iii.B)

ii. 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 money 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. 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.

(iii) Moneys to be withdrawn from "clients account": No money shall be drawn from clients account other than –

A. money properly required for payment to or on behalf of clients for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Trading Member, provided that money so drawn shall not in any case

exceed the total of the money so held for the time being for such each client;

B. such money belonging to the Trading Member as may have been paid into the client account under para (ii.B) and (ii.D) above. money which may by mistake or accident have been paid into such account.

- b. 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.

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

Transfer of funds from "Name of Stock Broker - Client Account" to "Name of Stock Broker - 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 stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.

6.8. **Use of client bank account for purposes other than specified**

- a. Regulation 6.1.5 (c) of NSEIL Regulations - Part A (CM Segment) and Regulation 6.1.6.2 of NSEIL Regulations (F&O Segment)

i. Obligation to pay money into "Client's account": Every Trading Member who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients Account"). Trading Member may keep one consolidated clients account for all the clients' accounts in the name of each client, as he thinks fit; provided that when a Trading Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Trading Member, he shall pay the whole of such cheque or draft into the client's/constituent's account and effect subsequent transfer as laid down below in para (iii.B)

ii. 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 money 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. 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.*

- b. 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.

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

Transfer of funds between "Name of Stock Broker - Client Account" and "Name of Stock Broker - Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker - Client Account" to "Name of Stock Broker - 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 stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.

6.9. **Use of client beneficiary account for purposes other than specified**

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

Transfer of securities between "Name of the Stock Broker - Client Account" and individual client's BO account, "Name of the Stock Broker – Pool Account" and "Name of the Stock Broker – Collateral Account" is permitted. Transfer of securities between "Name of the Stock Broker - Client Account" to "Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as, implementation of any

Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stock broker, etc. For such transfer of securities, stock broker shall maintain a stock transfer register clearly indicating the day-wise details of securities transferred.

6.10. **Non-reconciliation of securities recorded in the register of securities vis-a-vis the securities available in the beneficiary accounts as of December 13, 2019**

a. Exchange Circular No. NSE/INSP/10605 dated April 21, 2008

The records should be periodically reconciled with the actual collateral deposited with the broker.

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

The Members are also advised to reconcile client beneficiary account/s and the register of securities on a quarterly basis and maintain a complete audit trail & documentation of such reconciliation.

6.11. **Non-receipt and non-delivery of securities from/to clients**

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/2016/33276 dated September 27, 2016

Transfer of securities between "Name of the Stock Broker - Client Account " and individual client's BO account, "Name of the Stock Broker – Pool Account" and "Name of the Stock Broker – Collateral Account" is permitted. Transfer of securities between" Name of the Stock Broker - Client Account" to" Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as, implementation of any Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stock broker, etc. For such transfer of securities, stock broker shall maintain a stock transfer register clearly indicating the day-wise details of securities transferred.

6.12. **Failure to open client unpaid securities account by September 30,2019**

a. Exchange Circular No. NSE/INSP/41359 dated June 20, 2019
With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – “client unpaid securities account” shall be opened by the TM/CM. Unpaid securities shall be transferred to such “client unpaid securities account” from the pool account of the concerned TM/CM.

b. Exchange Circular No. NSE/INSP/42052 dated September 04, 2019 (SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2019/95 dated August 29, 2019)

1. *Please refer to SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 regarding the captioned subject. Following representations from Stock Exchanges as well as market participants, it has been decided that effective deadline for implementation of guidelines prescribed in clause 5 and clause 8 of the aforesaid SEBI circular shall be extended by one month.*

2. *Consequently, the date ‘August 31, 2019’ in clause 5 of the circular shall be substituted as ‘September 30, 2019’ and the date ‘September 01, 2019’ in clause 8 of the circular shall be substituted as ‘October 01, 2019’.*

c. Exchange Circular No. NSE/INSP/42229 dated September 27, 2019

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

There will be primarily 7 types of DEMAT accounts that shall be maintained by Members post-October 1, 2019:

1. ...

2. ...

3. *Client Unpaid Securities Account*

4. ... 5. ... 6. ...

7. ...

6.13. **Incorrect reporting of bank and demat account details to the Exchange**

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

2.1 *The stockbrokers shall inform the Stock Exchanges of existing and new bank account(s).*

2.2 *The stockbrokers shall inform the Stock Exchanges of existing and new demat account(s).*

Transfer of funds between "Name of Stockbroker - Client Account" and "Name of Stock Broker - Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker - Client Account" to "Name of Stock Broker - 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 stock broker, etc. For such transfer of funds, stockbroker shall maintain a daily reconciliation statement indicating the amount of funds transferred.

2.4.3 *Transfer of securities between "Name of the Stockbroker - Client Account" and individual client's BO account, "Name of the Stock Broker – Pool Account" and "Name of the Stock Broker – Collateral Account" is permitted. Transfer of securities between "Name of the Stock Broker - Client Account" to "Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as the implementation of any Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stockbroker, etc. For such transfer of securities, stockbroker shall maintain a stock transfer register indicating the day-wise details of securities transferred.*

6.14. **Non-closure/winding up of client demat accounts by August 31, 2019**

Exchange Circular No. NSE/INSP/42229 dated September 27, 2019

All securities lying in the existing TM/CM - Client Accounts shall be either returned to the clients upon fulfilment of pay-in obligation or disposed-off after giving notice of 5 days to the client, on or before September 30, 2019.

6.15. **Non-issuance of the statement of accounts and retention statement to clients at the time of settlement of client accounts**

a. 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.

b. Exchange Circular No. NSE/INSP/24849 dated October 29, 2013

To address the administrative/operational difficulties in settling the accounts of regular trading clients (active clients), the Member may retain an amount of up to Rs.10,000/- (net amount across the segment and across stock exchanges), only after taking written consent of the client. The above threshold limit on retention of the amount shall not be applicable in the case of clients who have not traded even once during the last one month/quarter, as the case may be; i.e. settlement shall be done as per the aforesaid SEBI circular, in such cases.

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

The stockbroker shall ensure that 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.

6.16. **Failure to dispatch/deliver the contract notes to clients**

SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993

Member brokers shall issue the contract note for the purchase/sale of securities to a client within 24 hours of the execution of the contract

6.17. **Non-maintenance of systems in place to maintain evidence for order placement by clients**

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

Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of

an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.

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

6.18. **Non-issuance of annual global statement to all active clients selected for sample scrutiny**

Exchange Circular No. NSE/INSP/36731 dated January 11, 2018

SEBI vide its letter dated November 27, 2017, has directed that all members shall issue an Annual Global Statement to their clients. The statement shall be issued within 30 days from the end of the financial year and shall contain details of all transactions executed by the client in the financial year.

6.19. **Non-adherence to directions of the erstwhile Internal Committee for Minor Actions ("ICMA") regarding maintenance of systems in place to maintain evidence for order placement**

Rules 3(e) of Chapter IV of NSEIL Rules

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

6.20. **Non-maintenance of adequate systems to generate and scrutinize alerts based on set parameters for suspicious transactions and report them to Financial Intelligence Unit ("FIU")**

Exchange Circular No. NSE/INVG/16703 dated January 5, 2011

Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions.

PREVIOUS PROCEEDINGS BEFORE THE MEMBER CORE SETTLEMENT GUARANTEE FUND COMMITTEE (“MCSGFC”) / MEMBER COMMITTEE (MC) (COMMITTEE) AND NATIONAL COMPANY LAW APPELLATE TRIBUNAL (“NCLAT”)

7. The matter was placed before the Committee as under:

7.1 Committee meeting dated June 24, 2021

- a. The Exchange vide email dated June 17, 2021, granted Simandhar an opportunity of personal hearing before the Committee in its meeting held on June 24, 2021.
- b. The Committee, in its meeting noted that in response to reminder letters issued by the Exchange vide email dated May 10, 2024, June 01, 2024, and June 07, 2021, Simandhar vide email dated June 10, 2021, sought 15 days to provide the reply to LO on the grounds of the lockdown situation prevalent in the country due to COVID. However, Simandhar failed to submit reply to LO till the date of the meeting despite repeated follow-ups and reminder and vide email dated June 23, 2021 (i.e. one day before the meeting), Simandhar sought an adjournment on the grounds of non-availability of its directors and informed that it is in the process of submitting its reply to the LO.
- c. The Committee acceded to the request of Simandhar for an adjournment. While acceding to the request for adjournment, the Committee directed Simandhar to submit its reply to the LO along with the supporting documents within 15 days from the date of the direction. The Exchange vide email dated June 25, 2021, communicated the interim direction to Simandhar.
- d. The Committee noted that the Ahmedabad bench of the Hon’ble NCLT (National Company Law Tribunal) vide order dated April 06, 2021, initiated proceedings on Simandhar under section 7 of Insolvency and Bankruptcy (I&B) code with respect to the claim filed by one of its clients.

7.2 Committee meeting dated August 23, 2021

- a. The Exchange vide email dated August 17, 2021, granted Simandhar an opportunity of personal hearing before the Committee in its meeting held on August 23, 2021. Simandhar, vide email dated August 20, 2021, informed the Exchange that the company is undergoing Corporate Insolvency Resolution Process (“CIRP”), and all its directors

are suspended pursuant to the order dated April 6, 2021, passed by the Hon'ble NCLT, Ahmedabad. Simandhar filed an appeal before the Hon'ble NCLAT, New Delhi against the said order and the proceedings are underway. Accordingly, Simandhar sought an adjournment again. The Exchange vide email dated August 20, 2021, informed Simandhar that the proceedings before the Hon'ble NCLAT and MCSGFC are independent proceedings, the directors of Simandhar are not estopped from appearing before the Committee and submitting its reply to the LO.

- b. The Committee, while acceding to the request for an adjournment, granted Simandhar a final opportunity to submit its reply to the LO along with the documentary evidence and proof of settlement of client funds within 15 days i.e., by September 14, 2021, failing which the trading terminals of Simandhar will be disabled in all segments. The Exchange vide email dated August 30, 2021, communicated the interim direction of the Committee to Simandhar.

7.3 Committee's Interim order dated September 18, 2021

- a. Considering that Simandhar failed to submit reply despite several reminders as mentioned under paragraph No. 7.1 (b), reminder dated August 4, 2021 to comply with the interim direction as mentioned under paragraph No. 7.1 (c), interim direction dated August 30, 2021, as mentioned under paragraph No. 7.2 (b), failed to avail the opportunity of personal hearing in Committee meeting dated June 24, 2021, and August 23, 2021, and in order to protect the interests of the investors and the integrity of the securities market, the Committee vide its interim order dated September 18, 2021, issued the following directions:
 - i. To disable the trading terminals of Simandhar Broking Ltd. in all the segments with immediate effect from the date of the order until further notice.
 - ii. To submit a reply to the letter of observation and documentary evidence within 15 days from the date of order.
 - iii. To complete the settlement of clients' funds within 15 days from the date of the order and submit the proof thereof.

7.4 MCSGFC meeting dated February 18, 2022

- a. The Committee noted that Simandhar was disabled in all segments, failed to comply with the Committee's interim directions to submit a reply to the LO along with documentary evidence, and complete the

settlement of clients' funds within 15 days pursuant to the Committee's interim direction dated September 18, 2021.

- b. The Committee granted further 15 days' time to Simandhar to comply with the interim order dated September 18, 2021, failing which disciplinary actions may be initiated against Simandhar under Rules 1 and 2 of Chapter IV of NSEIL Rules. The Exchange vide email dated February 21, 2022, communicated the directions of the Committee to Simandhar.

7.5 Committee meeting held on March 08, 2022

- a. The Committee noted that Simandhar is disabled in all segments, failed to comply with the Committee's interim directions to submit a reply to the LO along with documentary evidence, and proof of settlement of clients' funds, despite giving opportunity over more than 6 months, the Committee decided that disciplinary action may be initiated under Rule 1 and 2 of Chapter IV of NSEIL.
- b. Accordingly, the Committee advised the Exchange to issue a Show Cause Notice (SCN) to Simandhar prior to initiating disciplinary action i.e., the expulsion of Simandhar.

7.6 Proceeding Before NCLT – NCLT Order September 11, 2023

- a. A client of Simandhar Mr. Vipul Raja (the Client) opened a trading account and incurred huge losses in the stock of Jaypee Associates Ltd. Due to the default and inability to pay the outstanding dues by the Client, Simandhar sold the security margin provided by the Client and made subsequent adjustments in its books. Even after adjusting the amount, the Client was still liable to pay Rs. 23,48,095/- to Simandhar as on June 30, 2019.
- b. The complaint filed by the Client against Simandhar before Investor Grievance Resolution Panel (IGRP) claiming an amount of Rs.1,01,74,985/- and several securities was rejected by IGRP vide order dated August 16, 2019.
- c. The client filed an application under Section 7 of the Insolvency and Bankruptcy Code, 2016, raising the same claim. The Hon'ble NCLT, vide order dated April 6, 2021, admitted Section 7 application, holding that Mr. Nitin Shah (suspended director of Simandhar) is financial debtor and there was default on the part of Simandhar.

- d. An appeal was filed against the aforesaid order of Hon'ble NCLT before NCLAT, Principal Bench, New Delhi by Mr. Nitin Shah.
- e. The Exchange filed an intervention application and prayed for the clarification that Simandhar is registered as a Stock Broker with SEBI and being a Financial Service Provider, is not a 'corporate person' and is not amenable to proceedings under the Code.
- f. Upon considering the submissions of the parties and intervention application of the Exchange, the Hon'ble NCLAT opined that *"Simandhar being registered Broker with SEBI and Trading Member of the NSE are providing services, which are 'financial services' within the meaning of definition of Section 3(16) of the Code and by virtue of Section 3(7) read with Section 3(8) and Section 227 of the Code, Section 7 Application filed by Simandhar were not maintainable"* and accordingly set-aside the orders passed by Adjudicating Authority of NCLT and allowed the appeal of Simandhar vide order dated September 11, 2023.

7.7 Committee meeting held on April 16, 2024

- a. The Exchange vide email dated March 28, 2024, granted Simandhar an opportunity of personal hearing before the Committee in its meeting held on April 16, 2024.
- b. The Committee noted that Simandhar failed to reply to the SCN issued by the Exchange, notice of personal hearing and to appear before the Committee for personal hearing
- c. The Committee further noted that the matter was pending before Hon'ble NCLAT and since the Tribunal has now disposed off the matter, the case was placed before the Committee for its consideration.
- d. Considering that the observation entails stricter action including expulsion of Simandhar, the Committee decided to give a last and final opportunity of personal hearing to Simandhar.

7.8 Committee meeting dated May 23, 2024

- a. The Exchange vide letter dated May 15, 2024, granted Simandhar another opportunity of a personal hearing before the Committee in its meeting dated May 23, 2024.

- b. The said letter dated May 15, 2024, was sent via email as well as affixed on the registered and correspondence office address of Simandhar available in as per records of the Exchange. Further, the Exchange also issued a public notice in the newspapers informing Simandhar about the final opportunity of personal hearing before the Committee, in its meeting dated May 23, 2024.
- c. Mr. Nitin Shah, suspended Director of Simandhar, appeared on behalf of Simandhar from the Ahmedabad regional office, and made the following oral submissions:
 - i. Mr. Nitin Shah was unaware about the operations of Simandhar and his daughters, Ms. Ujala Nitinbhai Shah and Ms. Sajani Nitinbhai Shah ran the day-to-day operations of the company.
 - ii. Simandhar does not intend to carry on the business and is willing to surrender its membership. The company was defunct for the last 5 years and the employees and clients have left the company.
 - iii. Mr. Nitin Shah was unaware about the status of settlement of clients' accounts and resolution of clients' complaints. However, the advocate / resolution professional may be aware about the account details.
- d. The Committee deliberated on the matter and considering that Mr. Nitin Shah is unaware about the matter, directed Mr. Nitin Shah and Simandhar to be present in the subsequent meeting along with advocates / authorized representatives who are aware about the matter.
- e. The Committee advised the Exchange to contact Simandhar to determine the amount of actual client payables and pending complaints along with Simandhar's plan to settle the client accounts.

7.9 Committee meeting held on October 21, 2024

- a. The Exchange vide email dated October 14, 2024, and vide public notice dated October 15, 2024, published in Divya Gujarati and Business Standard, granted Simandhar with an opportunity of personal hearing before the Committee in its meeting dated October 21, 2024.
- b. Mr. Nitin Panalal Shah, the Suspended Director of Simandhar, vide registered email id "simandharbroking@gmail.com" of Simandhar

dated October 17, 2024, sought an adjournment. However, no response from the current directors viz. Mr. Jigar Nayankumar Sheth and Ms. Sajani Nitinbhai Shah of the Simandhar was received. The Committee deliberated the matter, granted a final adjournment and directed Simandhar to be present in the subsequent meeting through designated director / authorized representative.

PRESENT PROCEEDINGS BEFORE THE COMMITTEE

8. Committee Meeting dated November 25, 2024

- a. The Exchange vide its email dated November 18, 2024, granted Simandhar with a final opportunity of personal hearing before the Committee in its meeting dated November 25, 2024.
- b. The designated director / authorized representative of Simandhar did not appear before the Committee. Instead, the suspended Director of Simandhar Mr. Nitin Panalal Shah sent an email on the date of hearing i.e., November 25, 2024, requesting for papers of complaints filed against Simandhar, without any reference to adhering to the compliance of the Committee to settle the clients' payables.
- c. The Committee noted that no response was received from the current directors of Simandhar viz. Mr. Jigar Nayankumar Sheth and Ms. Sajani Nitinbhai Shah. The Committee noted that ample opportunities of personal hearing were granted to Simandhar. The Committee, considering the facts of the matter, concluded the proceedings and reserved the matter for order.

CONSIDERATION AND FINDINGS

9. The Exchange issued a Letter of Observation (LO) dated April 29, 2021, and a Show Cause Notice (SCN) dated April 3, 2024, for various grave violations, including non-settlement of client funds, incorrect reporting of margin collected from clients, use of client bank account and client beneficiary account for purposes other than specified, non-reconciliation of securities, misconduct, among other violations. However, as mentioned in paragraph No. 7 above, Simandhar did not submit a reply to the said LO and SCN and failed to settle the clients' funds even after repeated email reminders, interim directions, and various opportunities for personal hearing granted before the Committee. Thus, in the absence of any reply to the said LO and SCN, the violation persists.
10. As advised by the Committee in its meeting dated May 23, 2024, a meeting was conducted between the Exchange officials and Simandhar on August 16, 2024, and September 5, 2024, to address pending complaints, appear in arbitration

matters, and submit a plan for the settlement of clients' payables. In the said meeting, Simandhar agreed to share a settlement plan. However, even after multiple reminders via email dated August 24, 2024, August 29, 2024, September 5, 2024, September 11, 2024, September 13, 2024, September 16, 2024, September 17, 2024, and September 24, 2024, Simandhar failed to submit a settlement proposal to resolve client complaints.

11. It was observed that Mr. Nitin Shah, the suspended Director of Simandhar, appeared before the Committee in the meeting dated May 23, 2024, and in subsequent meetings dated October 21, 2024, and sought adjournment. Further, via email dated November 25, 2024, Mr. Nitin Shah requested papers of complaints filed against Simandhar, which were available on SEBI's SCORES (SEBI Complaint Redressal System) website and without any reference to adhering to the compliance of the Committee's interim directions to settle the clients' funds. Further, the Committee noted that no response was received from the current directors of Simandhar, viz. Mr. Jigar Nayankumar Sheth and Ms. Sajani Nitinbhai Shah.
12. The Committee noted that Simandhar surrendered its registration in the CD segment on January 19, 2016, and was disabled in the CM and F&O segments effective from April 20, 2022, due to the non-submission of the internal audit report for the half-year ended September 30, 2021. Further, vide interim order dated September 18, 2021, Simandhar's trading terminals were disabled in all segments.
13. Vide SCN dated April 03, 2024, Simandhar was informed that *“as per Rule 3(e) of the NSEIL Rules, a Trading Member shall be deemed guilty of misconduct if it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the relevant authority or of any Committee or officer of the Exchange or other person authorized in that behalf under the Bye Laws, Rules and Regulations of the Exchange”*. The said SCN also sought an explanation as to *“why appropriate disciplinary action under Rule 1 and Rule 2 of Chapter IV of NSEIL Rules (which includes expulsion or suspension or withdrawal of all or any of the membership rights) should not be initiated against the Noticee for the violations alleged”*. Further paper notice issued by the Exchange dated October 15, 2024, informing that *“an opportunity of personal hearing is provided to the Trading Member M/s. Simandhar Broking Ltd (“Noticee”) bearing SEBI Registration No. NB231390437 (CM TM), and INF231390437 (F&O TM), and INF231390437 (CD TM) before the Member Committee (MC) of National Stock Exchange of India Ltd on October 21, 2024, at 12:15 P.M. to decide upon appropriate disciplinary action including expulsion and declaration of default, with respect to Letter of Observation dated April 29, 2021, and Show Cause Notice dated April 03, 2024”*.

14. Despite repeated reminders, interim directions, and personal hearings, Simandhar failed to reply to the LO and SCN and to settle the client funds of Rs. 49.18 lakhs as mentioned in the LO and SCN. Additionally, Simandhar did not demonstrate the availability of funds to meet the clients' obligations.
15. The Committee noted that the total amount payable to 10 clients (including directors and related entities) was Rs. 1.37 crores as of September 30, 2020. Furthermore, there are complaints received as of September 30, 2024, for three clients pending resolution, involving a net claim amount of Rs. 3.99 crores.
16. The Committee's primary focus during this period has been to safeguard the interest of the investors. By failing to settle the client funds for a prolonged period and not adhering to the Committee's directions, Simandhar failed to abide by Chapter IV of the Exchange Rules 1, 2, 3 (e), 8 (c), Chapter XII of the Exchange Bye-law 1 (a) (b) and the Exchange Regulations 4.5.1 and 4.5.2.
17. The Committee also observed that Simadhar has violated the Code of Conduct specified under Regulations 4.5.1 and 4.5.2 of Exchange Regulations (CM and F&O Segments), and Rules 3(e) of Chapter IV. The extracts of the relevant Rules, Regulations, Byelaws, and Circulars violations are as follows

a) Exchange Rules - Chapter IV - "Disciplinary Jurisdiction"

- (1) *The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a trading member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Byelaws, Rules and Regulations of the Exchange or any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the relevant authority or any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a trading member of the Exchange or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purpose.*

Penalty for Misconduct, Unbusinesslike Conduct and Unprofessional Conduct

- (2) *In particular and without in any way limiting or prejudicing the generality of the provisions in Rule (1) above, a trading member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded*

or warned for any misconduct, unbusiness like conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

Misconduct

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

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

Suspension of Business:

(8) *The relevant authority may require a trading member to suspend its business in part or in whole:*

(c) *Unsatisfactory Financial Condition: When in the opinion of the relevant authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.”*

b) Exchange Byelaws - Chapter XII – Default

“Declaration of Default

(1) *A trading member may be declared a defaulter by direction/circular/notification of the relevant authority of the trading segment if –*

- a) he is unable to fulfil his obligations; or*
- b) he admits or discloses his inability to fulfil or discharge his duties, obligations and liabilities; or”*

c) Exchange Regulations (CM and F&O Segments)

“4.5 CODE OF CONDUCT FOR TRADING MEMBERS

4.5.1 ADHERENCE TO SEBI CODE OF CONDUCT

The Trading Member shall at all times subscribe to the Code of Conduct as prescribed by the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992.

4.5.2 GENERAL PRINCIPLES

(a) Professionalism: A Trading Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade.

(b) Adherence to Trading Practices: Trading Members shall adhere to the Rules, Regulations and Byelaws of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable from time to time.

(c) Honesty and Fairness: In conducting his business activities, a Trading Member shall act honestly and fairly, in the best interests of his constituents.

(d) Capabilities: A Trading Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.”

DECISION

18. In view of the above, Simandhar is expelled from membership of the Exchange under Rules 1 and 2 of Chapter IV of NSEIL Rules and declared a defaulter under Byelaw 1 of Chapter XII of the NSEIL Byelaws with immediate effect from the date of this order.

Sd/- S. Ravindran (Chairman)	Justice (Retd.) Ms. Abhilasha Kumari (Committee Member)	Sd/- Prof (Dr.) Mamata Biswal (Committee Member)
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Sd/- Essaji Vahanvati (Committee Member)	Sd/- Ashishkumar Chauhan (Committee Member)
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Date: May 23, 2025