

L/ENF/SS-84/IR/Offsite/2024-2025/931

October 24, 2024

Compliance Officer and Designated Directors
IDBI Capital Markets & Securities Ltd. (Clg. No.84)
6th Floor, IDBI Tower,
WTC Complex,
Cuffe Parade, Colaba
Mumbai-40005

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. 9,19,674/- (Rupees Nine Lakhs Nineteen Thousand Six Hundred and Seventy Four 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	IDBI CAPITAL MARKETS & SECURITIES LTD
Clearing Number	84
Inspection Year	FY 24-25
Date / period of inspection	17-05-2024 to 31-05-2024

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 of client funds was observed for the following dates:

Date	Shortfall of Client funds
21-05-2024	Rs. 4,08,18,162.52
22-05-2024	Rs. 9,19,67,417.64
23-05-2024	Rs. 4,99,47,457.73
27-05-2024	Rs. 6,66,69,505.15
28-05-2024	Rs. 3,31,26,814.16

Response of the Member vide email dated June 12, 2024, submitted to Offsite team:

We wish to inform you that until May 16th, 2024, IDBI Capital had been maintaining funds in the form of Fixed Deposits (FDs) with Clearing Corporation (CC) towards the Additional Base Capital (ABC) requirements. On May 16th, IDBI Capital placed a new Bank Guarantee (BG) of Rs. 40 Cr with the CC with an intention of eventually replacing the FDs placed with the CC. Similarly on May 17th, a new BG of Rs. 10 cr was placed with the CC. These two were in addition to an existing BG for Rs. 15 cr.

IDBI Capital has thus provided BGs totalling Rs. 65 Cr towards ABC (including Rs. 15 Cr BG which is being continued). The BG made on 16th May 2024 was out of the IDBI Capital's working capital funds available and not out of the FDR withdrawal. FDs worth Rs. 30 Cr were withdrawn on May 17th while those worth Rs. 12 Cr were withdrawn on May 21 st. Out of the total withdrawn FDR of Rs.42 Cr, Rs.25 Cr was used to replenish the working capital funds, a part of which was used towards the margin for BG of Rs.50 Cr provided to the CC towards ABC. However, this amount of margin provided out of IDBI Capital's funds could not be considered in the Enhanced supervision working as per the exchange circular download reference No.59263 dated November 06, 2023. The balance funds of 17 Cr are held in our bank accounts.

The day wise break up of funds available in our Bank A/c is as given below:

HS

Date	Bank A/c No.
18-05-2024	628089900.9
19-05-2024	619883669.9
20-05-2024	619883669.9
21-05-2024	619883669.9
22-05-2024	474510081.6
23-05-2024	781890360
24-05-2024	733617731
25-05-2024	235571418.8
26-05-2024	235071489.8
27-05-2024	235071489.8
28-05-2024	846637422.2

It is clear from the above table of Bank Balances, on all the mentioned dates; IDBI Capital had funds available with them. Soon after receiving exchange alerts, we immediately enhanced our collaterals and going forward will ensure that adequate funds are always available in the form of FDs / Cash with the Clearing Corporation, which will be eligible for the G calculations. We clarify that our G balance was negative for 21st, 22nd, 23rd, 27th and 28th May 2024 only.

Considering the fact that IDBI Capital has always been a broker who has been following appropriate compliances as far as G calculations are concerned, we request a lenient view in this matter. This is the first instance at IDBI Capital where the G has become -ve since the commencement of business and totally unintentional and not with malafide intent.

Analysis:

Based on Member submission following is noted:

- The Member accepted the fact that Principal G was negative for 21st, 22nd, 23rd, 27th and 28th May 2024.
- The alert on May 22, 2024 pertaining to highest shortfall of Rs.- 9,19,67,417.64 has been considered.

The said non-compliance was informed to the Member vide email dated October 16, 2024, and the Member was requested to provide his comments along with documentary evidence showing compliance, if any. The Member was also informed of the applicable monetary fine. The Member vide emails dated June 12, 2024, accepted the error on their part.



Decision:

A penalty of **Rs. 9,19,674/- (Rupees Nine Lakhs Nineteen Thousand Six Hundred and Seventy Four Only)** is being levied for use of funds of credit balance clients towards settlement obligation of debit balance clients/ Own obligation.

You may please refer to SEBI circular Ref no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, issued vide Exchange Notice No. 20160927-41 dated September 27, 2016, and 20161020-17 dated October 20, 2016, SEBI circular Ref no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 issued vide Exchange notice 20170623-14 dated June 23, 2017 and 20170925-34 dated September 25, 2017.

AS
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