

L/ENF/SS-03/IR/2024-2025/436

To,
Compliance Officer and Designated Directors
Asit C. Mehta Investment Intermediates Ltd (Clg.no.03)
NUCLEUS HOUSE,5TH FLOOR SAKI VIHAR ROAD
ANDHERI (EAST), MUMBAI-400072

Dear Sir / Madam,

Sub: Final letter pertaining to Inspection conducted by the Exchange in FY 2023-24

Please refer to **Annexure A** to this letter with the details of non-compliances observed by the Exchange after taking into consideration the submissions and clarifications offered by you. You are also advised to take necessary steps to ensure that such non-compliances do not recur.

A penalty of **Rs. 3,000/- (Rupees Three Thousand Only)** plus applicable Government levies, is being imposed on you for non-adherence to the regulatory requirements pursuant to the Exchange Notice No. 20180214 - 31 dated February 14, 2018.

The penalty will be debited to you through the General Charges Bill. However, if you are aggrieved by the penal action described in the aforementioned paragraph, you may submit a request within a time frame of 10 working days from the date of this letter along with necessary documentary evidence and a request for personal hearing, if required, in support of your request.

All correspondence/email in this matter shall be with subject line "*Reply to Final Action Letter <name of the Trading Member> - <Clg. No.> FY 2023-24*" and is to be marked to the mail id Enforcement@bseindia.com.

It may further be noted that any representations made after the lapse of the 10 working days period from the date of this communication shall not be considered by the Exchange and no further extension shall be granted to file a request for seeking waiver from the Exchange.

If the Exchange does not receive any representation from the Trading Member within the prescribed time frame it will be presumed that the Trading Member does not have any objection and has agreed to pay the penalty to the Exchange.




Please note that in case the similar non-compliances are observed during a subsequent inspection by the Exchange, applicable action including an escalated penalty may be imposed pursuant to the Exchange Notice No. 20180214 - 31 dated February 14, 2018.

Further, you are requested to submit a compliance certificate, from your Compliance Officer within 10 days from the receipt of this letter stating that all the recommendations made above have been implemented. Failure to furnish the compliance certificate within the timelines or submission of an incorrect compliance certificate (in case similar observations are observed by the Exchange or your internal auditor, etc. post the submission of the compliance certificate) may result in further action being initiated by the Exchange.

You are also required to place the letter before your Board for necessary action and the letter is to be taken into consideration by your Board for the performance appraisal of the concerned individual who is responsible for the lapse/ deficiency.

We thank you for your co-operation during the inspection.

Yours faithfully,



Hansen Cardoza
Dy. General Manager
(Enforcement)



Vandana Vania
Asst. Gen Manager
(Enforcement)

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| Name of the Member | ASIT C. MEHTA INVESTMENT INTERMEDIATES LTD |
| Clearing Number | 03 |
| Inspection Year | F.Y. 2023 – 2024 |
| Date of First Letter | February 27, 2024 |
| Date of Response to First Letter | March 05, 2024 and May 28, 2024 |

- Details of Non-Compliance observed after considering the responses provided, where monetary penalty is applicable:

1. Inspection observation:

- Member has not reported the correct brokerage income under the Risk based supervision as on 31st March 2023
- Member has not reported the correct Profit before tax details under the Risk based supervision as on 31st March 2023
- Member has not reported the collateral details of debit client balance under the Risk based supervision and Cash and Cash equivalent as on 31st March 2023

Summary of Member Response is as follows:

- This has happened on account of our having reported the brokerage income earned by us during the period from October 1, 2022 to March 31, 2023, instead of the entire financial year from April 1, 2022 to March 31, 2023. This has happened because Risk Based supervision data is submitted regularly at half yearly intervals and accordingly having already submitted the Risk Based supervision data for the period from April 1, 2022 to September 30, 2022, we inadvertently interpreted the aforesaid circular to mean that we were to report the data for risk based supervision only for the remaining period, i.e. from October 1, 2022 to March 31, 2023.
- As per the aforesaid notice number, profit/loss (before tax) from broking operations for the entire financial year ended March 31, 2023 were to be reported by us under Risk Based supervision. As per the financials referred to above, the loss before tax as on March 31, 2023 amounted to Rs. 2,67,47,000/-, whereas we have reported Rs.2,00,09,253 which is only for the half year ended March 31, 2023 due to above referred interpretation.
- As per aforesaid notice number, in risk based supervision only collateral of debit balance clients is required to be reported, whereas in cash and cash equivalent balances, reporting is required to be done of own account debit balances as well as collaterals deposited with Clearing Corporation and Clearing Member.

The Exchange while raising this particular observation has not taken the aforesaid difference in reporting requirements. We have reported correctly and complied with the regulatory requirement.

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Analysis:

- a) With regard to reporting incorrect brokerage income, the Member accepted the observation attributed the same to error on their part stating that they reported half yearly brokerage income from October 01, 2022 to March 31, 2023 instead of yearly brokerage income i.e. from April 01, 2022 to March 31, 2023.
- b) With regard to incorrect reporting of Profit before tax the Member accepted the observation and attributed the error to incorrect interpretation of the Circular stating that the Profit before tax was reported for October 01, 2022 to March 31, 2023 instead of yearly brokerage income i.e. from April 01, 2022 to March 31, 2023.
- c) With regard to not reporting the collateral details of debit client balance under the Risk based supervision and Cash and Cash equivalent, upon verification of Collateral details of Debit balance clients it was observed that the Member has reported correct balance

Decision:

In view of the above, a penalty of Rs. 3,000/- is being levied on the Member for incorrect reporting towards Brokerage income and Profit and Loss from Broking operations in RBS submissions.

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