

June 20, 2024

BSE Limited

Department of Corporate Services
1st Floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street, Fort,
Mumbai – 400001

Security Code : **523405**

National Stock Exchange of India Limited

Exchange Plaza
Plot No. C – 1, G Block
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400051

Security Code : **JMFINANCIL**

Dear Sirs,

Sub: Order from SEBI

Further to the ex-parte interim order (“Interim Order”) dated March 7, 2024 passed by the Securities and Exchange Board of India (“SEBI”) in relation to JM Financial Limited (“Company”), SEBI has now passed an order dated June 20, 2024 (“Order”).

The Order, in line with the voluntarily undertaking of the Company, has directed the Company to not take any new mandate as lead manager in public issue of debt securities up to March 31, 2025 or such further date as may be specified by SEBI. The Order also clarifies that the directions contained in it is limited to the Company’s role as a lead manager to public issue of debt securities and does not relate to other activities of the Company, including acting as a lead manager to public issue of equity instruments.

The Company is committed to cooperate with SEBI for an expeditious resolution of the matter.

The copy of the Order uploaded on the SEBI website is annexed as Annexure.

We request you to kindly take the aforesaid disclosure on your record.

Thank you.

Yours truly,

For **JM Financial Limited**

Dimple Mehta

Company Secretary & Compliance Officer

Encl: As above

JM Financial Limited

Corporate Identity Number: L67120MH1986PLC038784

Regd. Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025.

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SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992

In respect of:

Name of the Noticee	Registration No.
JM Financial Limited	INM000010361

In the matter of public of issue of certain debt securities

1. The Securities and Exchange Board of India (SEBI) passed an Interim Order dated March 07, 2024, against JM Financial Ltd. (JMFL) in respect of certain potential irregularities observed in a public issue of Non-convertible Debentures where the Noticee was acting as one of the Lead Managers. Vide the said Order, it was directed that
 - a. *The Noticee is barred from taking any new mandate for acting as a lead manager for any public issue of debt securities.*
 - b. *In respect of any existing mandates, the Noticee may continue to act as a lead manager for public issue of debt securities for a period of 60 days from the date of this Order.”*

2. The prima facie findings in the Interim Order are recorded below:

JMFL was one of the lead managers to a public issue of NCDs. It was noted that a significant portion of the public issue was allotted to retail shareholders. Many of the retail shareholders, who were allotted securities pursuant to the issue, exited on the listing day itself. When the trading data on the listing day was analyzed, it was noted that the counter party to the trades of these retail investors was JM Financial Products Limited (JMFPL), an NBFC which is part

of JM Group. SEBI examination also revealed that JMFPL subsequently on the very same day sold down the securities, purchased from the retail investors, at a loss. It was also noted that the applications of a significant number of these retail investors were routed through JM Financial Services Ltd., the stock broker which is part of JM Group, and their applications were funded by JMFPL. The Examination also revealed that JMFPL had the Power of Attorney to operate the accounts of the investors being funded by them. Given the same, it was noted that it prima facie appeared that JM group entities were incentivizing certain investors to apply for securities in issues managed by JMFL.

3. Pursuant to passing of the Interim Order, the Noticee filed its reply on March 28, 2024. The Noticee was subsequently granted an opportunity of personal hearing on April 24, 2024. Mr. Janak Dwarakadas, Senior Advocate, led the arguments on behalf the Noticee. The Authorized Representative did not make any submissions on merits. Instead, it was urged that SEBI may consider not confirming the directions made vide the Interim Order in view of the voluntary undertakings furnished by the Noticee which *inter alia* included JM Financial not taking new mandates to act as a lead manager in any public issue of debt securities till March 31, 2025 or such further date that SEBI may specify.
4. Subsequent to the aforementioned hearing, SEBI vide email dated April 27, 2024, sought the views of the Noticee on whether it would wish to avail another opportunity of hearing for making submissions on merit. JMFL replied in the affirmative and the Noticee was granted another date of hearing on May 21, 2024.
5. The Noticee, however, expressed inability to present its case on the said date on account of non-availability of its counsel owing to court holidays. It was requested that the hearing be scheduled any time after June 12, 2024. Acceding to the request made by the Noticee, the hearing was rescheduled to June 18, 2024. On the said date, Mr. Janak Dwarakadas, Senior Advocate, representing the Noticee reiterated the submissions made during the earlier hearing. It was submitted by the counsel that the present proceedings may be concluded taking into consideration the voluntary undertaking given by the

Noticee. The authorized representative again did not make any arguments on merit.

6. It is noted that the undertaking furnished at the time of the second hearing, although on the same lines as the initial undertaking, differed in certain material respects. Given the same, the revised undertaking furnished by the Noticee are being reproduced below:

1. *JM Financial is willing to abide by the following undertaking:*
 - i. *JM financial undertakes not to take any new mandate as a lead manager in any public issue of debt securities for a period up to March 31, 2025 or such further date that SEBI may specify;*
 - ii. *Whilst RBI has directed JM Products to discontinue initial public offering (“IPO”) financing business only temporarily till RBI conducts special audit and resultant issues are resolved, the Board of Directors of JM Products has decided to voluntarily discontinue IPO financing business completely;*
2. *JM Financial further undertakes:*
 - i. *to ensure that its existing systems and processes relating to mandates for acting as lead manager for IPOs of debt securities are further augmented so that any kind of wrongdoing as alluded to, in the Interim Order is prevented/avoided;*
 - ii. *that the persons involved in mandates for acting as lead manager for IPOs of debt securities are adequately trained and be fully aware of the regulatory framework;*
 - iii. *that periodic workshops are conducted to ensure that the said personnel are familiar with the changing regulatory requirements;*
and
 - iv. *it shall submit a certificate of compliance to SEBI in terms of the undertakings contained in para 2 (i) to iii) above on or before December 31, 2024.*
3. *To facilitate the ongoing investigation being conducted by SEBI, JM Financial has already provided all the data/information pertaining to other issuances of debt securities and has also provided all the data/*

information/ documents, as requested by SEBI from time to time, and will continue to do so.

4. *JM Financial will not contend that the ongoing Investigation cannot be continued, nor will JM Financial contend that the investigation undertaken by SEBI has come to an end or that SEBI has no authority to continue or proceed with the investigation.*
5. *It is humbly prayed that the investigation is concluded expeditiously.*
6. *JM Financial is keen to resolve the matter through the settlement mechanism under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 and looks forward to any update in this regard.*
7. It is noted that the Noticee has categorically stated during the hearing held on June 18, 2024, and also in its written submissions filed on the same day that it does not wish to make any arguments on merits in respect of the preliminary findings recorded in the Interim Order. Given the same, the only question that needs consideration is whether the Interim directions need to be confirmed in light of the voluntary undertakings, which have been extracted above, given by the Noticee.
8. As stated earlier, the only restriction imposed by the Interim Order was the restriction placed on the Noticee in acting as a lead manager in the public issue of debt securities, till further orders. In this respect, in terms of the voluntary undertaking furnished JMFL, it is being proposed that the Noticee will not undertake any new mandate as a lead manager of a public issue of debt securities till March 31, 2025 or such further date as proposed by SEBI. It is, therefore, noted that the voluntary undertaking substantially covers the restrictions imposed vide the Interim Order.
9. It is also noted that the Noticee has submitted that it has decided to discontinue the IPO financing business. In this regard, it may be noted that the genesis of the potential irregularities identified in the Interim Order related to funding and assured exits provided by JMFPL to retail investors participating in debt issuances managed by the Noticee. The Interim Order was passed to protect

the integrity of the market as the potential irregularities related to the assured exits being provided by JMFPL, in the issues managed by JMFL, could adversely affect the orderly functioning of the market, especially the price discovery mechanism.

10. The orderly functioning of the price discovery mechanism is critical for the efficient allocation of capital within the financial system. Prices reflect the collective wisdom and expectations of market participants regarding the fundamentals, risks, and future prospects of securities. The system relies on transparency, fair competition, and the absence of artificial interventions to ensure that prices accurately reflect market conditions and investor sentiment.
11. When entities potentially engage in practices like those observed in the Interim Order, the integrity of the price system is compromised. Maintaining the integrity of the price system is crucial for fostering a transparent and efficient securities market that serves the interests of all participants and contributes to overall economic stability and growth. Also, as noted in the Interim Order, the Reserve Bank of India, on March 05, 2024, directed JMFPL *“to cease and desist, with immediate effect, from doing any form of financing against shares and debentures, including sanction and disbursement of loans against Initial Public Offering (IPO) of shares as well as against subscription to debentures.*
12. Given the same, there is a need to continue the directions issued vide the Interim Order, which is also part of the voluntary undertaking submitted by the Noticee, till the completion of the Investigation in the matter.

DIRECTIONS

13. In view of the foregoing and considering the undertaking furnished by the Noticee, I, in exercise of the powers conferred upon me under Sections 11 (1), 11(4) and 11B (1) read with Section 19 of the SEBI Act, 1992, hereby

confirm the directions issued vide the Interim Order dated March 07, 2024, subject to the modifications as specified below:

a. *JM financial shall not act as a lead manager in any public issue of debt securities till March 31, 2025 or such other date as may be specified by SEBI vide by an Order.*

14. It is clarified, at the request of the Noticee, that the directions contained in the Interim Order, as confirmed vide this Order, is limited to the functioning of the Noticee as a lead manager to public issue of debt securities and does not relate to other activities of the Noticee, including acting as a lead manager to public issue of equity instruments.
15. A copy of this Order shall be served upon Noticee for necessary action and compliance with the above directions.

DATE: JUNE 20, 2024

PLACE: MUMBAI

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA