



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO.: Order/AK/GN/2026-27/32758]**

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 IN RESPECT OF;

SMC GLOBAL SECURITIES LTD.

PAN AAACS0581R

In the matter of

SMC Global Securities Ltd.

Background

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted a thematic inspection on the theme of "*Verification of Unauthorized trading complaints and client order placement*" of SMC Global Securities Limited (hereinafter referred to as **Noticee**) for the period from January 01, 2024 to September 30, 2024 (hereinafter referred to as **Inspection Period**).
2. Noticee is a member of BSE, NSE, MCX and NCDEX with SEBI Registration No. INZ000199438 as stock broker.
3. Based on the findings of inspection and reply dated April 16, 2025 received from the Noticee, certain alleged non-compliances of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as **Stock Brokers Regulations**) and circulars issued by SEBI and NSE were observed.

Appointment of Adjudicating Officer

4. Hence, SEBI approved initiation of adjudication proceedings and vide communique dated July 01, 2025, appointed the undersigned as the Adjudicating Officer u/s 15-I of SEBI Act, 1992 (hereinafter referred to as '**SEBI Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') r/w Section 19 of the SEBI Act to inquire into and adjudge u/s 15HB of SEBI Act, the violations allegedly committed by the Noticee.



SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice (hereinafter being referred to as the “**SCN**”) dated July 30, 2025 was issued to Noticee in terms Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be initiated against Noticee and why penalty, if any, should not be imposed upon Noticee under Section 15HB of SEBI Act for the alleged violations, if established.
6. Following are the allegations made against the Noticee in the SCN-
 - 6.1 During inspection it was observed that Noticee did not maintain records relating to client order placement thereby Noticee allegedly violated Regulation 9(b) of Stock Broker Regulations read with Clause 34.2 of Master Circular for Stock Brokers dated August 9, 2024 read with Regulation 3.2.1 of NSEIL CM regulation , Regulation 3.4.1 of NSEIL FO regulation , SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017 and CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 and SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018, NSE/ISC/60035 dated December 29, 2023, NSE/INSP/62813 dated July 05, 2024.
 - 6.2 During inspection it was observed that there was lack of supervision of Authorized Persons (hereinafter referred to as **AP**) by Noticee, therefore, it was alleged that Noticee violated Regulation 9(b) of Stock Broker Regulations read with Clause 32.5.1 read with Clause 32.7 of Master Circular for Stock Brokers dated August 9, 2024 read with Exchange Circular No. NSE/MEM/13429 dated November 9, 2009, Exchange Circular No. NSE/COMP/48536 dated June 9, 2021, Exchange Circular No. NSE/COMP/50030 dated October 21, 2021, Exchange Circular No. NSE/COMP/ 56947 dated June 2, 2023 and Exchange Circular No. NSE/INSP/42448 dated October 18, 2019. Regulation 9(b) of Stock Broker Regulations read with Clause 34.2 of Master Circular for Stock Brokers dated August 9, 2024 read with Regulation 3.2.1 of NSEIL Regulations (CM Segment) and Regulation 3.4.1 of NSEIL Regulations (F&O Segment), Exchange Circular No. NSE/INSP/35929 dated September 27, 2017, Exchange Circular No. NSE/INSP/37301 dated March 26, 2018.
7. The SCN was sent to the Noticee via SPAD and digitally signed email dated July 30, 2025. In response vide letter dated August 08, 2025 Noticee submitted that



NSE has initiated proceedings against it on the same subject matter. Noticee also sought inspection of documents. In view of the same, inspection of documents was scheduled on September 09, 2025. Authorized Representative (**AR**) of the Noticee inspected the documents on the scheduled day. Vide letter dated September 04, 2025, Noticee informed that it has filed application for settlement under SEBI (Settlement Proceedings) Regulations, 2018. In view of the same, the matter was kept in abeyance till the disposal of settlement application.

8. Vide letter dated February 23, 2026 Noticee withdrew application of settlement. In view of the same, adjudication proceeding was resumed and in the interest of Natural Justice opportunity of hearing was granted to Noticee on April 02, 2026 vide Hearing Notice (**HN**) dated March 24, 2026. The aforesaid HN was sent to the Noticee via SPAD and email dated March 24, 2026. Vide email and letter dated March 30, 2026, Noticee submitted its reply. The Noticee's reply is summarized below: -

8.1. Noticee submitted that NSE has also initiated proceedings on the same subject matter of SEBI's SCN dated 30.07.2025.

- 8.1.1. *Detailed proceedings before NSE such as issuance of NSE SCN, NSE SSCN, filing detailed submissions, personal hearing availed before Ld. Member Committee, NSE and subsequent correspondences with NSE have been conducted before NSE on the same subject matter of present SEBI SCN dated 30.07.2025. Further, the proceedings initiated by NSE are pending conclusion and it is in process of complying with the directions issued by NSE.*
- 8.1.2. *Noticee submitted that grave prejudice is caused to it on initiation of proceedings by SEBI on the same subject matter of NSE SCN and NSE SSCN. There is duplicity of proceedings on the same subject matter pertaining to similar alleged violations.*
- 8.1.3. *Noticee submitted that it has already participated in the proceedings initiated by NSE on the same subject matter and are complying with the directions as issued by NSE on the same subject matter of the present proceedings. Hence, the present SCN issued by SEBI tantamounts to parallel proceedings and leads to multiplicity of proceedings and thus the doctrine of double jeopardy as enshrined in the constitution of India would operate.*
- 8.1.4. *The issue is directly and substantially the same in the NSE matter & the present SCN and therefore, the doctrine of "Nemo debet bis vexari pro una et eadem causa" applies which is a fundamental legal principle meaning "No person should be vexed twice for the same*



cause, preventing re-litigation or re-punishment for the same matter to ensure finality, fairness, and prevent abuse of process of law.

8.1.5. The doctrine of double jeopardy, as enshrined in Article 20(2) of the Constitution of India and recognized in administrative law, prohibits multiple proceedings and punishments for the same cause of action. The principle of fairness requires that a party should not be subjected to dual penalties or parallel proceedings for the same cause of action. The principle is that regulatory authorities should exercise jurisdiction harmoniously.

8.1.6. Noticee referred to the following judgements in respect of double jeopardy: -

(a) *Green v. United States* [355 US 184 (1957)] (b) *Vital Communications Ltd. Vs. Securities & Exchange Board of India* (Appeal No. 318 of 2019) (c) *M. Nagabhushana v. State of Karnataka & Others* [(2011) 3 SCC 408]

8.2. W.r.t. AP – Amit Lilhare, Noticee submitted as under:

8.2.1. Amit Lilhare was registered with it as an AP on 28.01.2011 (NSE) and 08.09.2015 (BSE). He had around 581 clients registered with him. The turnover details of AP – Amit Lilhare is as under:

Financial Year	Turnover (Rs. In Crores)
2021 - 2022	15,414.60
2022 - 2023	80,030.56
2023 - 2024	93,016.49
April 2024 to 31.05.2024 (Disablement of Terminal)	1,213.86

8.2.2. Based on certain irregularities observed during detailed investigation by Noticee in May 2024, it disabled the terminal of AP – Amit Lilhare on 31.05.2024. Further, Company by letter dated 15.07.2024 issued Notice of Dissociation to AP – Amit Lilhare.

8.2.3. Additionally, a police complaint was also filed by Noticee's letter dated 15.07.2024 (filed physically on 22.07.2024).

8.2.4. All the aforesaid actions against AP – Amit Lilhare was taken way prior to the inspection conducted by SEBI in the present matter and issuance of NSE SCN and NSE SSCN.

8.3. Submission on the allegation of non-maintenance of records relating to client order placement:

8.3.1. Noticee submitted that SMC has implemented call recording devices/SIMs at all operational AP locations. However, when clients physically visit branches and verbally



place orders, these instructions cannot be captured by such devices. In this regard, it has implemented alternative procedures to ensure trades are executed solely on client instructions, including maintaining visitor registers, obtaining physically signed order slips, conducting post-order confirmation calls, and providing loss intimation calls directly from its Head Office.

- 8.3.2. In respect of Mr. Amit Lilhare, Noticee submitted that AP – Amit Lilhare was associated with SMC as an Authorized Person (AP) since 28.01.2011 (NSE) and 08.09.2015 (BSE). During his tenure, he facilitated trading services for clients from Nehru Nagar, Bhilai, Chhattisgarh, a small town where most clients preferred visiting the office in person to place its orders. The clients involved in these cases were actively trading for several years, and as part of standard process, it regularly received contract notes, quarterly/monthly settlement statements, SMS confirmations for trades and fund movements, and communication directly from Exchanges/Depositories regarding its transactions.*
- 8.3.3. Noticee submitted that during the regular inspection of its AP – Amit Lilhare, no irregularities were found or noted. However, in May 2024, after concerns emerged during a senior official's visit, a detailed investigation was undertaken and there were certain irregularities that were observed, pursuant to which the matter was red flagged. As a matter of abundant precaution, it disabled the trading terminals of AP on 31.05.2024. Noticee issued a notice to AP – Amit Lilhare on 25.06.2024 seeking clarification on the matter and when the reply was found to be unsatisfactory, Company by letter dated 15.07.2024 issued Notice of Dissociation to AP – Amit Lilhare. Further, Noticee filed a Police Complaint with its letter dated 15.07.2024 (filed on 22.07.2024).*
- 8.3.4. Noticee submitted that in the cases under observation, as confirmed by the AP – Amit Lilhare at the relevant time, on various occasions the clients were walk-in clients, who used to place verbal orders. During its inspection of AP – Amit Lilhare, he had produced visitor register justifying his aforesaid version.*
- 8.3.5. Noticee further submitted that pursuant to taking disciplinary action against AP – Amit Lilhare, he has stopped cooperating with them, hence making it impossible for it to retrieve the requisite records.*
- 8.3.6. Noticee submitted that it has already provided certain call recordings during inspection while the order placement records are withheld by AP - Amit Lilhare and the same remains unavailable to it despite its earnest efforts to obtain the same.*



8.3.7. *Without prejudice to the above, Noticee had sent contract notes, SMS, transaction alerts to all the clients and none of the clients at that point in time have disputed any of the trades.*

8.4. *Submission on the allegation of lack of supervision of Authorized Person:*

Submission on observation that it has failed to adequately supervise AP – Amit Lilhare who had been providing assured returns to its clients:

8.4.1. *Noticee submitted that SMC maintains a stringent supervision framework over all its Authorized Persons.*

8.4.2. *In May 2024, certain irregularities were observed in respect of AP – Amit Lilhare, pursuant to which the matter was red-flagged; it immediately analyzed the issue, disabled the AP's trading terminals as a matter of abundant precaution, initiated termination proceedings, and filed a police complaint. Noticee promptly addressed the matter, terminated his association, and cooperated transparently with the regulatory authorities to ensure client protection. Thus, adequate actions were demonstrably taken once the issue was identified.*

8.4.3. *Noticee have always ensured that all its APs including AP – Amit Lilhare are engaged only in permitted activities and not undertaking any businesses which are disallowed under the Byelaws, Rules & Regulations and Circulars of SEBI/Exchange. Further, we exercised adequate control, due diligence over the conduct and transactions of its APs and there was adequate mechanism in place to have an oversight into the activities of APs. Therefore, no adverse inference be drawn.*

8.5. *Submission on the allegation that AP was in receipt of funds from its clients towards commission on fixed payouts being made to the clients:*

8.5.1. *As per its records, AP – Amit Lilhare had provided details of only his bank account maintained with IDFC Bank. However, observations by SEBI based on NSE Report highlight transactions in other bank accounts of the AP viz. Kotak Mahindra Bank and State Bank of India, that were never disclosed to them. Even during its inspection, AP – Amit Lilhare had furnished only the IDFC Bank statement, while the Kotak Mahindra Bank and State Bank of India statements, which were available with the Exchange (NSE), were never shared with them. Consequently, it had neither access to nor any mechanism for detecting or identifying such undisclosed bank accounts or transactions through the said bank accounts.*



8.5.2. Further, with respect to the observation that the AP – Amit Lilhare allegedly received funds from clients as alleged commissions related to fixed payouts, Noticee submitted that this observation appears speculative and is not supported by any concrete evidence. Further, even assuming without admitting that such transactions did occur between the clients and the AP - Mr. Amit Lilhare, Noticee reiterated that its Company was neither a party to these transactions nor aware of their existence. The bank accounts pertaining to these alleged transactions were concealed from it by the AP – Amit Lilhare, thereby depriving it of any means to identify, monitor, or prevent such activities.

8.6. Additionally, Noticee submitted as under:

8.6.1. All the transactions w.r.t. AP – Amit Lilhare and the clients (alleged payment of commission on fixed payouts), are in the Kotak Mahindra Bank and State Bank of India accounts of AP – Amit Lilhare, which were never disclosed to them. Not a single alleged rupee has been found to be credited in the bank account of Company. The bank accounts appear to be personal bank accounts of AP – Amit Lilhare, details of which were never disclosed to them.

8.6.2. There is no allegation that it has received any such amount in its bank account. The alleged amounts have been directly received in the undisclosed bank accounts of AP – Amit Lilhare from clients. Prior to the queries received from NSE pursuant to inspection, it had no knowledge about the said transactions nor the undisclosed bank accounts of AP – Amit Lilhare.

8.6.3. Therefore, no adverse inference be drawn in this regard.

8.7. Submission on observation that it failed to provide evidence in respect of pre-trade confirmations in respect of the orders placed by clients associated with AP – Amit Lilhare.

8.7.1. There is no such scheme of fixed return offered by SMC. There is no such email from SMC or AP – Amit Lilhare assuring fixed returns. There is no pamphlet/brochure supporting the allegations in the SCN. There was no observation in inspection as carried out by them. Merely on the basis of monthly withdrawals, conclusion of fixed returns cannot be alleged. Payments of different denominations made during the same period were ignored while placing an allegation against them.

8.8. In addition to what is stated aforesaid, Noticee submitted as under:

8.8.1. The first complaint was received on 01.06.2024, immediately after deactivation of the trading terminals of AP - Amit Lilhare on 31.05.2024. This raised suspicion in its mind



with regard to the genuineness of the complaints, as it appeared that this might be in connivance with its expelled AP – Amit Lilhare. Despite the circumstances and as recommended by the exchange, it has taken proactive steps to address client complaints and as a gesture of corporate goodwill, it has resolved these issues through mutual settlements.

8.8.2. With regard to the allegation that fixed and assured returns were offered to the clients, below are the mails which it had sent to all the clients and also sent SMS time to time to the clients stating as follows:

“Dear Client This is to inform yourself SMC Global do not offer the following to any Client: 1. Any Scheme that assure unreasonably high returns Schemes of fixed / periodic payments/ 2. Written or oral promises assuring guaranteed returns in equity and derivative markets/ 3. SMC Do not accept or pay Cash to /from clients.”

8.8.3. All the clients as referred to in the SCN are trading with it for last 2 to 3 years and regularly giving and receiving payments to/from it and also receiving all the intimation about trading account through SMS and mail regularly viz. Contact note, Daily Profit and loss Messages, Daily trading confirmations, Daily Balance confirmations, payment release confirmations, Quarterly settlement confirmations, retention statements etc. Further, none of the clients have complained that it has not received any mails/SMS/call from us.

8.8.4. Besides all these intimations/confirmations, it has also called those clients who had alleged unauthorised trades. All calls were made by its centralized team personally informing it clearly that in its trading account, due to trades done by them, it suffered so much loss in this period. It is pertinent to note that even during such conversation, it had never mentioned anything about unauthorised trades. Rather, it accepted that such loss amount had been in knowledge and due to its own activities.

8.9. Legal Submissions:

8.9.1. On the subject matter of the proceedings, i.e. Inspection, Noticee referred to the following Orders passed by Hon'ble Securities Appellate Tribunal (**“Tribunal”**).

(a) Religare Securities Limited Vs. SEBI (Appeal No. 23 of 2011)

(b) UPSE Securities Limited Vs. SEBI (Appeal No. 109 of 2011)

(c) M/s DSE Financial Services Limited Vs. SEBI (Appeal No. 153 of 2012)

(d) Akbar Badrudin Badrudin Jiwani V. Collector of Customs, Bombay AIR 1990 SC 1579



8.9.2. Noticee submitted that due Diligence is everything reasonable and not everything possible and refer to the judgements of Hon'ble SC in the matter of Chander Kanta Bansal v. Rajinder Singh Anand [(2008) 5 SCC 117]

8.10. Brief submissions on legal principles and relevant case laws:

8.10.1. Law on the Liability of an Agent- Noticee referred to the Section 227- Principal how far bound, when agent exceeds authority and order of SC in the matter of Sitaram Motilal Kalal V/s. Santanuprasad Jaishankar Bhatt [1966 SCC OnLine SC 210], Kotak Securities Ltd. V/s. Prakash S. Khanolkar & Anr. [2013 SCC Online Bom 912], Harshad J. Shah and Another vs. LIC of India and Ors. [(1997) 5 SCC 64], Andersen & Others v. Sense Network [2019] EWCA Civ 1395, Frederick v Positive Solutions (Financial Services) Ltd. [2018] EWCA Civ 431, Kooragang Investments PTY Ltd. v Richardson & Wrench [1982] PC 462,

8.11. In view of the aforesaid, Noticee denied that it has violated the SEBI Master Circulars, SEBI Circulars, NSE Circulars and Stock- Brokers Regulations, NSE Regulations.

8.12. Noticee submitted that it has always followed all the procedures stipulated by any regulatory authority, followed all Rules/Regulations/instructions etc. issued by any government agency.

8.13. In view of the above circumstances, Noticee submitted as follows:

8.13.1. It has never indulged in any action that could result in violation of securities laws and have adequately mitigated the risk as and when the need arose.

8.13.2. Over a period of time, it has performed its duties in the best interest of regulatory compliance, particularly w.r.t. AP Compliances.

8.13.3. It has never derived any unfair gain in any manner whatsoever while performing its duties as a stock-broker.

8.13.4. Post inspection it had reviewed all its operations including the process and procedures followed by it and wherever required it had taken all remedial and corrective measures so as to ensure that lapses, if any, do not reoccur.

8.13.5. Noticee submitted that alleged lapses, if any have occurred unintentionally. Violations, if any, are merely technical in nature.

9. The ARs of the Noticee appeared for the hearing scheduled on April 02, 2026 and made submissions on the lines of reply dated March 30, 2026. Further, the AR sought time till April 10, 2026 for making additional submissions. Vide letter dated



April 09, 2026 Noticee reiterated the submission already made and gave the following additional relevant submission;

9.1. Noticee submitted that on the subject matter of proceedings before the NSE (same subject matter of present SEBI SCN), it was directed by NSE to conduct physical inspection of all registered APs through an Exchange empanelled auditor. There were other directions as well that were issued against SMC. In compliance with the directions issued by NSE, it conducted physical inspection of all active APs through multiple Exchange empanelled auditors. The said physical inspection of all active APs were completed in a time bound manner. Further, other directions w.r.t. current improvements made in AP supervision, future improvements in AP Supervision, to put in place mechanism to ensure APs do not operate Collective Investment Schemes, Assured returns, Dabba trading etc. issued by NSE were also complied with in a time bound manner.

CONSIDERATION FOR ISSUES, EVIDENCE AND FINDINGS

10. I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

ISSUE I: Whether Noticee has violated the provisions as alleged in the SCN?

ISSUE II- Does the violation, if any, attract monetary penalty under Section 15HB of the SEBI Act?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

11. Before proceeding further, it will be appropriate to refer to the relevant provisions.

Securities and Exchange Board of India (Stock Brokers) Regulations, 1992

Regulation 9 – Conditions of Registration

Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely, -

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him;

SEBI Master Circular on Stock brokers no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024

https://www.sebi.gov.in/legal/master-circulars/aug-2024/master-circular-for-stock-brokers_85605.html



NSEIL Capital Market segment regulation

https://nsearchives.nseindia.com/web/sites/default/files/inline-files/NSECMregulations2025_0.pdf

NSEIL Futures and Options Segment regulation

<https://nsearchives.nseindia.com/web/sites/default/files/inline-files/NSEFORegulations2025.pdf>

SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017

https://www.sebi.gov.in/legal/circulars/sep-2017/prevention-of-unauthorised-trading-by-stock-brokers_36079.html

SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017

https://www.sebi.gov.in/legal/circulars/nov-2017/clarification-to-circular-on-prevention-of-unauthorised-trading-by-stock-brokers_36775.html

SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018

https://www.sebi.gov.in/legal/circulars/mar-2018/circular-on-prevention-of-unauthorised-trading-by-stock-brokers-_38365.html

NSE circular NSE/ISC/60035 dated December 29, 2023

<https://nsearchives.nseindia.com/content/circulars/ISC60035.pdf>

NSE circular NSE/INSP/62813 dated July 05, 2024

<https://nsearchives.nseindia.com/content/circulars/INSP62813.pdf>

NSE circular NSE/MEM/13429 dated November 9, 2009

<https://www.nseindia.com/resources/exchange-communication-circulars#>

NSE circular No. NSE/COMP/48536 dated June 9, 2021

<https://nsearchives.nseindia.com/content/circulars/COMP48536.pdf>

NSE circular No. NSE/COMP/50030 dated October 21, 2021

<https://www.nseindia.com/resources/exchange-communication-circulars#>

NSE circular No. NSE/COMP/ 56947 dated June 2, 2023

<https://nsearchives.nseindia.com/content/circulars/COMP56947.pdf>

NSE circular No. NSE/INSP/42448 dated October 18, 2019

<https://nsearchives.nseindia.com/content/circulars/INSP42448.pdf>

NSE circular No. NSE/INSP/35929 dated September 27, 2017

<https://www.nseindia.com/resources/exchange-communication-circulars#>

NSE circular No. NSE/INSP/37301 dated March 26, 2018

<https://www.nseindia.com/resources/exchange-communication-circulars#>



FINDINGS

12. Before proceeding with the matter on merit, I would like to first deal with the preliminary submission of the Noticee that there is a duplicity of proceedings as the NSE has also issued SCN on the same subject matter. Noticee also submitted that the doctrine of double jeopardy, as enshrined in Article 20(2) of the Constitution of India and recognized in administrative law, prohibits multiple proceedings and punishments for the same cause of action. In this regard, I note that it has become trite law that the principle of double jeopardy as provided under Article 20(2) of the Constitution of India is applicable only to criminal proceedings and not to quasi-judicial proceedings like that of the present adjudication proceedings.

13. In this regard, Hon'ble Supreme Court in the matter of *S.A. Venkataraman v. Union of India (1954) AIR 375* stated as under:

“.....It has also been held by this court in Maqbool Hussain's case that the language of article 20 and the words actually used in it afford a clear indication that the proceedings in connection with the prosecution and punishment of a person must be in the nature of a criminal proceeding, before a court of law or judicial tribunal, and not before a tribunal which entertains a departmental or an administrative enquiry even though set up by a statute, but which is not required by law to try a matter judicially and on legal evidence. In that case the proceedings were taken under the Sea Customs Act before a Customs authority who ordered confiscation of goods. It was held that such proceedings were not "Prosecution", nor the order of confiscation a "punishment" within the meaning of article 20(2) inasmuch as the Customs authority was not a court or a judicial tribunal and merely exercised administrative powers vested in him for revenue purposes....”

14. Therefore, I note that the constitutional protection against double jeopardy is attracted only where there has been a prior prosecution and punishment for the same offence before a court of law or a judicial tribunal exercising criminal jurisdiction. The present proceedings, being regulatory/quasi-judicial in nature, do not attract the bar under Article 20(2) merely because another authority has initiated proceedings on the same or overlapping facts.

15. I also note that the period covered in NSE inspection was from April 01, 2022 to June 30, 2024 and the period of inspection in the instant adjudication proceeding



is from January 01, 2024 to September 30, 2024. Further, I note from the SCN issued by the NSE that the proceedings initiated by NSE is for disciplinary action under Rule 1 and Rule 2 of Chapter IV of NSEIL Rules which includes prohibition on onboarding new clients, prohibition on registering new APs, disablement of proprietary trading, expulsion or suspension or withdrawal of all or any of the membership rights. Whereas, the instant proceedings are adjudication proceedings under Adjudication rules read with SEBI Act and the result of which is either exoneration or penalty under section 15HB of SEBI Act. Therefore, the Noticee's contention is devoid of merits as the proceedings are initiated by distinct statutory/regulatory authorities acting within their respective jurisdiction and mandate. Further, the source of power, scope of enquiry, and regulatory consequences are traceable to distinct jurisdictional mandates.

16. I now proceed to deal with the issues on merit as under;

ISSUE I: Whether Noticee has violated the provisions as alleged in the SCN?

17. Non-maintenance of records relating to client order placement:

17.1. As regard the alleged violation mentioned at para 6.1 on pre page 2, I note that in reply to the SCN, Noticee submitted that as confirmed by the AP – Amit Lilhare at the relevant time, on various occasions the clients were walk-in clients, who used to place verbal orders and during their inspection of AP – Amit Lilhare, he had produced visitor register justifying his aforesaid version.

17.2. I note that as per Clause 34.2 of Master Circular for Stock Brokers dated August 9, 2024 r/w regulation 9(b) of Stock Brokers Regulation all brokers shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of Physical record written & signed by client, Telephone recording, Email from authorized email id etc.

17.3. I note that during inspection, it was observed that for client code HPO1138, CDB0445, IFK0002, QET0002, MSR0057 and VGQ0006, Noticee has not maintained appropriate pre-order placement records for their orders.

17.4. Further, it was observed that in case of multiple orders placed by 1 client, Noticee was unable to provide relevant order placement records.



17.5. I note that in reply to the SCN Noticee submitted that the orders selected in the sample relate to clients belonging to AP - Amit Lilhare and the clients were placing verbal orders by visiting the AP's office. Noticee also submitted that AP had produced visitor register justifying that clients placed verbal orders.

17.6. In this regard, I note that SEBI Circular SEBI/HO/MIRSD/DOP1/ CIR/P/2018/54 dated March 22, 2018 casts responsibility on the Stock Broker for maintenance of pre-trade confirmation in various forms inter-alia including physical record written & signed by client. Further these records shall be maintained for a minimum period of three years. However, there is no indicative or corroborating evidence provided by the Noticee that the AP had indeed possessed such pre-trade confirmations or that it had previously inspected and verified such records. Therefore, the aforesaid contention of the Noticee is not tenable.

17.7. I also note that as per Clause 32.5.1 of Master Circular for Stock Brokers dated August 9, 2024 the stock broker shall be responsible for all acts of omission and commission of the authorized person.

In view of the same, it is established that Noticee violated Regulation 9(b) of Stock Brokers Regulations r/w Clause 34.2 of Master Circular for Stock Brokers dated August 9, 2024 r/w Regulation 3.2.1 of NSEIL CM regulation, Regulation 3.4.1 of NSEIL FO regulation , SEBI circular CIR/HO/MIRSD/ MIRSD2/CIR/P/2017/108 dated September 26, 2017 and CIR/HO/MIRSD/ MIRSD2/CIR/P/2017/124 dated November 30, 2017 and SEBI/HO/MIRSD/ DOP1/CIR/P/2018/54 dated March 22, 2018, NSE/ISC/60035 dated December 29, 2023, NSE/INSP/62813 dated July 05, 2024.

18. Lack of Supervision of Authorized Person

18.1. As regard the alleged violation mentioned at para 6.2 on pre page 2, I note that in reply to the SCN, Noticee submitted that as per its records, AP – Amit Lilhare had provided details of only his bank account maintained with IDFC Bank and other bank accounts of the AP viz. Kotak Mahindra Bank and State Bank of India, were never disclosed to it.

18.2. I note that as per Clause 32.5.1 of Master Circular for Stock Brokers dated August 9, 2024 the stock broker shall be responsible for all acts of omission and



commission of the authorized person. The authorized person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of stock broker.

18.3.I note that during inspection it was observed that the Noticee has received a surge in complaints related to unauthorized trading and mis-appropriation of clients' funds / securities during June, 2024 to September 2024.

18.4.Of the total 322 complaints received against the Noticee in the aforesaid two categories during F.Y. 2024-25, 279 complaints were received during June, 2024 to September 2024. Majority of these complaints were received due to unauthorized trading activities carried out by and fixed assurances given by an AP - Amit Lilhare.

18.5.I note that during inspection on examination of the complaints, it was noted that the complainants were promised fixed returns by an AP – Amit Lilhare operating in Bhilai and Rajnandgaon region of Chhattisgarh.

18.6.I note that in reply to the SCN, Noticee submitted that there is no pamphlet/brochure/email from SMC or AP – Amit Lilhare assuring fixed returns. In this regard, I note from the material available before me that details of fixed return or assured return were shared with the Noticee during inspection of documents on September 09, 2025 and no specific submission regarding these instances are submitted by the Noticee. Therefore, the aforesaid contention of the Noticee is not tenable.

18.7.I note that trades have occurred through the CTCL ID 490020001001 of one of the employee of the said AP, B JAGDEESHWAR RAO who is based out of Chhattisgarh and complaints were received from clients who have traded through the said CTCL ID. The last trade date on the said CTCL ID was on 13-05-2024 and the same stands disabled as on 31-05-2024.

18.8.I note that during inspection based on the analysis conducted on the 343 clients mapped to Amit Lilhare, a pattern was found in the ledgers of 161 clients wherein a fixed payout was credited to these clients.

18.9.The following table summarizes the amounts invested by the clients and the fixed payouts made by the Noticee during the period 01-04-2022 to 30-06-2024.



S.No	Particulars	Nos/Rs.
1	Total nos. of Registered clients (Nos.)	581
2	Total nos. of active clients verified (Nos.)	343
3	Nos. of clients in which a pattern of fixed payout was observed (Nos.)	161
4	Total Amount Invested by the clients for fixed payout during the inspection period - Any invested amount (for fixed payout) withdrawn by the client has also been considered (Rs.)	6,11,27,000.00
5	Total amount of Fixed payout by the TM to clients (Rs.)	1,84,59,000.00

18.10. I note that the AP had been receiving commission of such fixed payouts through payments being made by the clients from their bank accounts to AP's bank accounts / through UPI payments.

18.11. In this regard, Noticee submitted that this observation appears speculative and is not supported by any concrete evidence. In this regard, I note that the NSE report contained the screenshot and details of the payments made by the clients and the NSE report along with its annexures were shared with the Noticee during the inspection of documents on September 09, 2025. Therefore, all the relevant documents were shared with the Noticee, hence, the contention of the Noticee is devoid of merits.

18.12. During inspection on examination of ledgers pertaining to 16 clients who had filed complaints against the Noticee, it was noted that there are fixed monthly payouts in 1st week of every month being made by the Noticee to these clients.

18.13. I note that in reply to the SCN, Noticee submitted that merely on the basis of monthly withdrawals, conclusion of fixed returns cannot be alleged. In this regard, I note that details of 16 clients were provided to the Noticee to whom fixed payouts were made. However, no clarification or supporting evidences are provided by the Noticee why these monthly payouts were made. Therefore, the aforesaid contention of the Noticee is devoid of merits.



- 18.14. Further, in reply to the inspection findings Noticee had stated that the payout requests for these 16 clients were made by AP on behalf of the clients. However, no evidence of clients requesting such payouts through AP was provided.
- 18.15. Noticee also submitted that as per its records, AP – Amit Lilhare had provided details of only his bank account maintained with IDFC Bank and other bank accounts of the AP viz. Kotak Mahindra Bank and State Bank of India, were never disclosed to them. Therefore, I note that Noticee admitted that it failed to monitor the bank accounts of the AP wherein AP was receiving commission on the fixed payouts made to the clients.
- 18.16. I note Noticee had failed to provide any pre-trade confirmations in respect of the orders placed by the clients mapped to AP – Amit Lilhare.
- 18.17. I note that in reply to the SCN Noticee submitted that the clients had lodged the complaints in collusion with the AP to recover the amounts invested by them. However, during inspection it was observed that the complaint originated from various accountholders who had opened their trading accounts at different periods during 01-04-2022 to 30-06-2024. Further, the 16 KYCs examined also do not appear to be having any similar characteristics apart from the region to establish connivance by the complainants with the AP.
- 18.18. On examination of trade logs of the 16 clients, I note that majority (99%) of the orders placed by these clients originated from a single Dealer ID i.e. 490020001001110.
- 18.19. I also note that as per the inspection report dated March 04, 2024 of AP-Amit Lilhare conducted by the Noticee on February 07, 2024, only a single observation was noted in respect of non-maintenance of visitor register as per the prescribed format.
- 18.20. In reply to the SCN, Noticee referred to the Section 227 of the Indian Contract Act, 1872 which provides for law on the liability of an agent i.e. principal how far bound, when agent exceeds authority. In this regard, I note that the provisions of Indian Contract Act, 1872 does not apply to the instant adjudication proceedings. Further, I note that the Clause 32.5.1 of Master Circular for Stock Brokers dated August 9, 2024 clearly specify that the stock broker shall be



responsible for all acts of omission and commission of the authorized person. Therefore, the aforesaid contention of Noticee is devoid of merits.

18.21. Therefore, I observe that the Noticee failed to notice the violations that were being committed by AP – Amit Lilhare during 01-04-2022 to 30-06-2024.

18.22. Based on the aforesaid the following is established;

18.22.1. Noticee has failed to adequately supervise AP – Amit Lilhare who had been providing assured returns to its clients.

18.22.2. AP was in receipt of funds from Noticee's clients towards commission on fixed payouts being made to the clients.

18.22.3. Noticee failed to monitor the bank accounts of the AP wherein AP was receiving commission on the fixed payouts made to the clients. Further Noticee failed to verify whether the payout requests were originating from the clients themselves.

18.22.4. Noticee failed to provide evidence in respect of pre-trade confirmations in respect of the orders placed by clients associated with AP – Amit Lilhare.

18.23. I also note that the fixed payments to the clients associated with AP – Amit Lilhare were being made since, as early as, July 2022 (based on the sampled clients). Further, the Noticee is ultimately responsible for the preservation of records relating to placement of orders by the clients. In the instant matter, the Noticee had also inspected the AP during March, 2024, two months prior to the issues have surfaced, wherein no serious observation was highlighted.

In view of the above, it is established that Noticee has violated Regulation 9(b) of Stock Brokers Regulations r/w Clause 32.5.1 r/w Clause 32.7 of Master Circular for Stock Brokers dated August 9, 2024 read with Exchange Circular No. NSE/MEM/13429 dated November 9, 2009, Exchange Circular No. NSE/COMP/48536 dated June 9, 2021, Exchange Circular No. NSE/COMP/50030 dated October 21, 2021, Exchange Circular No. NSE/COMP/ 56947 dated June 2, 2023 and Exchange Circular No. NSE/INSP/42448 dated October 18, 2019, and Regulation 9(b) of Stock Brokers Regulations r/w Clause 34.2 of Master Circular for Stock Brokers dated August 9, 2024 r/w Regulation 3.2.1 of NSEIL Regulations (CM Segment) and Regulation 3.4.1 of NSEIL Regulations (F&O



Segment), Exchange Circular No. NSE/INSP/35929 dated September 27, 2017, Exchange Circular No. NSE/INSP/37301 dated March 26, 2018

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty under Section 15HB of SEBI Act?

19. In view of the violations as established above, I find that this is a fit case for penalty under section 15HB of the SEBI Act, which reads as given below:

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

ISSUE III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

20. While determining the quantum of penalty under sections 15HB of the SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under: -

15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.”*

21. In the present matter, I note that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by Noticee. Further, from the material available on record, it may not be possible to ascertain the exact monetary loss to the investors /clients on account of default by the Noticee. I also note that the NSE has also initiated proceedings against the Noticee on the same subject matter. As a SEBI registered intermediary, Noticee is under statutory obligation to comply with the applicable circulars, rules and regulations. The very purpose of the said regulations is to deter wrong doing and



promote ethical conduct in the securities market. Therefore, non-compliances/ violations by the Noticee deserves and attracts suitable penalty. I note, as per the available records, that Noticee has been penalized number of times earlier for violation of various provisions of SEBI Act and Regulations issued thereunder.

ORDER

22. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose penalty of Rs 1,00,000 (Rupees One Lakh only) for the violations, as established in this order. In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.

23. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

24. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

25. In terms of the provisions of rule 6 of the SEBI Rules, a copy of this order is being sent to the Noticee and also to SEBI.

**Amit
Kapoor** Digitally signed
by Amit Kapoor
Date: 2026.10.01
14:56:08 +05'30'

Place: Mumbai

Date: October 01, 2026

**AMIT KAPOOR
ADJUDICATING OFFICER**