

L/ENF/SS-701/IR/Offsite/2024-2025/896

October 21, 2024

Compliance Officer and Designated Directors
Vikabh Securities Pvt. Ltd (Clg. No.701)
B-701, Express Zone,
Western Express Highway, Opp Adani
Electricity, Malad East,
Mumbai-400097.

Dear Sir /Madam,

Sub: Final letter pertaining to offsite alert generated in FY 2024-25

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.1,00,000/- (Rupees One Lakh Only)** 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 additional information that is material and relevant to substantiate the grounds of waiver 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.

We thank you for your co-operation.
Yours faithfully,



Vandana Vania
Asst. Gen Manager
(Enforcement)



Shaila Menon
Asst. Gen Manager
(Enforcement)

Annexure A

Name of the Member	Vikabh Securities Pvt. Ltd
Clearing Number	701
Inspection Year	FY 24-25
Date / period of inspection	April 04 2024

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

On Verification of the Bank Balance, Collateral lying with the Clearing Corporation in the form of Cash and Fixed deposit and Creditors Balance, shortfall in client fund to the tune of Rs.62.35 Lakh was observed on April 04, 2024. The details are as under:

Bank Balance (A)	Collaterals (CC+CM) (B)	Total Creditors (C)	G=(A+B)-C
13,95,159	2,20,89,93,918	2,21,66,25,001	-62,35,924.21

Response of the Member dated April 12 2024 is as follows:

- a. April 4th Incident: On April 4th, our Back Office Accounts team calculated the balance of our funds held with clearing corporation. They attempted to determine the OWN funds balance by subtracting the client ledger balance from the total funds held with clearing corporation. Unfortunately, the client ledger balances they used were incorrect (unclear), leading to an erroneous calculation of our own funds held with NCL.
- b. Withdrawal Request: Based on the erroneous calculations, we issued a withdrawal request to release fixed deposits from NCL, which inadvertently resulted in an overdraw from the client accounts.
- c. Error Identification: The Compliance team identified the error during the preparation of the daily segregation report on April 5th. This brought the issue to our attention and prompted further investigation.
- d. Corrective Action: After reviewing the situation, we recalculated the correct balances and transferred Rs 2 crore to the Client Upstream Account to rectify the shortfall. Please note that this situation resulted from an exceptional computational error. We kindly request your understanding and leniency, considering it as a one-time incident. We assure you of our commitment to maintaining strict compliance moving forward, and respectfully request you to refrain from imposing any penalties on this matter.
- e. Positive Principle: On April 5th, upon identifying a discrepancy in client funds, immediate action was taken to rectify the situation within an hour, ensuring there was no actual shortfall.

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This swift response highlights that the withdrawal wasn't a result of misuse, but rather a calculation error.

Analysis:

It is noted that the Member accepted the non-compliance and attributed the same to error on their part.

It is also to be noted that the said non-compliance was informed to the Member vide email dated October 15, 2024, and the Member was requested to provide his comments along with documentary evidence showing compliance. The Member was also informed of the applicable monetary fine. The Member vide email dated October 16, 2024, accepted the non-compliance and submitted documents showing actions taken / initiated by NSE for the same non-compliance.

Decision:

It is observed that there was misuse of clients' funds to the tune of Rs. -62,35,924.21 i.e. funds of credit balance clients were used for obligations of debit balance clients or own obligations.

The applicable penalty for the same is 1 % of 65359.24.21/- or Rs.1,00,000/- whichever is higher. Hence a penalty of Rs. 1,00,000/- is being levied on the Member for misuse of clients' funds.

a) Details of Non-Compliance observed after considering the responses provided, where no monetary penalty is applicable:

Sr. No.	Violation	Notice / Regulatory Requirement	Action
1.	Not adhering to directions issued by SEBI /Exchange from time to time with regard tenure of FDR created out of client funds.	<p>20230623-1 dated June 23, 2023 - FAQ on Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)</p> <p>20230630-44 dated June 30, 2023 - Implementation of circular on upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)</p> <p>20230608-41 dated June 08, 2023 - Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)</p>	You are warned for not adhering to directions issued by SEBI /Exchange from time to time with regard tenure of FDR created out of client funds

