BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/YK/2026-27/32502]

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

In respect of
Eastern Financiers Limited
PAN: AAACE7613A

In the matter of Eastern Financiers Limited

BACKGROUND

1. Eastern Financiers Limited (hereinafter referred to as "**Noticee**") has been registered with Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") as a stock broker. The registration number of the Noticee is INZ000193733. SEBI and BSE Ltd. (hereinafter referred to as "**BSE**") had undertaken inspection of authorized persons (hereinafter referred to a **"APs"**) of the Noticee. The name of the APs and the date of inspection is given in the table below. The inspection has been conducted for the period from April 01, 2024 to April 30, 2025 (hereinafter referred to as "**Inspection period/IP**").

Table 1

Sr. No.	Name of AP	Date of inspection
1.	M/s. Finwell Global Services	June 09, 2025
2.	Mr. Hitesh P Sanghvi	June 10, 2025
3.	Ms. Jonaki Biswas	June 03, 2025
4.	Mr. Lakshman Kumar Bihani	June 03, 2025
5.	Mr. Rohit Kumar Jain	June 06, 2025

2. Thereafter, findings of the said inspection were communicated to the Noticee by SEBI vide letter dated July 28, 2025. In response to the findings in the Inspection Report, the Noticee submitted replies vide letters/emails dated August 06, 2025, August 25, 2025 and August 29, 2025.

3. After analyzing the findings of the inspection vis-à-vis the response of the Noticee, a final inspection report (hereinafter referred to as **"IR"**) was prepared wherein, *inter alia*, violations of the provisions of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as **"Brokers Regulations"**), SEBI Circulars and BSE Circulars were alleged.

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as ''**AO**'') in this matter vide communiqué dated June 08, 2026 under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquire into and adjudge the aforementioned alleged violations by the Noticee, under the provisions of section 15HB of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice Ref. No. DIS/15259/2026 dated June 11, 2026 (hereinafter referred to as **"SCN"**) was issued to Noticee in terms of rule 4 of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on it in terms of the provisions of section 15HB of the SEBI Act for the aforementioned violations alleged to have been committed by Noticee.

6. The SCN dated June 11, 2026, *inter alia*, alleged the following:

(A.)Pre-order trades confirmations not maintained by APs

(a.)APs – Ms. Jonaki Biswas, Mr. Rohit Kumar Jain and Mr. Hitesh P Sanghvi had informed inspection team that trade orders were received either through telephone or directly through IBT (Internet Based Trading). Accordingly, pre-order trade confirmations were sought from these APs on sample basis. However, APs/Noticee were unable to provide call recordings for the same.

(b.)The aforesaid finding was communicated to the Noticee by SEBI vide letter dated July 28, 2025. Noticee in its replies had, inter alia, stated that the client typically places orders in person at the AP premises or through IBT. The Noticee further

submitted that pre-order confirmations were obtained through physical deal sheets signed by the client, which are maintained in records. The Noticee has also provided letter confirmation from clients stating that they had placed orders by visiting the AP office and had signed the order slips. The Noticee further acknowledged that the visitor register did not reflect all client entries corresponding to the deal sheets submitted.

*(c.) In this regard, it was observed from IR that AP had failed to produce deal sheets during the onsite inspection and as accepted by the Noticee, there were no entries in the visitor register to verify the visits of investors for placing orders through the CTCL terminal. It was further observed that Noticee was advised by inspection team to provide any video recordings of CCTV of the respective clients visiting AP's office for communicating trades through order slips/deal sheets. However, the Noticee could not provide any evidence to substantiate the same. In view thereof, it was alleged that 3 APs – Ms. Jonaki Biswas, Mr. Rohit Kumar Jain and Mr. Hitesh P Sanghvi had not maintained pre-order trade confirmations for all the trades. Accordingly, it is alleged that Noticee had violated the provisions of clauses 35.2 and 35.4 of SEBI Master Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 (hereinafter referred to as "**SEBI Circular dated June 17, 2025"**), clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause 15 of Annexure A of BSE Notice No. 20240828-52 dated August 28, 2024 (hereinafter referred to as "**BSE Circular dated August 28, 2024"**).*

(B.) <u>APs do not possess requisite NISM certification</u>

*(a.) APs – Ms. Jonaki Biswas and Mr. Lakshman Kumar Bihani did not possess NISM certification Series VII as required under SEBI notification no. LAD-NRO/GN/2010-11/21/29390 dated December 10, 2010 (hereinafter referred to as "**SEBI Notification dated December 10, 2010"**).*

(b.) The aforesaid finding was communicated to the Noticee by SEBI vide letter dated July 28, 2025. Noticee in its replies had, inter alia, stated that its interpretation was that NISM series VII is not mandatory for APs. It had taken due note of the same and have started the process for obtaining NISM Series VII.

*(c.) In view of the above, it was observed from IR that Noticee had admitted the aforesaid lapses. Accordingly, it was alleged that Noticee has violated the provisions of SEBI Notification dated December 10, 2010 and BSE Notice No. 20101215-19 dated December 15, 2010 (hereinafter referred to as "**BSE Circular dated December 15, 2010"**).*

(C.) <u>Terminals being operated by un-approved users</u>

(a.) AP – Mr. Rohit Kumar Jain: AP has one Computer to Computer Link (CTCL) terminal. On verifying sample trades executed on the day of inspection, it was

observed that one Mr. Anil Shukla (PAN: BUXPS2762P) was executing the orders on the CTCL terminal. As per exchange records, Mr. Anil Shukla was not an approved user.

(b.) AP – M/s. Finwell Global Services: AP has one CTCL terminal and the approved user of the said terminal was Mr. Rhiju Sengupta. However, during inspection, it was observed that all the client orders were received and executed by Mr. Madhusudan Mondal (employee of the AP) who was not an approved user.

(c.) The aforesaid finding was communicated to the Noticee by SEBI vide letter dated July 28, 2025. Noticee in its replies had, inter alia, stated as follows:

(i) AP – Mr. Rohit Kumar Jain: The terminal was operated by an employee of the AP in the absence of the approved user due to exigency. Noticee further submitted that it had taken immediate corrective steps to ensure that only registered and exchange-approved users are allowed access to trading terminals. It was further submitted that the CTCL user details were updated on August 05, 2025 in the name of the concerned employee of the AP who was operating the terminal.

(ii) AP – M/s. Finwell Global Services: Mr. Madhusudan Mondal, an employee of the AP, was operating the terminal at the time of inspection. This occurred due to the unavailability of the approved user on that particular day. Under normal circumstances, the terminal is operated solely by Mr. Rhiju Sengupta, the exchange-approved user. A CTCL ID in the name of Mr. Madhusudan Mondal has been applied to regularize the operational setup.

(d.) In view of the above, it was observed from IR that Noticee had admitted the aforesaid lapses. Further, in respect of AP- M/s. Finwell Global Services, following trades were checked during the inspection. All these below mentioned trades were received and executed on the CTCL terminal by Mr. Madhusudan Mondal. Accordingly, it was alleged that the contention of Noticee stating that Mr. Madhusudan Mondal was operating terminal only on the day of inspection could not be accepted.

Table 2

UCC	***Date of order***
C63227	*19/10/2023*
C63227	*27/02/2025*
B02027	*23/05/2025*
B02027	*05/06/2025*

(e.) In view of the above, it was alleged that Noticee has violated the provisions of clause (xix) of regulation 26 of Brokers Regulations, clauses 1 and 2 of Part A of

Schedule II of Brokers Regulations and clause 14 of Annexure A of BSE Circular dated August 28, 2024.

(D.) <u>Failure to maintain appropriate segregation of the CTCL Terminal</u>

(a.) During the inspection of AP (M/s. Finwell Global Services), it was observed that a separate terminal of a different stock broker (Master Capital Services Ltd.) was being operated from the same location, i.e., Merlin Acropolis, unit No. 6/5, 6th Floor, 1858/1 Rajdanga Main Road, Kasba, Kolkata – 700 107. The said terminal was being operated by M/s. Folioport, which is an AP of Master Capital Services Ltd. Partners of M/s. Folioport are Mr. Rhiju Sengupta and Mr. Biswadeep Chatterjee and the partners of M/s. Finwell Global Services are Ms. Nilima Sengupta and Ms. Daliya Chatterjee who are immediate relatives (mothers) of Mr. Rhiju Sengupta and Mr. Biswadeep Chatterjee respectively.

(b.) It was observed that the approved user for the terminal of Noticee possessed by AP (M/s. Finwell Global Services) was Mr. Rhiju Sengupta who was also the partner of M/s. Folioport. It was further observed that the operations of APs of two different stock brokers are de-facto being carried out by Mr. Rhiju Sengupta and Mr. Biswadeep Chatterjee, through the single location and the terminal of Master Capital Services Ltd. was also placed near to the terminal of Noticee and was also being operated by Mr. Madhusudan Mondal. Accordingly, it is alleged that AP did not maintain proper segregation and demarcation among two terminals of different trading members.

(c.) The aforesaid finding was communicated to the Noticee by SEBI vide letter dated July 28, 2025. Noticee in its replies had, inter alia, stated that it acknowledges the terminal belonging to M/s. Folioport, an AP of Master Capital Services Ltd., was found operating from the same location as its AP during the inspection. While the entities are legally distinct, it recognizes that proper physical segregation and demarcation between terminals of different Trading Members (TMs) were not adequately maintained. Upon identification of this issue, it had immediately directed both the entities to discontinue co-location and ensure complete physical and operational separation of infrastructure.

(d.) In view of the above, it was observed from IR that Noticee had admitted the aforesaid lapses. Accordingly, it was alleged that Noticee has violated the provisions of clause 33.7.2 of SEBI Circular June 17, 2025 read with regulation 9(b) of Brokers Regulations, clause 5 of Part A of Schedule II of Brokers Regulations and clause 21 of Annexure A of BSE Circular dated August 28, 2024.

(E.) <u>Non-availability of terminals at the reported location and clients mapped to AP was not notified at least 30 days before the change of address</u>

(a.) One CTCL terminal was allotted to AP - Jonaki Biswas. The registered address of the said terminal was "Block - A, 3rd floor, Flat No. 404, 60, Dr. P.N. Ghosh road, Bally, Howrah – 711 201". However, during the inspection, the terminal was not found to be present at the specified location. Instead, the terminal was found at an unregistered location, i.e., "Room No. 529, 5th Floor, 27, Weston Street, Kolkata – 700012".

(b.) The aforesaid finding was communicated to the Noticee by SEBI vide letter dated July 28, 2025. Noticee in its replies had, inter alia, stated that during its internal inspection conducted on February 17, 2025, the AP was present at the registered location and the CTCL terminal was neither logged in nor were any trades executed on that day. Subsequently, a request for address change was received from the AP. However, due to delays in submitting proper documentation and completing the required compliance procedures, the request was not acknowledged by Noticee at that time. Later, a CTCL deactivation request was submitted on June 03, 2025 which was approved on June 04, 2025. Following this, a new address update request was submitted on June 04, 2025 and was approved on June 05, 2025.

(c.) In this regard, it was observed from IR that chronology of events leading to change of address of AP was sought from exchanges. Considering the replies of BSE and NSE vide e-mails dated August 08, 2025 and the submissions of Noticee vide letter dated August 07, 2025, chronology of events were as under:

Table 3

Chronology of events on NSE portal		***Chronology of events on BSE portal***	
Date	***Event***	***Date***	***Event***
07/02/2025	*Receipt of change of address from AP to TM*	*07/02/2025*	*Receipt of change of address from AP to TM*
17/02/2025	*Inspection of the AP conducted by the TM*	*17/02/2025*	*Inspection conducted by the TM*
21/02/2025	*Request for change of address made by TM on NSE portal*	*03/06/2025*	*Inspection of AP conducted by SEBI and BSE*
24/02/2025	*Rejection of request on NSE portal due to TM not providing notarized rent agreement of the new address*	*21/07/2025*	*Request for change of address made by TM on BSE portal*
29/05/2025	*Re-application of address change*		
30/05/2025	*Approval of address change by the Exchange*		
03/06/2025	*Inspection by SEBI and BSE*		

(d.) *In view of the above, it was alleged that the request for change of address was conveyed to BSE and NSE with a delay of 3 months and 5 months respectively and clients mapped to the AP was not notified at least 30 days before the change of address. Therefore, it was alleged that Noticee had violated the provisions of clauses 33.5.1 (a) & (b) and 33.7.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause iii of para 2 read with clauses 6 and 21(a) of Annexure A of BSE Notice No. 20191018-43 dated October 18, 2019 (hereinafter referred to as "**BSE Circular dated October 18, 2019**").*

(F.) <u>Noticee had not maintained adequate supervision of APs</u>

(a.) The Noticee conducted inspection of its APs in the following manner:

Table 4

Sr. No.	*Name of AP*	*Date of inspection*	*Adverse observations, if any*
1.	*M/s. Finwell Global Services*	*March 19, 2025*	*No adverse observations*
2.	*Mr. Hitesh P Sanghvi*	*No inspection has been carried out by Noticee since registration of AP on July 20, 2023.*	
3.	*Ms. Jonaki Biswas*	*February 17, 2025*	*No adverse observations*
4.	*Mr. Lakshman Kumar Bihani*	*February 17, 2025*	*No adverse observations*
5.	*Mr. Rohit Kumar Jain*	*October 16, 2023*	*No adverse observations*

(b.) However, during the inspection conducted by SEBI and BSE, violations aforementioned in paras 6 (A.), (B.), (C.), (D.) and (E.) were observed. Hence, it was alleged that the Noticee had not maintained adequate supervision of APs.

(c.) The aforesaid finding was communicated to the Noticee by SEBI vide letter dated July 28, 2025. Noticee in its replies had, inter alia, stated that it acknowledges the internal inspection conducted by Noticee did not identify aforementioned lapses. Noticee further submitted that it had initiated corrective steps to revamp its internal inspection methodology.

(d.) In view of the above, Noticee had admitted the aforesaid lapses. Accordingly, it was alleged that Noticee has violated the provisions of clause 33.7.5 read with clause 33.7.1 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and para 4 of BSE Circular dated October 18, 2019.

7. The SCN was duly served upon Noticee in consonance with the Rules. Noticee vide email dated June 25, 2026, submitted its reply. Subsequently, an opportunity of hearing was granted to Noticee on July 09, 2026. On July 09, 2026, Authorized

representatives (hereinafter referred to as **"ARs"**) of Noticee, Ms. Reena Khetan and Mr. Vivek Shah, attended the hearing and reiterated the submissions made vide letter dated June 25, 2026. ARs also sought one weeks' time to file their additional submissions which was acceded to and the Noticee filed its additional submissions vide letter dated July 15, 2026.

8. The relevant extracts of Noticee's replies are as under:

(A.)<u>Pre-order Trade Confirmations not maintained by APs</u>

(a.)Noticee submitted that the concerned Authorized Persons were receiving orders from clients primarily through personal visits to the AP office. Clients used to personally visit the office for placing trade instructions and records relating to client dealings were being maintained. Upon receipt of the inspection observation, Noticee reviewed the matter internally and observed that the concerned APs had not maintained and preserved the requisite order placing evidences in a manner that would enable their prompt retrieval and production during the course of inspection. The observation was therefore noted and appropriate corrective measures were initiated immediately to address the gaps identified during the inspection.

(b.)At the time of inspection, the requisite evidence relating to order placement could not be produced in the manner expected by the inspection team, which resulted in the observation. However, Noticee submitted that all trades were executed strictly on the basis of client instructions and there has been no instance of unauthorized trading. It is further submitted that the concerned APs did not have the requisite order placing evidence readily available with them at the time of inspection. The APs had also not sought or obtained such supporting records from Head Office at the relevant time and therefore, were unable to produce the same before the inspection team. The observation arose due to a lapse in record maintenance and retrieval of supporting records and not on account of any unauthorized trading activity.

(c.)In this regard, attention was drawn to SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 on Prevention of Unauthorised Trading by Stock Brokers, which provides that where order placing evidence is not readily available, the broker may justify the reasons and other supporting evidences may be considered depending upon the merits of the case. Noticee submitted that no investor complaint has been received in respect of the said trades nor has any financial loss been caused to any investor. The absence of any client grievance or dispute demonstrates that the transactions were carried out based on genuine client instructions and with the knowledge and consent of the clients.

(d.)Nevertheless, upon identification of the observation, Noticee have taken the matter seriously and initiated corrective measures. Voice recording facilities have been

implemented/are being implemented at AP locations and proper maintenance of deal sheets, client instruction records and supporting documents has been strengthened to ensure full compliance with the requirements prescribed under the aforesaid SEBI Circular.

(e.)Further, awareness sessions and compliance training have been conducted for all Authorized Persons to reinforce regulatory requirements relating to order collection, record maintenance and preservation of evidences. Necessary instructions have also been issued to APs to obtain and maintain all relevant order placing records from time to time and to ensure that such records are readily available for inspection and regulatory review.

(f.)Noticee submitted that the observation was procedural in nature and arose due to deficiencies in maintenance and retrieval of supporting records at the AP level. There has been no investor complaint, client grievance, allegation of unauthorized trading or financial loss to any investor in relation to the trades under reference. Noticee assured that adequate systems, controls and monitoring mechanisms have been put in place to prevent recurrence of such observations in future and to ensure continued compliance with all applicable regulatory requirements.

(B.)<u>APs not possessing requisite NISM Certification</u>

(a.)Noticee submitted that it had already communicated and advised all its Authorized Persons to obtain the mandatory NISM Series VII – Securities Operations and Risk Management (SORM) Certification in accordance with the applicable regulatory requirements. At the time of inspection, the NISM Series VII certification process for Mr. Lakshman Kumar Bihani and Ms. Jonaki Biswas was under progress and, therefore, the requisite certification details were not available for verification during the course of inspection. Accordingly, the observation appears to have arisen due to the non-completion of the certification process at the relevant point in time.

(b.)It was further submitted that the observation also appears to have arisen due to an inadvertent interpretation of the certification requirement. Since the NISM Series VII certification is titled "Securities Operations and Risk Management (SORM)", it was understood by the concerned Authorized Persons that the requirement was primarily linked to operational and risk management functions carried out at the Head Office level. Accordingly, it was believed that the certification requirement was not specifically applicable to the day-to-day terminal/dealing activities undertaken at the Authorized Person location.

(c.)It was further submitted that personnel at Noticee's Head Office handling the relevant operations and risk management functions possess the requisite certification. However, upon review of the applicable regulatory provisions and the inspection observation, Noticee have adopted a more conservative compliance approach and have initiated the process of ensuring that all Authorized Persons obtain and maintain the requisite NISM Series VII certification, irrespective of the nature of their activities. Necessary instructions have been issued to all Authorized Persons and the certification process has been initiated wherever required to ensure complete compliance with the applicable regulatory requirements.

(d.)Attention was drawn to the SEBI Notification dated December 10, 2010 issued under the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, which requires specified associated persons of stock brokers/trading members to obtain valid NISM Series VII certification. Noticee submitted that it had duly advised the concerned Authorized Persons to obtain the requisite certification. It was further submitted that Ms. Jonaki Biswas is no longer associated with Noticee as an Authorized Person and in respect of Mr. Lakshman Kumar Bihani, continuous follow-up is being undertaken and he has been instructed to obtain the requisite certification at the earliest. The certification process is currently under progress.

(e.)Upon receipt of the observation, the matter was reviewed internally and necessary corrective measures have been implemented. Noticee submitted that it had strengthened its monitoring mechanism for tracking mandatory certifications of Authorized Persons and have established a periodic review process to ensure timely completion, renewal and continuous validity of all regulatory certifications. Further, a centralized certification tracking system has been implemented and periodic compliance reviews are being conducted to ensure that all certification requirements are complied with within the prescribed timelines.

(f.)It was submitted that the observation was procedural in nature and there has been no investor complaint, client grievance or regulatory issue arising on account of the aforesaid matter. Noticee further submitted that it remains committed to ensuring full compliance with all applicable regulatory requirements and have taken adequate steps to prevent recurrence of such observations in future.

(C.)<u>Terminals operated by unapproved users</u>

(a.)It was submitted that Mr. Anil Shukla and Mr. Madhusudan Mondal were employees working at the respective Authorized Person offices and were involved in routine operational activities at the AP locations.

(b.)At the time of inspection, the concerned individuals were not updated as exchange-approved users for operating the trading terminals, which resulted in the observation. However, it was submitted that all trades executed through the terminals were carried out strictly on the basis of client instructions and there was no instance of unauthorized trading, misuse of client accounts, or any fraudulent activity.

(c.)Mr. Rohit Kumar Jain and Mr. Rhiju Sengupta(M/s Finwell Global Services) were not present at their registered location for some personal reasons and in order to execute certain important trades their employees Mr. Anil Shukla and Mr. Madhusudan Mondal operated in order to save the clients from potential loss and no unauthorised trades were executed and all the trades are well accepted by the clients.

(d.)In this regard, attention was drawn to regulation 26(xix) of the Brokers Regulations, which recognizes extending the use of a trading terminal to any unauthorized person or place as a regulatory non-compliance. Upon review of the observation, it was noted that the lapse was procedural in nature and related to user approval

requirements, and not to the execution of unauthorized trades or any investor-related misconduct.

(e.)It was further submitted that no investor complaint, client grievance or dispute has been received in relation to the said matter. Further, no financial loss has been caused to any investor. The trades executed through the terminals were based solely on client instructions and were carried out in the normal course of business.

(f.)Upon receipt of the inspection observation, the matter was reviewed internally and necessary corrective measures were initiated. The Noticee immediately undertook the process of regularizing the concerned users in accordance with exchange requirements. The CTCL user details have since been updated and the concerned users have been duly approved in accordance with exchange requirements. Necessary corrective actions have also been taken to ensure strict adherence to the regulatory framework governing terminal operations.

(g.)Further, the Noticee has strengthened its internal control and monitoring framework by implementing periodic verification of CTCL mappings, review of approved user records and supervisory checks at AP locations. Appropriate instructions and awareness sessions have also been conducted for all Authorized Persons and branch personnel to ensure that trading terminals are operated only by exchange-approved users. Noticee assured that adequate systems, controls, and monitoring mechanisms have now been put in place to ensure compliance with applicable regulatory requirements and to prevent recurrence of such observations in future.

(D.)<u>Failure to maintain appropriate segregation of the CTCL Terminal</u>

(a.)Noticee submitted that the observation pertains to the issue of common office premises and the requirement of maintaining adequate segregation between regulated entities in accordance with the applicable regulatory framework. Noticee has reviewed the observation in light of the applicable regulatory requirements relating to segregation of operations, supervision of terminal activities and maintenance of adequate internal controls. It was submitted that the observation was procedural in nature and there was no investor complaint, client grievance, regulatory issue, or financial loss to any investor arising out of the said matter.

(b.)At the time of inspection, certain infrastructure and operational arrangements gave rise to the observation regarding segregation of activities. However, there was no misuse of client information, unauthorized activity, or conflict of interest affecting investors. The operations of the respective entities continued to be conducted independently and in the ordinary course of business. Upon identification of the observation, the matter was immediately reviewed and necessary corrective actions were initiated. Necessary steps were taken to ensure strict compliance with the provisions of the Brokers Regulations and the applicable exchange requirements.

(c.)AP M/s Finwell Global Services have been diligently verified and a proper due diligence was carried out before submission of documents to NSE for AP Registration and since the status of the company could not be verified as was not

a Private Limited/Limited Company registered on ROC/MCA and hence in the lack of any information from the AP it is very difficult to track such instances of being a common partner, rather the exchanges have a documented database of all Members/ APs, etc., and instead for them it is very easy to track and also inform TM so that necessary actions can be initiated at our end. At best as a stock broker, it had collected a self-declaration in order to proceed for AP Registration.

(d.)The entities concerned are no longer operating from the same premises and complete physical as well as operational segregation has since been implemented. Appropriate demarcation of office space, infrastructure, personnel responsibilities, records, and operational activities has been carried out to ensure clear separation between the respective entities and to eliminate any possibility of operational overlap. Noticee has further submitted that it had strengthened its internal control framework and monitoring mechanisms through periodic reviews, supervisory checks and compliance monitoring to ensure continued adherence to the prescribed regulatory standards and proper segregation of business activities.

(e.)The observation was procedural in nature and, upon identification, the necessary corrective and preventive measures have been implemented to ensure full compliance with the applicable regulatory framework. Noticee submitted that it remains committed to maintaining robust compliance standards and have put in place adequate systems and controls to prevent recurrence of such observations in future.

(E.)<u>Delay in Updation of Authorized Person Address with Exchange Records and Client Intimation</u>

(a.)Noticee submitted that one CTCL terminal was allotted to AP – Ms. Jonaki Biswas and the registered address of the said Authorized Person was recorded as Block-A, 3rd Floor, Flat No. 404, 60, Dr. P.N. Ghosh Road, Bally, Howrah – 711201. It was submitted that the Authorized Person had informed Noticee regarding the proposed change in address and had initiated the process for obtaining the necessary approvals and updating the records with the concerned exchanges. Noticee had accordingly commenced the process for address updation. However, due to deficiencies in the supporting documents and the consequent requirement for resubmission and verification of documents, the address change process could not be completed within the expected timeline.

(b.)It was further submitted that during Noticee's internal inspection, the Authorized Person was operating from the registered address and the CTCL terminal was available at the said location. No adverse observation was reported during the course of the inspection. Subsequently, the Authorized Person initiated the process of shifting to a new location and the same was duly intimated to Noticee. The delay occurred only in completion of the documentation, verification and regulatory formalities relating to the address change and updation of records with the concerned exchanges. There was no intention to conceal the actual operating location from Noticee, the exchanges, clients or any regulatory authority.

(c.)Attention was drawn to clause 33.7.4 of SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 and Clause

21(a) of Annexure A of BSE Notice No. 20191018-43 dated October 18, 2019, which require that clients mapped to an Authorized Person be informed at least thirty days prior to any change in the location of the AP office and that the exchange records be appropriately updated. The observation appears to have arisen on account of delay in completion of the address change formalities and updation of records with the exchanges. It was submitted that the lapse was procedural in nature and was not attributable to any deliberate non-compliance or concealment of information.

(d.)Noticee further submitted that no investor complaint, client grievance, dispute, or financial loss has arisen on account of the aforesaid matter. The activities of the Authorized Person were carried out under our supervision and in the normal course of business. Upon receipt of the inspection observation, the matter was reviewed internally and the necessary corrective measures were undertaken. The address change process has since been completed and the requisite updates have been carried out with the concerned exchanges. The relevant records and documentation have also been regularized. It was further submitted that Noticee have strengthened its monitoring and compliance framework for Authorized Persons through periodic reviews and enhanced supervisory controls to ensure timely updation of records and compliance with applicable regulatory requirements. Necessary instructions have also been issued to all Authorized Persons to ensure that any change in address or other material particulars is reported well in advance along with complete supporting documents so that the requisite approvals and client intimations are completed within the prescribed timelines. It was submitted that the observation was procedural in nature and has since been rectified. Noticee submitted that it remains committed to ensuring full compliance with all applicable regulatory requirements and have implemented adequate systems and controls to prevent recurrence of such observations in future.

(F.)<u>Noticee had not maintained adequate supervision of APs</u>

(a.)Noticee acknowledged that the observations pointed out during the inspection were not identified during its internal inspection process. It was submitted that upon receipt of the inspection findings, Noticee conducted a detailed review of its AP supervision framework, inspection methodology and monitoring processes. In line with NSE Circular No. NSE/INSP/42448 dated October 18, 2019 relating to the supervision of Authorised Persons and Branches, Noticee have always maintained a framework for periodic monitoring, review and inspection of AP operations. Regular visits to AP offices, internal inspections and supervisory reviews are conducted to ensure compliance with applicable regulatory requirements and Exchange guidelines, however, certain deficiencies were not identified during the course of its internal reviews. Accordingly, upon receipt of the inspection observations, Noticee reassessed its existing control framework and implemented enhanced monitoring measures.

(b.) It was submitted that inspection of Mr. Hitesh P Sanghavi was planned in July 2025 as this AP was new to the system and had very negligible trading turnover and the inspection was conducted on July 30, 2025 in line with guidelines for conducting the inspection of new AP within two years.

(c.) Necessary corrective and preventive actions have been taken and inspection process has been further strengthened. Periodic inspection checklists have been revised, monitoring procedures have been enhanced and additional supervisory controls have been implemented to ensure more effective oversight of AP operations. Noticee further submitted that it had also strengthened the scope of AP inspections, documentation reviews and compliance verification processes to ensure timely identification and rectification of any deviations. It was further submitted that Noticee have sensitized the concerned teams and APs regarding regulatory requirements and reinforced accountability mechanisms to ensure stricter compliance at all levels.

(d.) Noticee submitted that the observations were procedural in nature and were neither intentional nor carried out with any malfide motive. There was no wrongful gain to the Noticee. Further, immediate corrective actions have already been implemented in respect of all observations highlighted during the inspection. It was submitted that Noticee had extended full cooperation during the inspection as well as during the subsequent proceedings and have promptly undertaken all remedial measures.

CONSIDERATION OF ISSUES AND FINDINGS

9. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

   I. **Whether Noticee violated the provisions of clauses 35.2 and 35.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause 15 of Annexure A of BSE Circular dated August 28, 2024?**

   II. **Whether Noticee violated the provisions of SEBI Notification dated December 10, 2010 and BSE Circular dated December 15, 2010?**

   III. **Whether Noticee violated the provisions of clause (xix) of regulation 26 of Brokers Regulations, clauses 1 and 2 of Part A of Schedule II of Brokers Regulations and clause 14 of Annexure A of BSE Circular dated August 28, 2024?**

   IV. **Whether Noticee violated the provisions of clause 33.7.2 of SEBI Circular dated June 17, 2025 read with regulation 9(b) of Brokers Regulations, clause 5 of Part**

A of Schedule II of Brokers Regulations and clause 21 of Annexure A of BSE Circular dated August 28, 2024?

V. **Whether Noticee violated the provisions of clauses 33.5.1 (a) & (b) and 33.7.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause iii of para 2 read with clauses 6 and 21(a) of Annexure A of BSE Circular dated October 18, 2019?**

VI. **Whether Noticee violated the provisions of clause 33.7.5 read with clause 33.7.1 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and para 4 of BSE Circular dated October 18, 2019?**

VII. **Does the violation, if any, on the part of Noticee attract monetary penalty under section 15HB of the SEBI Act?**

VIII. **If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?**

10. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticee. The same are reproduced as under:

SEBI Circular dated June 17, 2025

*"**33. Market Access through Authorised Persons***
…………
33.5. Conditions of Appointment
33.5.1. The following are the conditions of appointment of an authorised person:
a. The stock broker shall be responsible for all acts of omission and commission of the authorized person.
b. All acts of omission and commission of the authorized person shall be deemed to be those of the stock broker.
…………
33.7. Obligations of Stock Broker
33.7.1. The stock broker shall be responsible for all acts of omission and commission of his authorised person(s) and/or their employees, including liabilities arising there from.
33.7.2. If any trading terminal is provided by the stock broker to an authorised person, the place where such trading terminal is located shall be treated as branch office of the stock broker.
…………
33.7.4. Stock Broker shall notify changes, if any, in the authorised person to all registered clients of that branch at least thirty days before the change.

33.7.5. Stock Broker shall conduct periodic inspection of branches assigned to authorised persons and records of the operations carried out by them."

"35. Prevention of Unauthorised Trading by Stock Brokers

…………

35.2. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that 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:

a. Physical record written & signed by client,

b. Telephone recording,

c. Email from authorized email id,

d. Log for internet transactions,

e. Record of SMS messages,

f. Any other legally verifiable record.

…………

35.4. Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records."

Brokers Regulations

"Conditions of registration.

9. 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;"

"Liability for monetary penalty.

26. A stock broker shall be liable for monetary penalty in respect of the following violations, namely—

…………..

(xix) Extending use of trading terminal to any unauthorized person or place."

"SCHEDULE II

CODE OF CONDUCT FOR STOCK BROKERS

A. General.

(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(2) Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.

…………..

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him."

BSE Circular dated October 18, 2019

"Members are advised to put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. Members shall on an annual basis place an MIS before their Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of inspections undertaken, irregularities observed and action taken."

"To enhance the effectiveness of the supervision and ensure uniformity & standardisation across all Members, following guidelines, framed in joint consultation with SEBI & other Exchanges, are being issued:
…………….
iii. The indicative scope of the Inspection to be carried out is outlined in ***Annexure A."***

"Annexure A

6. All terminals observed at the inspection location is as per the information reported to the Exchange
………..
21. In case of change/shifting of location of AP/Branch, the following is ensured:-

a) All clients mapped to the AP/Branch have been notified at least thirty days before the change."

BSE Circular dated August 28, 2024

"i. Scope and Indicative Methodology for Branch /AP Inspections by Members
Members while undertaking the inspection of Branches and AP offices shall ensure that all applicable regulatory requirements including circulars issued by SEBI and Exchanges from time to time have been complied with, including but not limited to the following parameters:

Sr. No.	*Area of Inspection*	*Scope of Inspection (for a particular Inspection period)*	*Indicative Methodology*
14	*Terminal operations and related systems*	*Trading terminals are operated by approved and certified users.*	*To verify that all terminals in the main office and all branches of the AP are operated by individuals approved/certified as reported to the Exchange.*
15	*Terminal operations and related systems*	*Adequate systems, including voice recording, have been put in place, with a view to ensure recording of order placement from clients. Trading Members must ensure that APs who do not have trading terminals assigned to them, cannot*	*To verify if the system is installed in the main office & all branches of the AP if any.*

Sr. No.	Area of Inspection	Scope of Inspection (for a particular Inspection period)	Indicative Methodology
		place trades on behalf of the Trading Member's clients.	
21	*Management of branches / AP and internal control*	*Proper segregation and demarcation are maintained at AP office.*	*Physical verification during Inspection.*

"

SEBI Circular dated December 10, 2010[1]
BSE Circular dated December 15, 2010[2]

Issue I. Whether Noticee violated the provisions of clauses 35.2 and 35.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause 15 of Annexure A of BSE Circular dated August 28, 2024?

11. It was observed that during the course of inspection, APs of the Noticee namely, Ms. Jonaki Biswas, Mr. Rohit Kumar Jain and Mr. Hitesh P. Sanghvi, informed the inspection team that orders from clients were generally received either telephonically or directly through Internet Based Trading ("IBT"). Since the APs represented that orders were primarily received through these recognised modes, the inspection team sought sample pre-order trade confirmations including call recordings. However, the APs failed to produce call recordings for the orders placed over telephone as per these APs.

12. The aforesaid observation was communicated to the Noticee by SEBI vide letter dated July 28, 2025. In response thereto, the Noticee submitted that clients generally visited the AP offices personally for placing trade instructions or alternatively placed orders through IBT. It was further submitted that in cases where clients visited the AP offices personally, pre-order confirmations were maintained through physical deal sheets signed by the clients. The Noticee also produced certain client confirmation letters stating that the concerned clients had personally visited the AP offices and signed the deal slips while placing their orders. However, it has been observed in the inspection

[1] https://www.sebi.gov.in/acts/certnotification.pdf
[2] https://www.bseindia.com/markets/marketinfo/dispnewnoticescirculars?page=20101215-19

report that no such deal sheets were produced before the inspection team during the course of the on-site inspection. Further, the Noticee itself admitted that the visitor registers maintained at the AP locations did not contain corresponding entries evidencing the visits of the concerned clients. The inspection team also advised the Noticee to furnish CCTV footage, if available, depicting the visits of the clients to the AP offices for placing the respective trade instructions. However, no CCTV footage or any other corroborative evidence was furnished.

13. In view of the aforesaid facts, the SCN alleges that the three APs had failed to maintain pre-order trade confirmations for the trades executed through them. Accordingly, it was alleged that the Noticee violated the provisions of clauses 35.2 and 35.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause 15 of Annexure A of BSE Circular dated August 28, 2024.

14. In this regard, the Noticee has submitted that upon receipt of the inspection observations, it conducted an internal review and observed that the concerned APs had not maintained and preserved the requisite order placing evidence in a manner that enabled prompt retrieval and production during the inspection. According to the Noticee, the observations arose because the supporting records could not be produced before the inspection team in the manner expected by the inspection officials, although all trades had in fact been executed only upon receipt of client instructions and there was no instance of unauthorized trading. Noticee further submitted that the absence of any client dispute itself demonstrates that the trades were executed only on the basis of genuine client instructions.

15. The Noticee has further contended that the APs did not have the requisite order placing evidence readily available during the inspection and had also not obtained supporting records from the Head Office at the relevant time. It has been argued that the lapse therefore related only to record maintenance and retrieval rather than execution of unauthorized transactions. The Noticee has also relied upon SEBI

Circular dated March 22, 2018 dealing with prevention of unauthorized trading by stock brokers and submitted that where order placing evidence is not readily available, the broker may justify the reasons and other supporting evidence may be considered depending upon the facts of each case.

16. Concerning this matter, it is noted that the APs themselves informed the inspection team that client orders were generally received either telephonically or through IBT. Having made such a representation, it was incumbent upon the Noticee and its APs to maintain and produce the corresponding order placing evidence whenever called upon by the inspection team. However, admittedly no call recordings or contemporaneous electronic records were produced in respect of the sample trades examined during the inspection. Thereafter, the Noticee has attempted to explain that clients generally visited the AP offices personally and signed physical deal sheets while placing orders, however, it is an admitted position that no such deal sheets were produced during the course of the on-site inspection. Secondly, the Noticee has itself acknowledged that the visitor registers maintained at the AP offices did not contain corresponding entries establishing that the concerned clients had in fact visited the AP premises on the relevant dates. Thirdly, despite being specifically advised by the inspection team to furnish CCTV footage or any other corroborative material evidencing the physical visits of clients, the Noticee failed to produce any such evidence. Consequently, the explanation that clients had personally visited the AP offices remains unsupported by any contemporaneous documentary evidence.

17. Further, the contention of the Noticee that all trades were executed on the basis of genuine client instructions and that there has been no instance of unauthorized trading also does not assist its case. The allegation in the present proceedings is not that unauthorized trading was carried out. Rather, the allegation pertains to failure to maintain mandatory order placing evidence as required under the applicable regulatory framework. The obligation to maintain such records exists independent of

whether any investor complaint is subsequently received. Hence, the submissions of the Noticee in this regard is devoid of merit.

18. Similarly, the reliance placed upon SEBI Circular dated March 22, 2018 is misplaced. The said circular merely contemplates that where order placing evidence is not readily available, the broker may furnish satisfactory justification and other supporting evidence depending upon the facts of the case. In the instant matter, the Noticee has failed to produce any reliable contemporaneous supporting material. Neither the deal sheets were produced during inspection nor were the visitor registers consistent with the explanation advanced by the Noticee. Even the CCTV footage, which could have corroborated the alleged physical visits of clients, was admittedly not available. The confirmation letters of some clients furnished subsequently cannot substitute contemporaneous regulatory records, particularly when such confirmations are unsupported by independent documentary evidence.

19. The Noticee has also submitted that upon receipt of the inspection observations, corrective measures were immediately initiated. Voice recording facilities have been implemented or are in the process of being implemented at AP locations. Maintenance of deal sheets and client instruction records has been strengthened. Compliance training and awareness programmes have also been conducted for all authorized persons regarding maintenance and preservation of order placing records. However, it is noted that the Noticee has failed to produce any documentary evidence to substantiate these assertions. Consequently, in the absence of supporting proof, no inference can be made in favor of the Noticee on these claims.

20. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is, therefore, established that three APs of the Noticee had failed to maintain pre-order trade confirmations for the trades executed through them. Consequently, Noticee failed to ensure maintenance and preservation of mandatory order placing records. Hence, it is established that Noticee had violated the provisions of clauses 35.2 and

35.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause 15 of Annexure A of BSE Circular dated August 28, 2024.

Issue II. Whether Noticee violated the provisions of SEBI Notification dated December 10, 2010 and BSE Circular dated December 15, 2010?

21. Allegation against the Noticee under this issue pertains to the failure of two of its APs, namely, Ms. Jonaki Biswas and Mr. Lakshman Kumar Bihani, to obtain the mandatory NISM Series VII certification as required under the applicable regulatory framework. Accordingly, it has been alleged that the Noticee violated the provisions of the SEBI Notification dated December 10, 2010 and BSE Circular dated December 15, 2010.

22. In this regard, it is noted that the Noticee in its reply has admitted the aforesaid lapse and stated that it had advised all its APs to obtain the mandatory NISM Series VII certification in accordance with the applicable regulatory requirements. According to the Noticee, at the time of inspection, the certification process in respect of Mr. Lakshman Kumar Bihani and Ms. Jonaki Biswas was under progress and therefore, the certification details were not available for verification by the inspection team. The Noticee has further submitted that the observation arose because of its inadvertent interpretation of the certification requirement. As per Noticee, since the certification is titled "Securities Operations and Risk Management", it was understood that the certification primarily related to personnel engaged in operational and risk management functions at the Head Office and not to APs carrying out day-to-day terminal operations or client dealing activities at branch offices. On the basis of such understanding, the Noticee believed that the requirement was not specifically applicable to the concerned APs.

23. In the instant case, there is no dispute regarding the factual position that, on the date of inspection, Ms. Jonaki Biswas and Mr. Lakshman Kumar Bihani did not possess the prescribed NISM Series VII certification. Further, Noticee has admitted that the certification process in respect of the concerned APs was still under progress at the

relevant time. Thus, the allegation stands admitted by the Noticee itself. The contention advanced by the Noticee is that it had inadvertently interpreted the certification requirement to be applicable only to personnel engaged in securities operations and risk management functions at the Head Office and not to APs carrying out dealing activities.

24. In this regard, it is noted that SEBI Notification dated December 10, 2010, explicitly stated that *"persons associated with a registered stock-broker/trading member/clearing member in recognised stock exchanges, who are involved in, or deal with, any of the following, namely:- (a) assets or funds of investors or clients,(b) redressal of investor grievances, (c) internal control or risk management, and (d) activities having a bearing on operational risk, shall be required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the NISM-Series-VII: Securities Operations and Risk Management Certification Examination".* A regulated intermediary is expected to correctly implement the applicable regulatory requirements. An erroneous interpretation adopted by the intermediary cannot dilute or override an express statutory mandate. Hence, the explanation of Noticee concerning erroneous interpretation of the regulatory provisions cannot be accepted.

25. The Noticee has also submitted that Ms. Jonaki Biswas is no longer associated with the Noticee as an AP. However, the subsequent exit of Ms. Biswas as an AP does not retrospectively cure the period of non-compliance.

26. Further, in respect of Mr. Lakshman Kumar Bihani, the Noticee has submitted that continuous follow-up is being undertaken and he has been instructed to obtain the requisite certification at the earliest. In this regard, it is noted that SEBI communicated the observation regarding the failure to comply with the NISM certification requirement to the Noticee vide a letter dated July 28, 2025. However, despite the passage of considerable time, the certification has not been obtained by the AP to date. Consequently, the violation remains ongoing, as confirmed by the Noticee's reply.

27. The Noticee has further stated that it has strengthened its internal monitoring mechanism by implementing a centralized certification tracking system, periodic compliance reviews and enhanced supervisory controls to ensure timely completion, renewal and continuous validity of all mandatory certifications. However, it is noted that the Noticee has failed to produce any documentary evidence to substantiate these assertions. Consequently, in the absence of supporting proof, no inference can be made in favor of the Noticee on these claims

28. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is therefore established that Noticee had violated the provisions of SEBI Notification dated December 10, 2010 and BSE Circular dated December 15, 2010.

Issue III. Whether Noticee violated the provisions of clause (xix) of regulation 26 of Brokers Regulations, clauses 1 and 2 of Part A of Schedule II of Brokers Regulations and clause 14 of Annexure A of BSE Circular dated August 28, 2024?

29. It was observed that during the inspection, CTCL terminals mapped to AP – Mr. Rohit Kumar Jain and AP- M/s. Finwell Global Services were being operated by Mr. Anil Shukla and Mr. Madhusudan Mondal respectively, who were not the stock exchange approved users for the said terminals. Hence, it was alleged that trading terminals mapped to AP – Mr. Rohit Kumar Jain and AP- M/s. Finwell Global Services were being operated by unapproved users and accordingly, Noticee violated the provisions of clause (xix) of regulation 26 of Brokers Regulations, clauses 1 and 2 of Part A of Schedule II of Brokers Regulations and clause 14 of Annexure A of BSE Circular dated August 28, 2024.

30. The Noticee has submitted that Mr. Anil Shukla and Mr. Madhusudan Mondal were employees working at the respective AP offices and were involved in the routine day-to-day operational activities of the APs. According to the Noticee, although these individuals had not been updated as exchange-approved users at the relevant point of time, all the trades executed through the CTCL terminals were based solely upon

client instructions. It has been categorically submitted that there was no instance of unauthorized trading, misuse of client accounts or any fraudulent activity.

31. From the aforesaid, it is noted that the factual position regarding Mr. Anil Shukla operated the CTCL terminal allotted to AP Mr. Rohit Kumar Jain despite not being an exchange-approved user has not been disputed by the Noticee. Likewise, the Noticee has admitted that Mr. Madhusudan Mondal, who was not an approved user, had operated the terminal allotted to M/s. Finwell Global Services. Thus, the allegation stands admitted by the Noticee. The contention advanced by the Noticee is that these individuals were employees of the respective APs and that they operated the terminals only due to the temporary absence of the approved users.

32. In this regard, it is pertinent to note that regulatory framework does not carve out any exception permitting an employee who is not approved by the stock exchange to operate a CTCL terminal merely because the approved user is unavailable or because of operational exigencies. Moreover, the explanation advanced in respect of M/s. Finwell Global Services is contradicted by the inspection records themselves. While the Noticee has attempted to explain that Mr. Madhusudan Mondal operated the terminal only on the day of inspection, the inspection Report records that sample trades executed on multiple dates, namely October 19, 2023, February 27, 2025, May 23, 2025 and June 05, 2025, were found to have been received and executed by Mr. Madhusudan Mondal. This demonstrates that the operation of the trading terminal by the unapproved user was neither isolated nor confined to the date of inspection but represented a continuing practice.

33. Further, with regard to Noticee's submission that there was no instance of unauthorized trading, misuse of client accounts or any fraudulent activity, it is pertinent to note that they are not germane to the determination of the present allegation. The allegation before me is not one of unauthorized trading or misuse of client accounts but of permitting unapproved persons to access and operate exchange trading

terminals in contravention of the prescribed regulatory framework. Hence, the submissions of Noticee in this regard is devoid of merit.

34. The Noticee has further stated that immediately upon receipt of the inspection observations, it initiated the process of regularizing the concerned users in accordance with exchange requirements. It has submitted that the CTCL user details have since been updated and the concerned individuals have been duly approved by the exchange. However, subsequent regularization cannot retrospectively validate an arrangement that was admittedly non-compliant on the date of inspection.

35. The Noticee also submitted that it has strengthened its internal control framework by implementing periodic verification of CTCL mappings, reviewing approved user records, conducting supervisory checks at AP locations and organizing awareness sessions for APs regarding the regulatory requirements governing operation of trading terminals. However, it is noted that the Noticee has failed to produce any documentary evidence to substantiate these assertions. Consequently, in the absence of supporting proof, no inference can be made in favor of the Noticee on these claims.

36. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is therefore established that Noticee had violated the provisions of clause (xix) of regulation 26 of Brokers Regulations, clauses 1 and 2 of Part A of Schedule II of Brokers Regulations and clause 14 of Annexure A of BSE Circular dated August 28, 2024.

Issue IV. Whether Noticee violated the provisions of clause 33.7.2 of SEBI Circular dated June 17, 2025 read with regulation 9(b) of Brokers Regulations, clause 5 of Part A of Schedule II of Brokers Regulations and clause 21 of Annexure A of BSE Circular dated August 28, 2024?

37. During the inspection of the AP, M/s. Finwell Global Services, it was observed that a separate CTCL terminal belonging to another stock broker, namely, Master Capital

Services Limited, was also being operated from the same premises situated at Merlin Acropolis, Unit No. 6/5, 6th Floor, 1858/1 Rajdanga Main Road, Kasba, Kolkata – 700107. The said terminal belonged to M/s. Folioport, an AP of Master Capital Services Limited.

38. It was further noted that from the partnership deed that M/s. Folioport was a partnership firm whose partners were Mr. Rhiju Sengupta and Mr. Biswadeep Chatterjee. It was also observed that the partners of M/s. Finwell Global Services were Ms. Nilima Sengupta and Ms. Daliya Chatterjee, who are mothers of Mr. Rhiju Sengupta and Mr. Biswadeep Chatterjee respectively.

39. The inspection further revealed that the exchange-approved user for the CTCL terminal of the Noticee's AP, namely M/s. Finwell Global Services, was Mr. Rhiju Sengupta, who was simultaneously a partner of M/s. Folioport. It was also observed that the operations of both APs were, in effect, being managed by Mr. Rhiju Sengupta and Mr. Biswadeep Chatterjee from the common premises. The inspection team further observed that the CTCL terminal of Master Capital Services Limited was situated immediately adjacent to the terminal of the Noticee and was also being operated by Mr. Madhusudan Mondal. Based on these facts, it was alleged that AP did not maintain proper segregation and demarcation among two terminals of different trading members and accordingly, it was alleged that Noticee violated the provisions of clause 33.7.2 of SEBI Circular dated June 17, 2025 read with regulation 9(b) of Brokers Regulations, clause 5 of Part A of Schedule II of Brokers Regulations and clause 21 of Annexure A of BSE Circular dated August 28, 2024

40. The Noticee submitted that although certain infrastructure and operational arrangements existing at the relevant point of time gave rise to the inspection observations, there was no misuse of client information, unauthorized activity or conflict of interest affecting investors. The Noticee has contended that the operations of the respective entities continued to be carried out independently and in the ordinary course of business.

41. In this regard, it is noted that Noticee has not disputed the factual observations recorded during inspection. On the contrary, it has expressly acknowledged that proper physical segregation and demarcation between the terminals of the two trading members had not been maintained. Thus, factually the allegation stands admitted by the Noticee.

42. The contention advanced by the Noticee is that although both entities were operating from the same premises, their operations remained legally distinct and there was neither misuse of client information nor any conflict of interest. In this context, it is pertinent to note that the regulatory requirement does not depend upon proof of actual misuse of client information or occurrence of investor loss. The obligation to maintain segregation is preventive in nature and is designed to minimize the possibility of operational overlap, unauthorized access, conflicts of interest, etc. Hence, the submissions of Noticee in this regard is not tenable.

43. With respect to the contention of Noticee that it had duly conducted inspection and due diligence of its AP in question and no such findings as alleged in the present proceedings were found and also that it had obtained declaration from AP regarding the compliance, it is noted that NSE Circular dated October 18, 2019, mandates structured periodic inspections of all APs and outlines an indicative scope of inspection of APs with the purpose of ensuring structured risk-based supervision. The circular unequivocally intends to establish a system to monitor and review the trading activities of APs. The Noticee has not demonstrated any system to verify compliance with the declaration submitted by its AP. Mere complying with the requirement of inspection and obtaining declaration regarding compliance of laws with the AP does not negate and/or dilute the responsibility of a stock broker for the acts of omission and commission of its APs. Therefore, the Noticee cannot be exonerated of its liability and responsibility for the actions of its APs merely by complying with the requirement of inspection and obtaining declaration from its APs. Accordingly, the submissions of Noticee in this regard in not tenable.

44. It is also noted that the findings recorded in relation to the previous allegation concerning operation of trading terminals by an unapproved user acquire additional significance in the context of the present allegation. The fact that Mr. Madhusudan Mondal was found operating trading terminals in the common premises, coupled with the absence of effective physical segregation between two different trading members, further underscores the deficiencies in segregation and demarcation of two terminals of different trading members and reinforces the inspection findings.

45. The Noticee has also submitted that immediately upon receipt of the inspection observations, the matter was reviewed internally and necessary corrective measures were undertaken. It has been stated that the entities are no longer operating from the same premises and that complete physical as well as operational segregation has now been implemented. The Noticee has further submitted that it has strengthened its internal control framework by introducing periodic reviews, supervisory checks and enhanced compliance monitoring. However, it is noted that the Noticee has failed to produce any documentary evidence to substantiate these assertions. Consequently, in the absence of supporting proof, no inference can be made in favor of the Noticee on these claims.

46. Having regard to the material available on record, it is established that during the inspection period, the Noticee failed to ensure proper physical and operational segregation between the CTCL terminal of its AP and the terminal of another trading member operating from the same premises. Accordingly, it is established that Noticee had violated the provisions of clause 33.7.2 of SEBI Circular dated June 17, 2025 read with regulation 9(b) of Brokers Regulations, clause 5 of Part A of Schedule II of Brokers Regulations and clause 21 of Annexure A of BSE Circular dated August 28, 2024.

Issue V. Whether Noticee violated the provisions of clauses 33.5.1 (a) & (b) and 33.7.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule

II of Brokers Regulations and clause iii of para 2 read with clauses 6 and 21(a) of Annexure A of BSE Circular dated October 18, 2019?

47. It was alleged in the SCN that the request for change of address of one CTCL terminal allotted to one of Noticee's AP, namely Ms. Jonaki Biswas address was conveyed to BSE and NSE with a delay of 3 months and 5 months respectively and clients mapped to the AP was not notified at least 30 days before the change of address. Hence, it was alleged that the Noticee violated the provisions of clauses 33.5.1 (a) and (b) and 33.7.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause iii of para 2 read with clauses 6 and 21(a) of Annexure A of BSE Circular dated October 18, 2019.

48. The Noticee has stated that the AP had informed it regarding the proposed change of address and had initiated the process for obtaining the necessary approvals and updating the records with the concerned exchanges. According to the Noticee, it had also commenced the process for effecting the address change. However, due to deficiencies in the supporting documents submitted by the AP and the consequent requirement of resubmission and verification of documents, the process could not be completed within the expected timeline. The Noticee has contended that the delay was confined only to completion of documentation, verification and regulatory formalities relating to updation of records with the exchanges and not intentionally to conceal the actual operating location either from the exchanges, clients or the regulatory authorities.

49. It is an admitted position that on the date of inspection, i.e., June 03, 2025, the CTCL terminal allotted to Ms. Jonaki Biswas was not functioning from the address registered with the exchanges. Instead, the terminal was found operating from another premises which had not duly reflected in the exchange records during the relevant period. The Noticee has not disputed this factual position. The contention advanced by the Noticee is that the AP had informed it regarding the proposed change of address, that the process of address updation had already commenced and that delays occurred

because of deficiencies in the supporting documentation and the consequent need for resubmission and verification. According to the Noticee, the delay was procedural in nature and there was no intention to conceal the change of address.

50. In this regard, the chronology placed on record indicates that the Noticee had indeed received an application for change of address from the AP on February 07, 2025 and had submitted an application before NSE on February 21, 2025. It is also evident that the said application was rejected by NSE on February 24, 2025 for want of a notarized rent agreement and that a fresh application was thereafter submitted only on May 29, 2025, which ultimately came to be approved on May 30, 2025. Then, request for new CTCL activation was made by Noticee to the NSE on June 04, 2025 and the address was updated on June 05, 2025. These facts indicate that the Noticee had initiated the process for address change, though the process could not be completed immediately because of deficiencies in the documentation furnished by the AP. The said chronology does not support the Noticee's claim of timely compliance. Although the Noticee had received the request for address change as early as February 07, 2025, the process remained incomplete for a considerable period. More significantly, while the change of address on the NSE platform was eventually approved shortly before the inspection, the corresponding request on the BSE portal was admittedly submitted only after the inspection had already taken place, i.e., on July 21, 2025. Thus, on the date of inspection, the regulatory records maintained by the exchanges did not reflect the actual operating location of the AP.

51. A trading member remains responsible for ensuring that its APs operate only from duly approved premises and that all changes in address are promptly completed in accordance with the prescribed procedure before commencement of operations from the new location. Similarly, the obligation to intimate the clients mapped to the Authorized Person at least thirty days prior to such relocation is mandatory in nature and cannot be dispensed with merely because the documentation process remained incomplete.

52. The Noticee has further submitted that during its own inspection conducted on February 17, 2025, the Authorized Person was operating from the registered premises and no adverse observations were noticed. Even if the said submission is accepted, it does not materially alter the position. The relevant consideration in the present proceedings is that on the date of the regulatory inspection conducted by SEBI and BSE, the AP was admittedly operating from a location which was not duly reflected in the exchange records. Consequently, the Noticee had failed to ensure continuous compliance with the applicable regulatory requirements.

53. The Noticee also submitted that it had strengthened its monitoring and compliance framework for APs through periodic reviews and enhanced supervisory controls to ensure timely updation of records and compliance with applicable regulatory requirements. As per Noticee, necessary instructions have also been issued to all APs to ensure that any change in address or other material particulars is reported well in advance along with complete supporting documents so that the requisite approvals and client intimations are completed within the prescribed timelines. However, it is noted that the Noticee has failed to produce any documentary evidence to substantiate these assertions. Consequently, in the absence of supporting proof, no inference can be made in favor of the Noticee on these claims.

54. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is therefore established that Noticee had violated the provisions of clauses 33.5.1 (a) and (b) and 33.7.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause iii of para 2 read with clauses 6 and 21(a) of Annexure A of BSE Circular dated October 18, 2019.

Issue VI. Whether Noticee violated the provisions of clause 33.7.5 read with clause 33.7.1 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and para 4 of BSE Circular dated October 18, 2019?

55. It was observed that no adverse observations were found by Noticee during its audit/inspection of the 4 APs, viz., M/s. Finwell Global Services, Ms. Jonaki Biswas, Mr. Lakshman Kumar Bihani and Mr. Rohit Kumar Jain. However, during the inspection conducted by SEBI and BSE, violations aforementioned under Issues I to V were observed. Further, no inspection had been conducted in respect of Mr. Hitesh P. Sanghvi since his registration as an AP on July 20, 2023. Hence, it was alleged that the Noticee had not maintained adequate supervision of its APs.

56. The Noticee has acknowledged that the observations pointed out during the inspection conducted by SEBI and BSE were not identified during its internal inspection process. The Noticee has submitted that upon receipt of the inspection findings, it conducted a comprehensive review of its supervisory framework, inspection methodology and monitoring mechanisms relating to Authorized Persons. It submitted that in accordance with regulatory requirements, it had always maintained a framework for periodic monitoring, review and inspection of APs through regular office visits, internal inspections and supervisory reviews for ensuring compliance with applicable regulatory requirements.

57. In the present matter, it is an admitted position that the Noticee had conducted inspections of most of its APs prior to the inspection carried out jointly by SEBI and BSE. It is also undisputed that the inspection reports prepared by the Noticee did not record any adverse observations in respect of those inspections. However, subsequently during the inspection conducted by SEBI and BSE, several significant regulatory deficiencies, including failure to maintain order placing evidence, operation of CTCL terminals by unapproved users, absence of mandatory NISM certification, failure to maintain proper segregation between trading terminals of different trading members and deficiencies relating to the address of an AP were detected. These were not isolated procedural irregularities confined to a single AP. Rather, they related to different APs, different regulatory obligations and different aspects of the Noticee's supervisory responsibilities.

58. The fact that such deficiencies was not observed during the Noticee's own inspections indicates that the internal inspection mechanism was not sufficiently robust to effectively discharge the supervisory obligations cast upon the Noticee under the applicable regulatory framework. Furthermore, it is significant that no inspection whatsoever was conducted regarding the AP, Mr. Hitesh P. Sanghvi, since his registration on July 20, 2023. Although the Noticee asserted that it had duly inspected Mr. Sanghvi on July 30, 2025, it failed to provide any supporting documentation to substantiate this claim. Consequently, no inference can be drawn in favor of the Noticee regarding these assertions.

59. Noticee further submitted that it had an established framework for periodic monitoring and supervision and that the deficiencies were procedural in nature. However, considering the nature of deficiencies observed in the inspection conducted by SEBI and BSE but escaped during the Noticee's own inspections, I am unable to accept this submission of the Noticee. Merely establishing a supervisory framework on paper does not satisfy the regulatory obligation. What is required is an effective supervisory mechanism capable of ensuring actual compliance. The efficacy of such a mechanism must necessarily be inferred by its practical implementation. In the present case, despite the existence of internal inspection procedures as contended by Noticee, multiple regulatory deficiencies remained undetected until they were identified by the inspection conducted by SEBI and BSE. This clearly demonstrates that the supervisory framework, as implemented during the relevant period, was inadequate.

60. The Noticee has further submitted that it has revised its periodic inspection checklists, strengthened monitoring procedures, expanded the scope of documentation reviews and introduced additional supervisory controls to ensure more effective oversight of APs. According to Noticee, it has also sensitized the concerned teams and APs regarding regulatory requirements and reinforced accountability mechanisms to ensure stricter compliance. However, the Noticee has not adduced any supporting

documents to substantiate its claims. In view of the same, no inference can be made in favor of the Noticee on these claims.

61. In view of the foregoing, it is concluded that the Noticee has failed to bring on record any justifiable reason with respect to the aforesaid violation alleged in the SCN. It is, therefore, established that Noticee had failed to maintain adequate supervision over its APs. Consequently, the Noticee had violated the provisions of clause 33.7.5 read with clause 33.7.1 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and para 4 of BSE Circular dated October 18, 2019.

Issue VII. Does the violation, if any, on the part of Noticee attract monetary penalty under section 15HB of the SEBI Act?

Issue VIII. If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?

62. In the preceding paragraphs, followings violations have been established against the Noticee:

Table 5

Sr. No.	Charges (Summarized)	Violations established
1.	Pre-order Trade Confirmations not maintained by APs, viz., Ms. Jonaki Biswas, Mr. Rohit Kumar Jain and Mr. Hitesh P Sanghvi.	Clauses 35.2 and 35.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause 15 of Annexure A of BSE Circular dated August 28, 2024.
2.	Two APs, viz., Ms. Jonaki Biswas and Mr. Lakshman Kumar Bihani does not possess requisite NISM certification.	SEBI Notification dated December 10, 2010 and BSE Circular dated December 15, 2010.
3.	CTCL terminals mapped to APs, Mr. Rohit Kumar Jain and M/s. Finwell Global Services were operated by unapproved users.	Clause (xix) of regulation 26 of Brokers Regulations, clauses 1 and 2 of Part A of Schedule II of Brokers Regulations and

Sr. No.	Charges (Summarized)	Violations established
		clause 14 of Annexure A of BSE Circular dated August 28, 2024.
4.	One AP, viz., M/s. Finwell Global Services failed to maintain appropriate segregation of the CTCL Terminals of two trading members.	Clause 33.7.2 of SEBI Circular June 17, 2025 read with regulation 9(b) of Brokers Regulations, clause 5 of Part A of Schedule II of Brokers Regulations and clause 21 of Annexure A of BSE Circular dated August 28, 2024.
5.	Delay in updation of AP address with exchange records and clients mapped to said AP was not notified at least 30 days before the change of address.	Clauses 33.5.1 (a) and (b) and 33.7.4 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and clause iii of para 2 read with clauses 6 and 21(a) of Annexure A of BSE Circular dated October 18, 2019.
6.	Noticee had failed to maintain adequate supervision of APs.	Clause 33.7.5 read with clause 33.7.1 of SEBI Circular dated June 17, 2025, clauses 1, 2 and 5 of Part A of Schedule II of Brokers Regulations and para 4 of BSE Circular dated October 18, 2019.

63. In this context, I would like to refer section 15HB of the SEBI Act:

> *"**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."*

64. Further, while determining the quantum of penalty under section 15HB of the SEBI Act, the following factors stipulated in section 15J of the SEBI Act are taken into account:

> *"**Factors to be taken into account while adjudging quantum of penalty.***
> *15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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."

65. It is noted that Noticee has repeatedly emphasized that no investor complaint has been received and that no financial loss has been caused to any client. While such circumstances may constitute mitigating factors while determining the quantum of penalty, they do not absolve the Noticee of its statutory obligation to comply with the regulatory framework. In this context, it is pertinent to note that in the matter of SEBI v. Bhavesh Pabari[3], Hon'ble Supreme Court, *inter alia*, held as under:-

"8………….. we are inclined to take the view that the provisions of clauses (a), (b) and (c) of Section 15J are illustrative in nature and have to be taken into account whenever such circumstances exist. But this is not to say that there can be no other circumstance(s) beyond those enumerated in clauses (a), (b) and (c) of Section 15J that the Adjudicating Officer is precluded in law from considering while deciding on the quantum of penalty to be imposed.

9. A narrow view would be in direct conflict with the provisions of Section 15I(2) of the SEBI Act which vests jurisdiction in the Adjudicating Officer, who is empowered on completion of the inquiry to impose "such penalty as he thinks fit in accordance with the provisions of any of those sections."

……..

*12. At this stage, **we must also deal with and reject the argument raised by some of the private appellants that the conditions stipulated in clauses (a) to (c) of Section 15J are mandatory conditions which must be read into Sections 15A to 15HA in the sense that unless the conditions specified in clauses (a) to (c) are satisfied, penalty cannot be imposed by the Adjudicating Officer under the substantive provisions of Sections 15A to 15HA of the SEBI Act. The argument is too farfetched to be accepted.** Section 15J of the SEBI Act enumerates by way of illustration(s) the factors which the Adjudicating Officer should take into consideration for determining the quantum of penalty imposable. The imposition of penalty depends upon satisfaction of the substantive provisions as contained in Sections 15A to Section 15HA of the SEBI Act." (Emphasis Supplied)*

66. In view of the above, it is legally settled that the parameters enumerated in section 15J of the SEBI Act are not required to be mandatorily satisfied for the imposition of penalty. The factors stipulated in section 15J of the SEBI Act which are taken into

[3] *(2019) 5 SCC 90*

account for the imposition of penalty are illustrative in nature and have to be taken into account whenever such circumstances exist.

67. In this background, Noticee is liable for imposition of monetary penalty under section 15HB of the SEBI Act.

68. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by Noticee nor the amount of loss, if any, caused to an investor/clients as a result of the default of the Noticee. As regards the repetitive nature of the default, it is noted that following penalty had been imposed upon Noticee by SEBI.

Table 6

Sr. No.	Case Name	Date of Order	Violation of provisions of	Penalty imposed
1.	In the matter of Eastern Financiers Limited	February 26, 2024	Brokers Regulations and Circulars issued by SEBI and NSE	Rs. 3,50,000/-

69. The aforementioned factors have been taken into consideration while adjudging the penalty.

<u>ORDER</u>

70. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and the factors mentioned in section 15J of the SEBI Act, I, in exercise of powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, hereby impose a penalty of Rs. 4,00,000/- (Rupees Four Lakh Only) on the Noticee under section 15HB of the SEBI Act.

71. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticee.

72. 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.

73. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated 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 of Noticee.

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

JAI SEBASTIAN Digitally signed by JAI SEBASTIAN Date: 2026.07.22 16:13:45 +05'30'

Date: July 22, 2026 **JAI SEBASTIAN**

Place: Mumbai **ADJUDICATING OFFICER**