

Before the
MEMBER AND CORE SETTLEMENT GUARANTEE FUND COMMITTEE
Of
NSE Clearing Limited

Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051

In the matter of SEBI joint inspection of Clearing Member

M/s. Edelweiss Custodial Services Ltd.

CORAM:

Mr. G S Hegde	-	Chairperson of the Committee
Mrs. Bhagyam Ramani	-	Committee Member
Mr. Jayant Haritsa	-	Committee Member
Mr. Vikram Kothari, (MD)	-	Committee Member

Also Present:

Mr. Amit Mahesh Pujara – Compliance Officer, NSE Clearing Ltd.

Ms. Shivani Dalvi- Inspection, NSE Clearing Ltd.

Ms. Jinal Shah- Compliance, NSE Clearing Ltd.

Ms. Divya Potdar- Enforcement, NSE Clearing Ltd.

Meetings of the Committee were held through Video Conferencing

I. BACKGROUND

1. Edelweiss Custodial Services Limited (“ECSL”), having its registered office at Tower 3, Wing ‘B’, Kohinoor City Mall, Kohinoor City, Kiroli Road, Kurla (West), Mumbai 400070, is registered as a Professional Clearing Member (PCM) with NSE Clearing Limited (“NCL”) (SEBI Registration No. INZ000177437).
2. SEBI along with Exchanges, Clearing Corporations and Depositories had carried out a comprehensive joint inspection of the books and records of ECSL for the inspection period starting from April 1, 2020 to November 30, 2021. During the said inspection some observations were reported. SEBI vide its letter dated May 24, 2022, has assigned the case for enforcement to NCL.
3. In this regard, NCL sent a letter dated June 22, 2022 to ECSL stating the inspection observations and requesting ECSL to provide clarifications or submissions on the inspection observations. ECSL vide its letter dated July 4, 2022 provided its submissions to NCL. In the same letter, ECSL requested NCL for personal hearing before the Member And Core Settlement Guarantee Fund Committee (“Committee”).
4. ECSL was provided an opportunity of personal hearing before the Committee on August 2, 2022.

5. At the personal hearing before the Committee held on August 2, 2022, ECSL was represented by Mr. Atul Bapna- Head of Compliance-Edelweiss Wealth Management Business, Mr. Bhoumik Mehta- Compliance Officer -Edelweiss Custodial Services Ltd., Mr. Nikhil Johari - Designated Director- Edelweiss Custodial Services Ltd. and Mr. Udit Surekha- Designated Director- Edelweiss Custodial Services Ltd.
6. The details of the alleged violations, ECSL's submissions on each of those alleged violations and findings of the Committee are as under.
7. **Observation 1- ECSL has not closed the demat accounts tagged as “Stock broker - Client account” within the timelines (September 30, 2019) prescribed by SEBI**
 - i. As per SEBI circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, all the DP accounts tagged as “Stock Broker – Client Account” are required to be closed before August 31, 2019.
 - ii. This deadline was extended by SEBI vide its circular no. SEBI/HO/MIRSD/DOP /CIR/P/2019/95 dated August 29, 2019, from August 31, 2019 to September 30, 2019.

iii. It was observed that ECSL has failed to close four demat accounts tagged as “Stock Broker- Client Account” before the deadline of September 30, 2019. The demat account wise details are as given below:-

- a) IN303719-11048043
- b) IN303719-11036495
- c) IN303719-11037713
- d) IN303719-11047823

iv. It was observed that ECSL has therefore violated the Clause 6(b) of SEBI circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, read with clause 1 of SEBI circular no. SEBI/HO/MIRSD/DOP /CIR/P/2019/95 dated August 29, 2019.

8. ECSL’s submission on delay in closure of demat accounts tagged as “Stock broker - Client account”

- i. ECSL has stated that the delay in closure of demat accounts had happened due to operational constraints which also include other market intermediaries i.e. NSE/NSDL, which are beyond the control of ECSL.
- ii. ECSL has submitted that even if it is assumed that the delay in closure even of an account not having any securities or trades was a breach, it was at best merely a technical or venial breach.

iii. ECSL has provided demat account wise submissions for delay in closure of the accounts as presented below:-

a) Demat Account No- IN303719-11048043

1. ECSL has submitted that the account was frozen by NSE with effect from October 1, 2019.
2. No transactions were executed in the account since September 30, 2019 till the closure of the account.
3. Closure of the demat account was not practically feasible before the due date due to operational constraints
4. Since there was auto corporate action for ISIN which were in “freeze” status and were not visible in ECSL’s Speed-e login of NSDL for ECSL to unfreeze the same. ECSL has submitted that it had taken up the matter with NSDL and the same was unfreezed subsequently and the accounts were closed.
5. ECSL has provided an email communication between ECSL and Exchange regarding the closure of the demat accounts.

b) Demat Account no- IN303719-11036495 and IN303719-11037713

1. Since these accounts have Trading Member securities, ECSL had to retain it for receiving the benefits of corporate actions, which ECSL had been receiving subsequent to the prescribed deadline for closure of accounts.

2. The same were however frozen w.e.f October 01, 2019 by NSE and only when any corporate actions were received, ECSL had unfreezed the same and transferred it to the concerned TM.
3. Post liaising with NSE and under its instruction to NSDL, the unfreezing of demat account had happened and the demat account was thereafter closed as on April 29, 2020.

c) Demat Account no- IN303719-11047823

1. ECSL has submitted that the securities lying in the Account, which was a “Stock Broker-Client Account” had NIL securities as on September 30, 2019.
2. The Account was not used by ECSL and no client securities or otherwise were lying in the said account post October 1, 2019.

9. Findings of the Committee in respect of delay in closure of demat accounts tagged as “Stock broker - Client account”

The Committee observes the following: -

a) For Demat Account No- IN303719-11048043

- 1) ECSL has stated that the ISIN was in ‘freeze’ status and hence ECSL could not view the same thereby resulting in delay in closure of the said account. Further, ECSL has provided emails exchanged with NSE (dated April 15, 2020) which stated the difficulties faced by it.

2) Since this is an operational difficulty faced by ECSL and considering that NSE had frozen the demat account in terms of clause 5 of NSE circular dated September 27, 2019 on October 1, 2019, the Committee notes that penalty may not be levied. The relevant extract of NSE circular dated September 27, 2019 is given below:-

'In case any security lying in any demat account cannot be sold or transferred, for any reason including litigation or court orders or other enforcement orders, such accounts can be frozen/suspended for credits except on account of any corporate actions.'

3) The Committee observes that ECSL was unable to close the account due to operational difficulties. Further, the Committee also observes that ECSL has ensured to freeze the account in compliance with the above circular.

4) In view of the above, the Committee found the explanation provided by ECSL reasonable and hence decided not to levy any penalty.

b) For Demat Account no- IN303719-11036495 and IN303719-11037713

1) ECSL has provided an email communication between the ECSL and NSE regarding the closure of the demat accounts.

- 2) The accounts have been frozen on October 1, 2019 in terms of clause 5 of NSE circular dated September 27, 2019. Therefore, penalty may not be levied. The relevant extract of NSE circular dated September 27, 2019 is given below:-

'In case any security lying in any demat account cannot be sold or transferred, for any reason including litigation or court orders or other enforcement orders, such accounts can be frozen/suspended for credits except on account of any corporate actions.'

- 3) The Committee observes that ECSL was unable to close the account due to operational difficulties. However, the Committee also observes that ECSL has ensured to freeze the account in compliance with the above circular.
- 4) In view of the above, the Committee found the explanation provided by ECSL, reasonable and hence decided not to levy any penalty.

c) For Demat Account no- IN303719-11047823

- 1) That there were no securities in the account as on September 30, 2019 and no securities were credited thereafter is not a good ground for not closing the account. After considering the submissions of ECSL, the Committee found that the explanation provided by ECSL for not closing the account is not reasonable and therefore decided to levy a penalty of Rs. 50,000/- for non-closure on or before the due date in terms of NCL circular dated July 10, 2020.

10. Observation 2- ECSL has not closed the demat accounts tagged as “Stock broker - Client Collateral account” within the timelines (August 31, 2020) prescribed by SEBI

- i. As per SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, the TM / CM shall be required to close all existing demat accounts tagged as ‘Client Margin/ Collateral’ by June 30, 2020.
- ii. This deadline was extended by SEBI vide its circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/143 dated July 29, 2020, from June 30, 2020 to August 31, 2020.

It was observed that ECSL has failed to close the following fourteen demat accounts tagged as “Stock Broker- Client Collateral Account” before the deadline of August 31, 2020.

1. IN303719-11048035
2. IN303719-11049499
3. IN303719-11048051
4. IN301330-22152860
5. IN301348-20086524
6. IN301330-22289577
7. IN301348-20068514
8. IN303719-11063058,
9. IN303719-11063007
10. IN303719-11063031
11. IN303719-11063066,
12. IN303719-11063015
13. IN303719-11063040
14. IN303719-11063023

- iii. ECSL has therefore violated Clause 12 of SEBI circular no. SEBI/HO/MIRSD/ DOP/CIR/P/2020/28 dated February 25, 2020 read with clause 3 of SEBI circular no. SEBI/HO/MIRSD/ DOP/CIR/P/2020/143 dated July 29, 2020.

11. ECSL's submission on delay in closure of demat accounts tagged as "Stock broker - Client Collateral account"

- i. ECSL has submitted that the delay in closure of demat accounts had happened due to operational constraints which also includes other market intermediaries viz. NSE/NSDL which are beyond the control of ECSL. Thus, even if it is assumed that the delay in closure, even of an account not having any securities or trades was a breach, it was at best merely a technical or venial breach.
- ii. ECSL has given demat account wise submissions which are presented in the following paragraphs: -
 - 1) Demat account numbers IN303719-11048035, IN303719-11049499 and IN303719-11048051
 - The said demat accounts were frozen by ECSL through Speed-e on September 04, 2020.
 - The digital signature certificate (DSC) of the maker and checker had got expired.
 - For unfreezing the account, ECSL had applied for new/ renewal of DSC which was under process.
 - Due to Covid pandemic situation and operational constraint in renewing the DSC, there was delay in obtaining the DSC.

2) Demat account numbers namely IN301330-22152860, IN301348-20086524, IN301330-22289577 and IN301348-20068514 :-

- Accounts were frozen through Speede
- Accounts were not operative.
- No transactions were executed post the due date of closure of these accounts
- Depository Participant had kept these accounts on hold for closure due to some outstanding payments
- Considering the Covid pandemic situation, there was delay in settling the outstanding dues with our DP

3) Demat account numbers IN303719-11063058, IN303719-11063007, IN303719-11063031, IN303719-11063066

- NSDL in accordance with SEBI direction had frozen the demat accounts.
- Freezing was in line with NSE circular ref no 46302 directing to freeze the accounts. (if not closed)
- DSC of the maker and checker had got expired.
- For unfreezing the account for closure, ECSL had to apply for new/renewal of DSC
- Due to the covid pandemic situation and operational constraint of renewal of DSC at that time, the renewal of DSC of maker and checker was delayed.

4) Demat account number IN303719-11063040 and IN303719-11063023

- The demat account was suspended for Debit & Credit as per regulatory orders.
- There were securities of disputed / expelled TMs or having inactive ISIN in the demat account
- ECSL could neither move these securities to Exchange demat account nor could instruct DP to close the demat accounts until the account had NIL balance
- As and when ECSL received instructions from NSE to transfer the securities and the account was unfreezed by NSE for 4-5 days, ECSL transferred securities. Thereafter the account is again frozen.

5) Demat account numbers IN303719-11063015

- There was no transaction in the account, post the due date for closure of this account.
- Account was closed with a lag considering the Covid pandemic situation, preparation of required documents and submission to depository participant for closure

12. Findings of the Committee in respect of delay in closure of demat accounts tagged as “Stock broker - Client account”

- i. The Committee observes that explanation provided by ECSL, namely, expiry of DSC and difficulty in renewing owing to covid, delay in settling the outstanding dues with its DP due to covid, etc., are not reasonable and hence decided to levy penalty of Rs. 50,000/- per account for the following accounts due to non-closure on or before the due date in terms of NSE circular dated February 25, 2021.

1. IN303719-11048035
2. IN303719-11049499
3. IN303719-11048051
4. IN301330-22152860
5. IN301348-20086524
6. IN301330-22289577
7. IN301348-20068514
8. IN303719-11063058
9. IN303719-11063007
10. IN303719-11063031
11. IN303719-11063066
12. IN303719-11063015

- ii. The Committee further notes that ECSL has provided reasonable explanation, namely, dependency on NSE for unfreezing, to transfer the securities lying in the accounts, for delayed closure of the following demat accounts and therefore the Committee decided not to levy any penalty on the same.

1) IN303719-11063040

2) IN303719-11063023

13. Observation 3- Delay in resolution of complaints

- i. It was observed that ECSL has taken more than the stipulated time i.e. 30 days to resolve 12 complaints. The details of the same are as given below:-

Sr. No.	Name of Party	Date when first email received from complainant	Date of ECSL's response	Date when second email received from complainant	Date of ECSL's response	Delay
1	Sanjay Batra	21-09-2020	23-10-2020	-	-	32
2	Renu Parekh / Dialani	17-09-2020	23-10-2020	-	-	36
3	Rajesh M Shah	11-09-2020	11-09-2020	17-09-2020	23-10-2020	36
4	Nishit Vijay Shah, Vidhi Nishit Shah	17-08-2020	11-09-2020	16-09-2020	23-10-2020	37
5	Manisha Nitin Shah	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39
6	Mangilal S Shah	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39
7	Shree Adeshwar Securities Pvt. Ltd	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39
8	Sikha S Shah	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39
9	Sunny R Shah	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39
10	Honey Gandhi	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39
11	Ranjeet S Shah	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39
12	Sandhya R Shah	10-09-2020	11-09-2020	14-09-2020	23-10-2020	39

- ii. ECSL has therefore violated Regulation 9(e) of SEBI (Stock-Brokers) Regulations, 1992.

14. ECSL's submission on delay in closure of complaints

- i. ECSL has submitted that the above 12 complaints were received from the end clients of Trading Member Anugrah Stock & Broking Pvt Ltd (Anugrah). For a Clearing Member, its constituent/client is only the Trading Member and not the end clients of Trading Member. ECSL as a Professional Clearing Member is not liable in any way to respond to such mails.
- ii. ECSL had responded to the end clients of Anugrah within stipulated timeframe intimating them to approach its trading Member Anugrah for resolution of their issue and that ECSL does not perceive any obligation on it to respond to the mails.
- iii. Even post ECSL's timely response to end clients, they had again reverted to ECSL to resolve the matter. Client clearly understands that ECSL is not the correct entity which can solve their issues and that they must approach either NSE Investor Grievance cell or TM Anugrah.
- iv. ECSL is not under a prerogative to respond to such end clients mails particularly when the TM Anugrah had defaulted at NSE. However, after considering its legal counsel's suggestion, ECSL had again reiterated its stand and responded to them.
- v. ECSL has provided the matrix of date of receipts of complaints and its responses for the 12 complaints.

- vi. ECSL has therefore submitted that the criteria of responding within 30 days is not as such applicable to it and ECSL cannot be made liable. Moreover, ECSL has submitted that it has already responded to end clients of Anugrah in first stance for the same matter and the subsequent response for the same matter was slightly delayed; even though it was not necessitated.

15. Findings of the Committee in respect of delay in closure of complaints

- i. The Committee notes that Regulation 9 of the SEBI Stock-Broker Regulations, 1992, provides for the conditions for registration of stock brokers and one of the conditions is to take adequate steps for grievance redress. The same is reproduced below:-

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

(a) --

(b) --

(c) --

(d) --

(e) he shall take adequate steps for redressal of grievances, of the investors within one month of the date of receipt of the complaint and inform the Board as and when required by the Board;

(f) –

(g) ---

(h) —

(i)---

- ii. The Committee does not accept ECSL's contention that it is not under an obligation to respond to the complaints of the end clients of trading members. The Committee observes that even if ECSL is not the entity to be approached for grievance redress by the end clients of TM, ECSL ought to have informed the complainants at the earliest. It is not fair to delay such communication and ECSL has not responded to the complainants within the timeline of 30 days meant for grievance redress.

The Committee feels that ECSL should facilitate resolution of investor grievances, even in cases where the grievances/complaints pertain to the end clients of the trading members, by properly guiding the investors/complainants to appropriate forums available in the regulatory framework, where their grievances can be redressed. The representatives appearing for ECSL submitted that they have noted to respond to such complainants on a timely basis. The Committee, therefore, takes note of the same and advises ECSL to define a proper framework for handling complaints received from constituents/end clients of trading members or custodial participants.

16. Observation 4- Intra-day limit increase

- i. It was observed that out of 11 instances of intra-day limit increase, in 3 instances on November 18, 2021, ECSL has set limit more than the collaterals available with it.
- ii. The sum of the limit set by ECSL for its trading member and the exchange benefit given to the trading member was more than the total collaterals of the trading member.
- iii. Therefore, the collaterals available with ECSL were not sufficient to cover the limit set by ECSL.

- iv. ECSL has therefore violated Clause 10.1.1 of NCL F&O Regulations which states as below:-

“Professionalism: A F&O Clearing Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade. A F&O Clearing Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities”

17. ECSL’s submission on Intra-day limit increase

- i. ECSL has submitted that limits are set as per available cash collateral with ECSL.
- ii. Additional limits are granted considering the overall collateral available with the Clearing Member.
- iii. Since the pledged stock benefit from Clearing Corporation to Trading Member is available on a delayed basis, in order to ensure the efficient utilization of collateral, ECSL has granted additional limits to TMs on exceptional basis.
- iv. ECSL has submitted that its Risk team is monitoring the collateral utilization on real time basis and at no point in time the collateral requirement was breached on end of day basis.

18. Findings of the Committee on intra-day limit increase

- 1) The Committee notes that there was no margin shortfall for the three instances on the given date (i.e. November 18, 2021). Hence, the excess limits were not utilized by the three trading members in the three instances.

- 2) On November 18, 2021, in case of three trading Members, excess limit was given amounting to Rs. 41.62 Lakh by ECSL. It was observed that ECSL had adequate proprietary collaterals, on November 18, 2021, placed with NCL. Therefore, the limits provided by ECSL were adequately supported by the proprietary collaterals.
- 3) However, it is also observed that ECSL has levied trade exposure charges for such excess limits to the three Trading Members amounting to Rs. 3,977/- on November 18, 2021.
- 4) As per Regulation 10.1.1 of NCL F&O Regulations, “A *F&O Clearing Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade. A F&O Clearing Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.*” (Emphasis added)

In view of the above provisions, ECSL was required to set trading limits in proportion with the collaterals submitted by its constituents to it. That the additional limits were not used or the proprietary collaterals of CM were available are not good grounds to allow additional limits. Therefore, the Committee does not accept ECSL’s submissions.

- 5) The Committee notes that the act of setting limits by ECSL to its trading member in excess of total collaterals of the trading member is not in compliance with the provisions of Regulation 10.1.1 of NCL F&O Regulations. ECSL failed to observe high standards of commercial honour by giving such disproportionate exposure to its trading members. Further, the Committee notes that under Regulation 10.1.1 of NCL F&O Regulations the clearing member is required to have “procedures which are needed for the proper performance of his business activities”. Setting a limit in excess of total collaterals of the trading member shows that there is no procedure in place as required under Regulation 10.1.1 of NCL F&O Regulations. The Committee observes that under Rules 1 and 2 of Chapter V of NCL Rules (F&O) segment, the Committee is empowered to impose commensurate penalty of an appropriate amount to demonstrate not only the seriousness with which such violations are considered but also to act as a sufficient deterrent to ensure strict compliance with the Rules, Bye-laws and Regulations by the Clearing Members.
- 6) The Committee is therefore satisfied that after considering all the facts and circumstances as stated above, it is a fit case to levy a penalty of an amount of Rs. 1,00,000/- for the aforesaid violations, considering the fact that such nature of violation has been observed with respect to ECSL for the first time. The Committee further advises ECSL to be careful while setting limits for its constituents in future and to ensure that the limits are set as per the collaterals available with it.

19. Observation 5- Trade Exposure charges

- i. It was observed that clearing member has entered into an agreement/arrangement with its trading members for charging trade exposure.
- ii. It was observed, from the working of trade exposure charges provided by ECSL that it is charging trade exposure charges to its trading members on the excess limits over cash collateral provided to them.
- iii. The practice of charging trade exposure charges to trading members on the excess limits over the TM cash collaterals is not in compliance with NCL F&O Regulation 10.1.1 which states that *'A F&O Clearing Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade. A F&O Clearing Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.'*

20. ECSL's submission on trade exposure charges

- i. For the clearing activities performed by ECSL on behalf of TM's affiliated to it, NCL blocks the funds/collateral from ECSL's account based on exchange timings.

- ii. In turn, ECSL levies and collects margin from its TM. However, there is time lag in NCL for blocking ECSL's account for margin /other obligations and ECSL in turn collecting the same from the TM. Since ECSL has to ensure the margin requirement with NCL and in order to fulfil its obligation, it has deployed its own funds/collaterals.
- iii. Collaterals in the form of approved securities are accepted by NCL from PCM, basis permitted limit guidelines. ECSL accepts securities as collaterals across TM's. However, PCM cannot upward place these securities with NCL as margin due to restriction on member wise permitted limit or otherwise. In such scenario's ECSL is required to place its own funds/collateral with the NCL.
- iv. In the above scenarios, since there is a cost of deploying own funds/ collaterals of ECSL, the same was charged to Trading Member on incidental/exceptional basis.
- v. Beginning of Day (BOD) limits are set as per available cash collateral with ECSL. Subsequently, basis the client request, additional limits are granted considering the overall collateral available with Clearing Member. Since the pledged stock benefit from Clearing Corporation to Trading Member is available on a delayed basis, in order to ensure the efficient utilization of collateral, ECSL has granted additional limits to TMs on exceptional basis.

- v. ECSL has submitted that its Risk team is monitoring the collateral utilization on real time basis and at no point in time the collateral requirement was breached on end of day basis.

21. Findings of the Committee trade exposure charges being charged by the ECSL

- i. The Committee observes that ECSL is charging trade exposure charges for limits set in excess of **cash collaterals** submitted by its Trading Members. It is observed that such limits are set within the overall collaterals submitted by the Trading Members.
- ii. The Committee notes that ECSL has entered into an agreement/ arrangement with its trading members for such charges.
- iii. Trade exposure charges are levied for limits set more than cash collaterals but less than the value of non-cash collaterals, repledged with NCL, on which benefits are not passed onto ECSL due to difference in % of haircut and VaR etc.

- iv. In view of the above, as ECSL's own funds are deployed, ECSL is levying trade exposure charges. The Committee further observes that there are a few compliances which necessitate a clearing member to deploy its own funds as a substitute of collaterals given by the trading member like repledge of securities with NCL, maintenance of 50% liquid assets etc.
- v. Further, in terms of NSE circular dated April 26, 2012, the member is permitted to levy interest for deploying its own funds as per the terms consented by the client.
- vi. The Committee, therefore, observes that in view of the above submissions made by ECSL, the practice followed by ECSL is acceptable.

DECISION

The Committee, in light of the observations made in the aforesaid paras concludes its decision as under: -

Sr. No.	Violations	Decision of the Committee
1	<p>ECSL has not closed the demat accounts tagged as “Stock broker - Client account” within the timelines (September 30, 2019) prescribed by SEBI.</p> <p>(Demat Account no- IN303719-11047823)</p> <p>Violation of Clause 6(b) of SEBI circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 read with clause 1 of SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2019/95 dated August 29, 2019.</p>	<p>Penalty of Rs. 50,000/- to be levied in terms of NCL circular no. 44976 dated July 10, 2020.</p>
2	<p>ECSL has not closed the demat accounts tagged as “Stock broker - Client Collateral account” within the timelines (August 31, 2020) prescribed by SEBI</p> <p>i. IN303719-11048035</p> <p>ii. IN303719-11049499</p> <p>iii. IN303719-11048051</p>	<p>Penalty of Rs. 50,000/- per account to be levied in terms of NSE circular no. 47457 dated February 25, 2021. Therefore, total penalty amounts to Rs.6,00,000/- shall be levied.</p>

	iv. IN301330-22152860 v. IN301348-20086524 vi. IN301330-22289577 vii. IN301348-20068514 viii. IN303719-11063058 ix. IN303719-11063007, x. IN303719-11063031, xi. IN303719-11063066 xii. IN303719-11063015 Violation of Clause 12 of SEBI circular no. SEBI/HO/MIRSD/ DOP/CIR/P/2020/28 dated February 25, 2020 read with clause 3 of SEBI circular no. SEBI/HO/MIRSD/ DOP/CIR/P/2020/143 dated July 29, 2020	
3	Delay in resolution of complaints Violation of Regulation 9(e) of SEBI (Stock Brokers) Regulations, 1992.	The Committee notes that ECSL is duty bound to facilitate investor grievances, even in cases where the grievances/complaints pertain to the end clients of the trading members, by properly guiding the investors/complainants to appropriate forums available in the regulatory framework, where their grievances can be redressed. The Committee, therefore, advises the ECSL to define

		a proper framework for handling complaints received from constituents. (trading members/custodial participants/end clients of trading members)
4	Intra-day limit increase Violation of Clause 10.1.1 of NCL F&O Regulations.	Penalty of Rs.100,000/- to be levied on ECSL and ECSL is advised to be careful while setting limits for its constituents in future and to ensure that the limits are set as per the collaterals available with it.

Sd/-

Sd/-

Sd/-

Sd/-

G S Hegde
(Chairperson)

Bhagyam Ramani
(Committee Member)

Jayant Haritsa
(Committee Member)

Vikram Kothari
(Committee Member)

The Committee has given confirmation on email instead of physical signatures

Date: September 29, 2022