

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AK/GN/2025-26/31806]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN RESPECT OF;

Reliance Securities Limited
SEBI registration number as INZ000172433
PAN: AADCR0260P

In the matter of Reliance Securities Limited w.r.t. Cyber Security and Cyber Resilience

Background

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted a thematic inspection of Reliance Securities Limited (hereinafter referred to as **Noticee**) w.r.t. Cyber security & Cyber Resilience and Framework on technical glitches applicable for specified members. The period covered in the inspection was from April 01, 2023 to October 31, 2024 (hereinafter referred to as '**Inspection Period**').
2. The Noticee is a SEBI-registered Stock Broker having SEBI registration number INZ000172433. The Noticee is a trading member of Bombay Stock Exchange Ltd. (hereinafter referred to as '**BSE**'), National Stock Exchange of India Ltd (hereinafter referred to as '**NSE**'), Multi Commodity Exchange of India Limited (hereinafter referred to as **MCX**) and National Commodity and Derivatives Exchange Limited (hereinafter referred to as **NCDEX**).
3. Based on the findings of inspection and reply vide email dated March 10, 11, 17, 28, April 03 and 09, 2025 received from the Noticee, certain non-compliances of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as **Stock Brokers Regulations**) and circulars issued by SEBI and NSE were observed.

APPOINTMENT OF ADJUDICATING OFFICER

4. Upon being satisfied that Noticee has violated various provisions of Stock Brokers Regulations and circulars issued by SEBI and NSE, SEBI approved initiation of adjudication proceedings and vide communique dated May 19, 2025, appointed the

undersigned as the Adjudicating Officer under Section 15-I of SEBI Act, 1992 (hereinafter referred to as '**SEBI Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') r/w Section 19 of the SEBI Act to inquire into and adjudge under section 15HB of SEBI Act, the alleged violations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice (**SCN**) dated June 02, 2025 was issued to Noticee in terms of Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules, 1995**") to show cause as to why an inquiry should not be initiated against it and why penalty, if any, be not imposed upon Noticee u/s 15HB of SEBI Act for the alleged violations.
6. Following allegations were made against the Noticee as per the SCN-
 - 6.1 Noticee failed to carry capacity planning based on critical systems and peak load calculation and failed to implement required capacity.
 - 6.2 Noticee failed to set up automated environment for software testing and traceability matrix between software functionalities.
 - 6.3 Noticee failed to preserve logs of key parameters.
 - 6.4 Noticee failed to establish business continuity/DR set up.
 - 6.5 All endpoint was not covered in Data Leakage Prevention (DLP) coverage.
 - 6.6 There were no solutions in place for classification of data.
 - 6.7 There were no solutions in place for Data Leakage Prevention – PII Data.
7. Vide email dated June 12, 2025, Noticee sought extension of 30 days for submission of reply. In view of the same, vide email dated June 13, 2025, Noticee was given time till July 06, 2025 for submission of its reply to the SCN. Vide email dated June 27, 2025, Noticee sought inspection of documents. In view of the same, vide email dated July 03, 2025, inspection of relevant documents was scheduled on July 08, 2025. Authorised Representatives (ARs) of the Noticee inspected the documents on July 08, 2025 and vide email dated July 09, 2025, Noticee was advised to submit its reply to the SCN by July 18, 2025. Vide letter dated July 18, 2025, Noticee filed its reply, the same is summarized below-

7.1 Background of the Noticee

- 7.1.1 *The Noticee is a wholly owned subsidiary of Reliance Capital Limited (“RCap”). RCap - the holding company of the Noticee was declared defaulter in 2019. The Reserve Bank of India (“RBI”) suspended the Board of Directors of RCap on November 29, 2021 and appointed Mr. Nageshwara Rao Y as an administrator to look after the affairs of RCap. On December 2, 2021 the RBI filed an application for initiation of corporate insolvency resolution process (“CIRP”) against RCap. Vide order dated February 27, 2024, the Hon’ble National Companies Law Tribunal (“NCLT”), Mumbai bench’s approved IndusInd International Holdings Limited (“IIHL”) as an implementing entity. Upon the requisite regulatory approvals and other procedural requirements, IIHL completed the transactions on March 19, 2025. The same has been taken on records by NCLT vide its order dated March 25, 2025. Accordingly, passing any order or a direction against the Noticee for the alleged violations between April 1, 2023 to October 31, 2024 being the Inspection Period would result in inequitable and unwarranted outcome.*
- 7.1.2 *The initiation of NCLT proceedings against RCap and such change in management, had significant adverse impact on the overall business operations of the Noticee, as the repercussions experienced by the holding company inevitably extended to its subsidiaries, including the Noticee. This situation triggered a substantial exodus of both clients and employees, leading to an unprecedented attrition rate within the organization as well as loss of business to the Company. Consequently, the Noticee’s business activities were severely affected, compelling them to explore all possible avenues to ensure its survival and continued existence.*
- 7.1.3 *As an endeavor to comply with the applicable regulatory frameworks, even in the given constraints, the Noticee had obtained ISO Certification 20071:2013 on September 05, 2023 which is valid until September 04, 2026.*
- 7.1.4 *After noting the Para 03, Page 02 of the SCN and the Inspection Report para 4, page 4, the Noticee submitted that some of their submissions in the matter post the initial submission of March 10, 2025 may not have been fully considered.*

7.1.5 With respect to paragraph 3 of the SCN the Noticee submitted that while the authority has acknowledged the Noticee's submissions vide emails dated March 10, 11, 17, 28, April 03 and 09 of 2025, SEBI has ignored Noticee's submissions made vide emails dated December 17, 23, of 2024; January 03, 08; March 6, 19; and May 17, of 2025 and various other communications which contained explanations along with supporting with regards to allegations contained in SCN. The brief list of documents shared and submissions made by emails which have not been considered before issuing the SCN are set out as under:

S.No.	Email Date	Content
1.	December 17, 2024	System Data, Asset list, DLP, High level Network Diagram, Password, Policy Prakriya- Change Management, SOC, Sophos Data, VAPT, Cyber Security Compliance Data, Board CTC, DR Mock Data, Exit Data, List of Assets, Logs of CISCO IPS for Nov and Dec 2022, Onboarding process, Patch Management, VAPT
2.	December 23, 2024	Board Approval, Capacity planning Documents, DR mock Data Documents, High level network diagram, LAMA Document, LAMA sever list, Mock Data participant Documents, Policy Documents, Prakriya-Change management, Technical glitch Documents, LAMA Document, LAMA Sever list, Technical Glitch, Board Approval,, Capacity planning Documents, DR mock Data Documents, High level network diagram, Mock Data participant Documents Policy Documents, Prakriya-Change management
3.	January 03, 2025	Asset List, DLP, High Level Network Diagram, Password Policy, Change Management, SOC, Sophos – Data, VAPT. Board CTC, DR Mock Data Exist Data, List of Assets, CISCO Logs, Onboarding process, Patch Management, VAPT, Board CTC, Capacity Planning, DR Mock data, High Level network Diag, LAMA, LAMA server list, Mock Data Participants, Policy Change Management, Technical Glitch, Board Document, DC- DR Syn. LAMA, Live utilization report. Product change Flow.
4.	January 08, 2025	snapshot for LAMA application.
5.	March 06, 2025	LAMA Alerts and Payload Validation
6.	March 19, 2025	Capacity Planning, Data Leakage Prevention (DLP) — Coverage, Data Classification, Data Leakage Prevention — PII Data, Antivirus — Turnaround Time (TAT) not followed
7.	May 17, 2025	Evidence of Capacity Planning Based on Critical Systems and Peak Load Calculation and Implementation of Required Capacity, Evidence of Setting Up Automated Environment for Software Testing and Traceability Matrix Between Software Functionalities, Evidence of Preserving Logs of Key Parameters, Evidence of Establishing Business Continuity/Disaster Recovery (DR) Setup

The above has been considered appropriately and is also reproduced in following paragraphs.

7.2 Reply to the allegation at paragraph 5.1 of the SCN:

7.2.1 The Noticee denied that it has failed to carry capacity planning based on critical systems and peak load calculation. Further the Noticee also denies that there is failure to implement required capacity. It is pertinent to note that the paragraph 5.1.1 of the SCN acknowledges that certain evidences/supporting were provided.

7.2.2 The Noticee vide email dated January 03, 2025 has provided the following documents to the Inspection Officials in relation to the allegation in the SCN:

Sr. No.	Details	Content
1	RCAP Cluster Capacity	Cluster Capacity Details
2	Cluster Capacity – Report	Cluster Capacity Report Screenshot
3	V Center	V Center Screenshot
4	Board Document	RSL CTC BN Noting of status of compliance of relevant circulars issued by regulators October 28, 2024
5	DC- DR Synchronous	LIVE TO DR ORDER
6	LAMA	API Portal, API Portal-1, Database, Hardware, Network
7	Live utilization report	Primary OMS server 10.65.1.65
8	Product change Flow	Account Freeze TAB, Account Frozen Dashboard, Tick Pro Dashboard, Tick Pro Account Controller, Tick Pro Settings, Account Controller (Tejas - July 26, 2024, Account Freeze Details, Account Freeze Screens (Tejas - 11 Jul 2024 170504), Account Freeze Unfreeze, Account Unfreeze Trade, Account Unfreeze Trade, Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA, Freeze Unfreeze - E-mail, CFS Limits Approval - Outlook
9	Board CTC	1. RSL CTC Technical Glitches Policy 2. RSL CTC Extract of Mins
10	Capacity Planning	CPU data, CPU utilz, Email:- Problem High CPU utilization (over 90% for 15m) Customer Reliance Capital Limited INC202411180500570 RSL thresholds
11	LAMA server list	Server List for LAMA
12	Policy	1. RSEC Information and Cyber Security Policy 2. RSEC Cyber Crisis Management Plan 3. Technical Glitches Policy
13	Change Management	Email details Prakriya-MDM
14	Technical Glitch	Email:- Technical glitch has occurred today on 17th Sep 2024, Technical glitch-Reporting T + 14 days, Technical glitch-Reporting T+1 Email:- RE Technical Glitch 19th July 2024, Technical glitch-Reporting - 19th July 2024, Final RCA RSL, SEBI PIQ Incident
15	DR Mock Data	DR Mock BSE - NCDX 05-10-2024 DR Mock Order Book NSE- BSE - MCX- NCDEX 14-09-2024 Mock Data 09-11-2024
16	Exist Data	Exit Clearance-Jansi (IT Clearance) Exit Screenshot
17	List of Assets	RSL CTC Noting of status of compliance of relevant circulars issued by regulators, List of critical systems, List of Critical user's, Live asset

		<i>Inventory, Extract of Minutes</i>
18	<i>CISCO Logs</i>	<i>FTD Data – 10th November 2022 & 20th December 2022</i>
19	<i>Onboarding process</i>	<i>Asset allocation, IMAC Request New Joinee Email from HR</i>
20	<i>Patch Management</i>	<i>Patching activity mail, SCCM Patching, List of SCCM Patching</i>
21	<i>VAPT</i>	<i>Evidence, Comprehensive Report RSL Final report, RSL Vulnerability Assessment Report, Tick Pro apk SAST Report, Tick Pro ipa SAST Report, ATR VAPT, BSE Shutdown Email VAPT ATR</i>
22	<i>DLP</i>	<i>DLP Email Screenshots, Endpoint Data, DLP policies details</i>
23	<i>High Level Network Diagram</i>	<i>HLD of Reliance Securities Limited</i>
24	<i>Password</i>	<i>CMS Password details</i>
25	<i>SOC</i>	<i>Email:- SQTK_ADV_2024_0081 - Android Malware- Targeting High- Value South Asian Assets SR202412110501531 Email:- INCIDENT #577777 RELIANCE (RSEC) SEVERITY Low Category Web Attack Follow-up 00 SR202412020501122 Email:- INCIDENT #577616 RELIANCE (RSEC) SEVERITY Low Category User Behavior Anomaly Follow-up 00, RSL Log Collection</i>
26	<i>Sophos – Data</i>	<i>Sophos Consol Data, Sophos High alerts</i>

7.2.3 *With regard to the allegation, the Noticee submits that the Noticee has duly complied with the prescribed regulations on capacity planning, as per the SEBI Circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022, Clause 4.2 & 4.3.*

7.2.4 *The peak load is regularly monitored by Technology team and the capacity across Critical Systems is reviewed and resettled everyday. Noticee submitted that considering the constraints faced by the Noticee over last five years, there is no growth in the number of transactions. Therefore, there was no requirement for capacity building.*

7.2.5 *The Noticee submitted that it has submitted all the relevant and required evidences to the NSE team vide emails dated January 03, 2025 and January 21, 2025. The submission along with relevant documentation supporting Noticee's compliance with capacity planning requirements, high level network diagram, installed capacity vs peak load, threshold limits, change management process etc. were already submitted to NSE officials.*

7.2.6 *The Noticee sought confirmation from NSE vide email dated January 21, 2025 if any additional clarification or data w.r.t capacity planning and/or any other parameter is pending from the Noticee's end to which no response was received. The Noticee submits that during the onsite inspection, live demo of their trading*

system was presented to the concerned inspection officials and no adverse observations were made by the officials.

- 7.2.7 *The Noticee has in their reply to the preliminary observations on March 10, 2025, submitted that there is 'V Centre tool' external vendors tools installed by the Noticee for the purpose of monitoring utilization, uptime, memory monitoring, peak load monitoring etc. of capacity planning. Further it was demonstrated to the concerned officials as to how the 1.5 times peak was monitored by the Noticee during the live demo. Pursuant to the request of NSE, the print screen of the same dated December 18, 2024 was also submitted on January 03, 2025. Therefore, the allegation that no evidence was provided by the Noticee for the installed capacity to be atleast 1.5 times of the observed peak load is vehemently denied.*
- 7.2.8 *Further, the Noticee submitted that at the time of inspection the alarm rules as set was "if host CPU usage is above 75% for 05 minutes then trigger the alarm as warning". The same was demonstrated through live demo and submitted to inspection officials. Post advise from inspection officials the threshold limit was reset to 70% of the total installed capacity.*
- 7.2.9 *Without prejudice to the submissions hereinabove, it is well settled that every minor discrepancy / irregularity found during the course of inspection is not culpable and the object of the inspection could be achieved by pointing out the irregularities / deficiencies to the intermediary at the time of inspection and making it compliant. In any case not every technical or a venial violation should be treated with penalty.*

7.3 Reply to allegations at paragraph 5.2 of the SCN

- 7.3.1 *As submitted during joint inspection, the Noticee submitted that it has always maintained records of all assets, including servers, operating systems, databases, middleware, network devices, firewalls, IDS/IPS, desktops, etc, with the latest applicable versions and patches, etc. The same is verified during their VAPT audit and submitted to exchanges as a part of reporting. Therefore, the allegation that there is lack of evidence provided for the periodic update of all assets, including servers, operating systems, databases, middleware, network devices, firewalls IDS/IPS, desktops etc. with the latest applicable versions and patches is vehemently denied.*

7.3.2 *The Noticee submitted that due to the ongoing constraint faced by the Noticee, all frontend application testing was undertaken through qualified and experienced testers. While implementing any off the shelf products, the Noticee obtains confirmation from the vendors/service providers that they have undergone intensive regression testing, configuration testing etc. before putting the system to use.*

7.3.3 *An automated environment for testing is already in place and the present trading application with new release has been deployed and is operational from March 27, 2025. The New Application which was under evaluation is now under CUG stage.*

7.4 Reply to allegation at paragraph 5.3 of the SCN:

7.4.1 *The Noticee denied that it has failed to preserve logs of key parameters. The Noticee submitted that they have implemented LAMA and the data is in sync with the Exchange system on real time basis. The SCN itself states that the Noticee has 41 critical systems and on all the 41 critical systems LAMA is implemented.*

7.4.2 *The Noticee submitted that the parameters as stated in point 5.3.2 were demonstrated to the Inspection Official during the course of Inspection. Further, the same was shared with NSE team for the purpose of API based monitoring mechanism via email dated June 28, 2024 (before Inspection) and January 08, 2025.*

7.4.3 *With regards to allegation contained in paragraph 5.3.3 of the SCN on log preservation, the Noticee submitted that the Noticee was maintaining the logs as required. However, based on the inputs received from the inspection officials of NSE the method of Log Preservation was changed from the earlier practice of overwriting to separate log preservation of key parameters for a period of 30 days.*

7.4.4 *The Noticee submitted that during the Inspection Period there was no trading impact faced by any of the clients of the Noticee and therefore a lenient view must be taken against the Noticee in relation the said allegation. The Noticee submits that the delay in implementation of LAMA by the Noticee be condoned for foretasted reasons.*

7.5 Reply to allegation at paragraph 5.4 of the SCN:

7.5.1 *With regard to the BCP-DR policy, the Noticee submitted that RCap, the parent company of the Noticee was managing the technological support and implementation at group level which covered different regulatory framework such*

as SEBI, RBI and IRDAI. The Noticee being the 100% subsidiary of RCap, adopted more comprehensive group level policy and the Board of the Noticee has duly adopted and reviewed the same on a periodic basis. The last revision and noting was done in the Board meeting held on May 05, 2025.

7.5.2 It is pertinent to note that due to default by RCap certain technology services which were provided by RCap at DAKC (New Mumbai) were abruptly stopped, leading to difficulties in further new developments and implementation. Subsequently, the Noticee has identified YOTTA (Panvel) as its Data Centre and YOTTA (Noida) as its Disaster Recovery site.

7.5.3 YOTTA (Panvel) is fully functional and the Disaster Recovery site of Noida is operational. The Noticee stated that it has participated in DR Mock Drill on July 05, 2025. The Noticee intends to participate in the second Mock Drill which will be conducted on/or before August 02, 2025 (as per the exchange calendar) in order to ensure that all their systems are properly configured, and a Live Trading for the entire day can be conducted smoothly. The Live Trading for one full trading day will be undertaken latest by August 31, 2025. The Noticee undertakes to inform all the relevant exchange as soon as the Noticee undertakes live trading from the DR site.

7.6 Reply to allegation at paragraph 5.5 of the SCN:

7.6.1 The Noticee submitted that it had provided the DLP Documents to NSE vide email dated December 17, 2024 as a part of Inspection Notice and PIQ exercise which covered the 336 End point Desktops as referred in SCN.

7.6.2 By an email dated March 19, 2025 NSE addressed an email to the Noticee requesting the Noticee to provide evidence on sample basis of 5 desktops along with the Hostnames to which the Noticee replied to the email on the same date with the relevant data. Further, on April 03, 2025 the Noticee received a telecon from SEBI's office seeking the same information as submitted to NSE. The Noticee submitted the same proof as submitted earlier. SEBI in its inspection report notes that the Noticee has submitted the documentary evidence post the inspection period. It is pertinent to note that it was only upon NSE and SEBI's request (both being post inspection period) that the Noticee immediately forwarded the evidence as on the date of submission. The Noticee cannot be charged for responding to a data request

immediately on the request being made. The SCN does not provide iota of evidence that proves that the Noticee was non compliant during the inspection period.

7.6.3 *Therefore, the Noticee states that the said endpoints were already covered during the inspection period and the said are not corrective actions as stated in the inspection report. In any case the regulator has not provided any evidence to prove that all endpoints were not covered in DLP coverage and therefore the allegation against the Noticee is denied.*

7.7 Reply to allegation at paragraph 5.6 of the SCN:

7.7.1 *The Noticee denies that based on the review of endpoints conducted, there were no solutions in place for classification of data. The Noticee also denies that during the inspection there were no solutions in place for classification of data.*

7.7.2 *The Noticee submits that the Inspection Report at Para 5.2 Page 10 and Para 6.2 Page 11 itself record that end points were covered under DLP and “Form – 16” sent to external domain was blocked as a result of classified information. The Noticee submits that all the DLP controls were in place at all times – before inspection period, during inspection and till date. By an email dated March 19, 2025 NSE addressed an email to the Noticee requesting the Noticee to provide evidence with regard to data classification to which the Noticee replied to the email on the same date with the relevant data. It is pertinent to note that it was only upon NSE’s request (being post inspection) that the Noticee immediately forwarded the evidence as on the date of submission. The Noticee cannot be charged for responding to a data request immediately on the request being made. The SCN does not provide iota of evidence that proves that the Noticee was non compliant during the inspection period.*

7.8 Reply to allegation at paragraph 5.7 of the SCN:

7.8.1 *The Noticee denies that there were no solutions in place of Data Leakage Prevention of PII data. The Noticee repeats and reiterates what is stated in its submission dated March 10, 2025, with respect to the allegation. The Noticee submitted that by virtue of Noticee’s ‘RSEC Information and Cyber Security Policy_V5.4,’ no person, regardless of rank or position, has the inherent right to access any confidential data, applications, system resources, or facilities. Further access to Information Technology systems, applications, databases, and networks is granted on a need-*

to-know basis. Further critical/sensitive data, including PII, is identified, classified, and encrypted.

- 7.8.2 Further with regards to the email system, the Noticee submits that an alert mechanism was already in place at all times. It is pertinent to note that in the event an email is sent to an external domain, the system notifies the sender that the recipient is outside the organization. A sample of the same was also provided with to SEBI vide letter dated March 10, 2025, which specifically covered the alert. The alert provides the sender with the option to verify whether the email is being sent to the correct address and allow or to revoke it if necessary. The Noticee also has in place the change management system wherein every right, access to the digital assets is monitored and tracked basis maker – checker and approval. Additionally, PII data has also been restricted to sent outside Noticee’s domain.
- 7.8.3 The Noticee has once again submitted all the documentary evidence vide email dated March 19, 2025 to NSE.
- 7.8.4 The Inspection Report notes that “...during the inspection, it was observed that a test mail was sent to external domain without raising any alert or blocking the mail.” The Noticee denied the same and stated that no evidence has been provided in the SCN to substantiate the same. Therefore, the allegation with respect to no solution in place for Data Leakage Prevention – PII Data is denied.

7.9 Legal Submissions:

- 7.9.1 Without prejudice to what is state hereinabove, the Noticee submitted that the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements. In support of the same, the Noticee relies upon the following orders passed by Hon’ble Securities Appellate Tribunal (“SAT”)-
- 7.9.1.1 Religare Securities Limited vs. SEBI (Appeal No. 23 of 2011)
- 7.9.1.2 M/s DSE Financial Services Limited vs. SEBI (Appeal No. 153 of 2012)
- 7.9.1.3 UPSE Securities Limited vs. SEBI (Appeal No. 109 of 2011)
- 7.9.2 In furtherance of the abovementioned submissions the Noticee humbly submitted that while adjudicating the present case of the Noticee, the Learned Adjudicating Officer ought to consider the factors enumerated under Section 15(J) of the SEBI

Act, 1992 and Rule 5(2) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995.

7.9.3 *In this regard, the Noticee submits that in the present case, the Learned Adjudicating Officer ought to appreciate that:*

7.9.3.1 *The Noticee has not made any disproportionate gain or unfair advantage for the alleged violations as mentioned in the SCN;*

7.9.3.2 *There is no loss caused to an investor or group of investors as a result of the alleged defaults mentioned in the SCN; and*

7.9.3.3 *The alleged violations are not repetitive in nature and in fact arise out of the unique and unprecedented situation faced by Noticee detailed above.*

7.9.4 *The Noticee further relies on the judgment in the matter of P.G. Electroplast Ltd. & Ors vs. SEBI dated August 02, 2019.*

7.9.5 *As can be seen from the above, the conditions stipulated in clause (a), (b), and (c) of Section 15J are not exhaustive and, in a given case, the Learned Adjudicating Officer can take note of other factors which are not specified in clause (a), (b), and (c) of Section 15J of the SEBI Act. Accordingly, in view of the above judgments and submissions of the Noticee, it is humbly submitted that the Learned Adjudicating Officer considers and takes into account the unprecedented circumstances faced by the Noticee which are highlighted in this Reply. These factors/circumstances ought to be considered in terms of Section 15J of the SEBI Act in addition to the factors already enumerated under Section 15J of the SEBI Act and accordingly it is prayed that no penalty be imposed in the present case. As can be seen the allegations pertain to a period where the Noticee was facing an unprecedented situation and accordingly taking into account the said circumstances, no penalty ought to be imposed on the Noticee. Further, as detailed above even on merits the Noticee has established that there is no violation as alleged.*

8. The Authorized Representatives (ARs) of the Noticee attended the hearing on the scheduled day i.e. September 19, 2025 and reiterated the submissions made vide reply dated July 18, 2025 and sought time till October 03, 2025 for making additional submissions. Vide reply dated October 03, 2025, Noticee made the additional submissions, which is summarized below-

8.1 Noticee submitted that the NSE/inspection officials may not have considered the data submitted during the inspection process in full. It is also pertinent to note that for most of the alleged violations, NSE had asked for data to be physically demonstrated and the same was done however still the SCN remained silent on the data which was demonstrated physically to the officials. This was also submitted during the hearing before the adjudicating officer on September 19, 2025. Page no.4, 5 and 6 of the reply dated July 18,2025 consists the table of the data which was submitted but not considered by the inspection officials before the issuance of SCN.

8.2 Noticee submitted that it conducted a mock drill during the first week of July 5, 2025. This was followed by another mock drill on August 9, 2025. Thereafter, the Noticee successfully conducted live drill on August 11, 2025 from its DR Site which was before the period of August 31,2025 and the same was also communicated to the regulators.

8.3 The learned adjudicating officer on September 19, 2025 directed the Noticee to submit –

- Logs of LAMA for the audit period sent to NSE
- Mail sent to NSE on LAMA
- Email by NSE which sought data for log preservation for 30 days
- DLP Logs during inspection
- List of endpoints
- Data Classification

8.4 **SCN Observation 5.3 : Logs of LAMA for audit period sent to NSE, Mail sent to NSE on LAMA & Email by NSE for log Preservation**

8.4.1 Noticee submitted that in total there were 41 critical systems and on all the 41 critical system, LAMA was implemented. This stand is also corroborated in the SCN which agrees that in all the critical system LAMA was implemented. Further we reiterate our earlier submissions stating that we have provided all the data as required as alleged in paragraph 5.3 of the SCN dated June 02, 2025. The parameters as stated in paragraph 5.3.2 were demonstrated to the Inspection Official during the course of Inspection. This was also shared with the team for the purpose of API based monitoring mechanism vide email dated June 28, 2024 i.e before inspection and on January 08,2025.

- 8.4.2 Noticee submitted that all the parameters were getting uploaded in the Exchange. During inspection when the NSE Inspection official asked if all the parameters were properly set, they demonstrated and gave a live demo to them.
- 8.4.3 Noticee submitted that LAMA was implemented in their systems and that can be verified from the email dated August 06, 2024 sent by NSE wherein they have specifically mentioned that some alerts had been identified in LAMA for Application Metric of Disk Utilization. This email was sent by the NSE during the inspection process. It also confirms that LAMA for Application Metric was already in place and that the NSE was able to check it.
- 8.4.4 Noticee submitted that in their response dated July 18, 2025 they have submitted that they are maintaining logs as required. However, based on the inputs received from the inspection officials of NSE, the method of log preservation was changed from earlier practice of overwriting to separate log preservation of key parameters for a period of 30 days. They have also submitted the same in their reply to the SCN. It is pertinent to highlight that they received email from NSE dated December 20, 2024 asking to provide clarifications regarding certain points specific as observed during inspection and by our reply dated December 26, 2024 we provided the clarification to the NSE officials. NSE once again vide their email dated December 30, 2024 requested to provide evidence for LAMA Logic metric application log to which we replied on January 8, 2025 with the snapshot of LAMA Application.
- 8.4.5 The omission of guidelines as to how the logs should be preserved is merely an understanding and interpretational issue. In view of the above Noticee submitted that this should not be construed as violation of SEBI Circular dated November 25, 2022 and NSE Circular dated December 16, 2022.

8.5 Observation 5.5, 5.6 and 5.7 : DLP Logs during inspection and List of End points

- 8.5.1 Noticee submitted that the endpoints are nothing but list of assets such as laptops and desktops in a company through which the data can be transmitted.
- 8.5.2 A comprehensive list of 707 total endpoints was submitted to the NSE Inspection Officials vide our email dated December 17, 2024 – as a part of inspection questionnaire submission during the course of Inspection process. Additionally, Noticee submitted the detailed list of laptops (out of the 707 total endpoints) to

the NSE officials which is on page no. 53 to 60 of reply dated July 18,2025. This list consists of 371 laptops. Accordingly, the remaining number of endpoints i.e Desktops comes to 336 – that is calculated as Total endpoints 707 minus Total laptops 371 equals to Total no. of Desktops 336.

8.5.3 When the NSE Inspection officials requested the Noticee for the list of 336 Desktops, they promptly provided the same to them. The list of the Desktops is also submitted in the reply dated July 18,2025 on page no. 69 to 83 (page 66 to 99 consists of total data as on the date when was requested by the NSE Inspection Officials). Serial no. 1 on page no. 69 to serial no. 454 on page no. 83 of the reply is the list of desktops. It is pertinent to note that due to the influx and efflux of employees, the data of the total endpoints keep changing and as on the date when the NSE Inspection Official asked for the total number of endpoints during the inspection process, we submitted the data of reflecting 778 endpoints on the date of submission.

8.5.4 With respect to the DLP allegation, Noticee already in the reply dated July 18, 2025 highlighted the sample of 5 such evidence which were requested by NSE Inspection officials vide their email dated March 19,2025. The 5 samples of desktops are :-

Sr. No	Name of Sample provided	Serial No. for data submitted on December 17,2024 of 707 total endpoints (Annx.F)	Serial No. of sample in the list of endpoints from Page No 69 to 99	Page No. of reply dated July 18, 2025	Page No. of reply dated July 18, 2025 to show how, inter alia, PII was Quarantined
1	Sachin Talod	45	167	74	114-116
2	Sachin Manohar Jadhav	124	172	74	100 -102
3	Pankaj Madhukar Kharat*	*	176	75	111-113
4	Anjan Singh	518	204	76	107-110
5	RSEChelpdesk	329	227	76	103-106

*As the person is a new entrant, his sample was provided to the NSE Inspection Official when the same was required by NSE Inspection official on March 19, 2025.

8.5.5 Further Noticee reiterate, that for sake of brevity - from the list of all the 707 endpoints assets, hereby once again submit samples of the endpoints to showcase that the same was covered under the DLP log preservation and Data classification during the audit period as directed by the learned adjudicating office :-

Sr. No	Date	Name of Person sending email to another domain	Endpoint (Laptop/Desktop)	Action	Serial No. as per Exhibit G

1	06-08-2024	Rohit Nashikkar	Desktop	Quarantined	74
2	22-07-2024	Vikram Vasu Suvarna	Desktop	Quarantined	232
3	30-09-2024	Shivangi Garg	Desktop	Quarantined	277
4	16-09-2024	Shailey Chawla	Desktop	Quarantined	371
5	10-07-2024	Khushi Singh	Desktop	Quarantined	391
6	22-07-2024	Hamza Shakeel Khan	Desktop	Quarantined	422
7	24-09-2024	Greeshma Jayakumar Chirayil	Laptop	Quarantined	363
8	14-08-2024	Milind Manohar Ghadi	Laptop	Quarantined	393

8.5.6 From the above it is pertinent to note that the email by the above persons/employees were being sent to outside domain mail ids and that due to the DLP in place and live in the endpoints, the same were quarantined. Therefore, the allegation in the SCN stating that all endpoints were not covered under the DLP coverage and that there was no solution in place for classification of data is incorrect. Further, Noticee state that the data which was quarantined was also classified for the parameters set in the DLP. From the sample provided, it is crystal clear that the data which pertained to Personal Identifiable Information (PII) was strictly quarantined. Noticee reiterated that they have in their reply dated July 18, 2025 have also mentioned that all the DLP controls were in place even before the NSE inspection. Noticee has also provided documentary evidence of the same when NSE addressed an email to the Noticee requesting to provide evidence. As the request by NSE was made after the Inspection period, the data was provided for that particular date. Noticee also submitted that, given the dynamic nature of technology, it can at times be challenging to extract specific reports, dashboards or screenshots corresponding to a past date. Therefore, referring to the latest available report to demonstrate implementation should not be considered disproportionate, as it serves the purpose of evidencing compliance and satisfies the test of implementation.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

- I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present matter are:

ISSUE I: Whether Noticee has violated the provisions of securities law as alleged in the SCN?

ISSUE II- Does the violation, if any, attract monetary penalty under Section 15HB of the SEBI Act, as applicable?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

10. Before proceeding further, it will be appropriate to refer to the relevant provisions.

SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022

https://www.sebi.gov.in/legal/circulars/nov-2022/framework-to-address-the-technical-glitches-in-stock-brokers-electronic-trading-systems_65466.html

NSE circular no. NSE/COMP/54876 dated December 16, 2022

<https://www.nseindia.com/resources/exchange-communication-circulars#>

Stock Brokers Regulations

Conditions of registration.

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

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II;

Clause A of Schedule II of Stock Brokers Regulations–

(2) *Exercise of due skill and care :* A stock-broker shall act with due skill, care and diligence in the conduct of all his business.

(5) *“Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.”*

NSE Circular no. NSE/INSP/61769 dated April 26, 2024

<https://www.nseindia.com/resources/exchange-communication-circulars#>

SEBI circular no. SEBI/HO/MIRSD/2018/147 dated December 03, 2018

https://www.sebi.gov.in/legal/circulars/dec-2018/cyber-security-and-cyber-resilience-framework-for-stock-brokers-depository-participants_41215.html

11. I have perused the submissions made by the Noticee and the other material on record. Before going into the merits, I would first deal with the preliminary submission of the Noticee. Noticee referred to the matter of UPSE Securities Limited vs SEBI, Religare Securities Limited vs SEBI and M/s DSE Financial Services Ltd. Vs SEBI contending that the purpose of an inspection/ examination is remedial and not punitive, and the object is to make the intermediary comply

with the procedural requirements. In this regard, I note that in the same matter i.e. UPSE Securities Limited vs SEBI Hon'ble SAT had further opined that if any serious lapse is discovered, it would always be open to the Board to take penal action in accordance with law. In the instant matter, Noticee is alleged to have violated various provisions, as mentioned above, hence, the same shall be considered on merits to arrive at a conclusion as to whether the violations are established and if yes, whether the same warrant any penalty to be imposed on the Noticee.

12. Now, I proceed to deal with the issues on merits in paras below;

ISSUE I: Whether Noticee has violated the provisions of securities law, as alleged in the SCN?

12.1 Failure to carry capacity planning based on critical systems and peak load calculation; failure to implement required capacity;

12.1.1 During inspection it was observed that Noticee did not provide sufficient evidence for capacity planning in critical systems and peak load calculation. Also, no evidence was given by the Noticee for the installed capacity to be at least 1.5 times of the observed peak load. There is no documentation on transaction rate growth analysis, capacity projections, and reviews. Additionally, the Noticee did not set the thresholds of 70% as per the monitoring mechanism defined in the circular.

12.1.2 In view of the above it was alleged that Noticee is in violation of clause 4.2 & 4.3 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 3(iii) & 3(iv) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.1.3 I note that in reply to the SCN, Noticee submitted that the peak load is regularly monitored by Technology team and the capacity across Critical Systems is reviewed and resettled every day. Considering the constraints faced by the Noticee over last five years, there is no growth in the number of transactions. Therefore, there was no requirement for capacity building. It has submitted all the relevant and required evidences to the NSE team vide emails dated January 03, 2025 and January 21, 2025. Noticee submitted that there is 'V

Centre tool' external vendors tools installed by the Noticee for the purpose of monitoring utilization, uptime, memory monitoring, peak load monitoring etc. of capacity planning. Further it was demonstrated to the concerned officials as to how the 1.5 times peak was monitored by the Noticee during the live demo. The Noticee submitted that at the time of inspection the alarm rules as set was "if host CPU usage is above 75% for 05 minutes then trigger the alarm as warning". The same was demonstrated through live demo and submitted to inspection officials. Post advise from inspection officials the threshold limit was reset to 70% of the total installed capacity.

12.1.4 I note that as per clause 4.2 & 4.3 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 3(iii) & 3(iv) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022, Stock brokers shall monitor peak load in their trading applications, servers and network architecture. The Peak load shall be determined on the basis of highest peak load observed by the stock broker during a calendar quarter. The installed capacity shall be at least 1.5 times (1.5x) of the observed peak load. Stock brokers shall deploy adequate monitoring mechanisms within their networks and systems to get timely alerts on current utilization of capacity going beyond permissible limit of 70% of its installed capacity. Capacity planning shall be done based on the rate of growth in the number of transactions observed in the past 2 years. This data should be extrapolated to predict the capacity required for the next 3 years. The capacity planning by Members should be done every year to review the available capacity, peak capacity, and new capacity required to tackle future load on the system. The purpose shall include all 'Critical Systems' operated in-house or through a Vendor/Application service provider (ASP).

12.1.5 I note that during inspection, Noticee did not provided sufficient evidence for capacity planning in critical systems and peak load calculation. I note that in reply to the SCN Noticee submitted that the peak load is regularly monitored by Technology team and the capacity across Critical Systems is reviewed and resettled everyday, however, no documentary evidences have been submitted by the Noticee with regard to the capacity planning in critical

systems and peak load calculation for the inspection period. Therefore, the aforesaid contention of the Noticee is not tenable.

12.1.6 Also, during inspection no evidence was given by the Noticee for the installed capacity to be at least 1.5 times of the observed peak load. Noticee submitted that it was demonstrated to the concerned officials as to how the 1.5 times peak was monitored by the Noticee during the live demo. Pursuant to the request of NSE, the print screen of the same dated December 18, 2024 was also submitted on January 03, 2025. However, as per the observations made during inspection no evidence has been given by the Noticee for the installed capacity to be at least 1.5 times of the observed peak load and the screenshot submitted by the Noticee is of December 18, 2024 i.e. after the inspection period, therefore, there is no material on record to verify that installed capacity was at least 1.5 times of the observed peak load during inspection period.

12.1.7 During inspection, it was also observed that there is no documentation on transaction rate growth analysis, capacity projections, and reviews. Additionally, the Noticee did not set the thresholds of 70% as per the monitoring mechanism defined in the circular. In this regard, Noticee submitted that at the time of inspection the alarm rules as set was “if host CPU usage is above 75% for 05 minutes then trigger the alarm as warning”. Post advise from inspection officials the threshold limit was reset to 70% of the total installed capacity. Therefore, I observe that the, Noticee has admitted that during inspection it did not set the thresholds of 70% as per the monitoring mechanism defined in the circular and subsequently it has rectified the same.

12.1.8 In view of the above discussion, I observe that Noticee is in violation of clause 4.2 & 4.3 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 3(iii) & 3(iv) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.2 Failure to set up automated environment for software testing and traceability matrix between software functionalities

12.2.1 During inspection, it was observed that the Noticee is conducting software testing manually and has not yet set up an automated environment and the

traceability matrix between software functionalities has not been found. There is a lack of evidence provided for the periodic update of all assets, including servers, operating systems, databases, middleware, network devices, firewalls, IDS/IPS, desktops, etc., with the latest applicable versions and patches.

12.2.2 In view of the above it was alleged that Noticee is in violation of clause 5.2, 5.3, 5.4, 5.6 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/ 160 dated November 25, 2022 and clause 4(v) & 4(x) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.2.3 I note that in reply to the SCN Noticee submitted that it has always maintained records of all assets, including servers, operating systems, databases, middleware, network devices, firewalls, IDS/IPS, desktops, etc, with the latest applicable versions and patches, etc. The same is verified during their VAPT audit and submitted to exchanges as a part of reporting. Noticee also submitted that an automated environment for testing is already in place and the present trading application with new release has been deployed and is operational from March 27, 2025. The New Application which was under evaluation is now under CUG stage.

12.2.4 I note that as per clause 5.2, 5.3, 5.4, 5.6 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 Stock brokers shall create test driven environments for all types of software developed by them or their vendors. Regression testing, security testing and unit testing shall be included in the software development, deployment and operations practices. Specified stock brokers shall do their software testing in automated environments. Stock Brokers shall prepare a traceability matrix between functionalities and unit tests, while developing any software that is used in trading activities. Stock brokers shall periodically update all their assets including Servers, OS, databases, middleware, network devices, firewalls, IDS /IPS desktops etc. with latest applicable versions and patches. As per and clause 4(v) & 4(x) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022, A Minimum number of unit test cases required for every change made in the software should be defined in advance, based on its functionality, and ensure sufficient test

coverage around instructions count, branches, and complexities. This would include base cases for the overall platform, plus specific sets of cases for each module under consideration. Members shall have a documented process/procedure for the timely deployment of patches for mitigating all identified vulnerabilities. The patch management process shall also be approved by the Governing Board of Members.

12.2.5 I note that, during inspection it was observed that Noticee is conducting software testing manually and has not yet set up an automated environment and the traceability matrix between software functionalities has not been found. I note that in reply to the SCN Noticee submitted that due to the ongoing constraint faced by the Noticee, all frontend application testing was undertaken through qualified and experienced testers. An automated environment for testing is already in place and the present trading application with new release has been deployed and is operational from March 27, 2025. The New Application which was under evaluation is now under CUG stage. However, no documentary evidence is submitted by the Noticee in support of its contention. Further, the VAPT report was submitted by the Noticee on December 12, 2024 i.e. after the inspection period. Therefore, the aforesaid contention of the Noticee is not tenable.

12.2.6 In view of the above, I observe that the Noticee is in violation of clause 5.2, 5.3, 5.4, 5.6 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/ 160 dated November 25, 2022 and clause 4(v) & 4(x) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.3 Failure to preserve logs of key parameters

12.3.1 During inspection, it was noted that the data for 6 parameters is not given to Exchange for the purpose of API based monitoring mechanism (LAMA) as specified in the Technical glitch framework. Additionally, no evidence was provided by the Noticee for log preservation. Further, there is a delay of 453 days in the implementation of LAMA by the Noticee.

12.3.2 In view of the above, it was alleged that Noticee is in violation of clause 6.4 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25,

2022 and clause 5(ii) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations and Clause A (2) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.3.3 I note that in reply to the SCN, Noticee submitted that the parameters were demonstrated to the Inspection Official during the course of Inspection. Further, the same was shared with NSE team for the purpose of API based monitoring mechanism via email dated June 28, 2024 (before Inspection) and January 08, 2025. With regards to allegation on log preservation, the Noticee submitted that the Noticee was maintaining the logs as required. However, based on the inputs received from the inspection officials of NSE the method of Log Preservation was changed from the earlier practice of overwriting to separate log preservation of key parameters for a period of 30 days.

12.3.4 I note that as per clause 6.4 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022, Stock brokers and stock exchanges shall preserve the logs of the key parameters for a period of 30 days in normal course. However, if a technical glitch takes place, the data related to the glitch, shall be maintained for a period of 2 years. Clause 5(ii) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 provides that through the 'LAMA' Gateway, values of the 'Key Parameters' listed in the provision should be served by the 'Specified Members'.

12.3.5 I note that during inspection it was observed that total number of critical systems Noticee has 41 and Critical systems on which LAMA has been implemented is 41. However, for the following parameters data was not received in LAMA for Application metric:

- throughput(THRGHPT)
- latency(LTNCY)
- failureTradeApi(FLD_TRDAPI)
- failureAuthentication(FLD_ATH)
- historicalThroughput(HST_THRGHPT)
- historicalLatency(HST_LTNCY)

- 12.3.6 I note that the data for above parameters was not given to Exchange for the purpose of API based monitoring mechanism (LAMA) as specified in the Technical glitch framework. Additionally, no evidence was provided by the Noticee for log preservation as per Exchange circular. Further, as per SEBI circular dated November 25, 2022 on Framework to address the 'Technical Glitches' in Stockbrokers' Electronic trading system, LAMA is to be implemented from April 01, 2023, whereas Noticee implemented LAMA from June 28, 2024. There is a delay of 453 days in the implementation of LAMA by the Noticee.
- 12.3.7 I note that Noticee submitted that the parameters as stated above were demonstrated to the Inspection Official during the course of Inspection. Further, the same was shared with NSE team for the purpose of API based monitoring mechanism via email dated June 28, 2024 (before Inspection) and January 08, 2025. However, on perusal of emails I observe that in the email dated June 28, 2024 the data w.r.t. observed parameters in LAMA is not provided completely by the Noticee and the data provided vide email dated January 08, 2025 is after the inspection period. Therefore, the aforesaid contention of the Noticee is not tenable.
- 12.3.8 Further, I note that during inspection it was observed no evidence was provided by the Noticee for log preservation as per Exchange circular. In this regard, Noticee submitted that based on the inputs received from the inspection officials of NSE the method of Log Preservation was changed from the earlier practice of overwriting to separate log preservation of key parameters for a period of 30 days. Therefore, I observe that the Noticee has admitted the aforesaid violation and changed the method of log preservation after it was pointed out by the inspecting officials.
- 12.3.9 I also note that as per SEBI circular dated November 25, 2022 on Framework to address the 'Technical Glitches' in Stockbrokers' Electronic trading system, LAMA is to be implemented from April 01, 2023, whereas Noticee implemented LAMA from June 28, 2024. There is a delay of 453 days in the implementation of LAMA by the Noticee. In this regard, Noticee admitted the aforesaid violation and submitted that the implementation in LAMA is delayed due to COVID-19 and Insolvency proceedings.

12.3.10 In view of the above, I note that the Noticee is in violation of clause 6.4 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 5(ii) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations and Clause A (2) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.4 **Failure to establish business continuity/DR set up**

12.4.1 During inspection, it was observed that Noticee has failed to establish Business Continuity Planning (BCP) and Disaster Recovery Site (DRS). Therefore, it was alleged that Noticee is in violation of clause 7.1, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 6(viii), 6(x), 6(xi) and 6(xiii) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.4.2 I note that in reply to the SCN, Noticee submitted that due to default by RCap certain technology services which were provided by RCap at DAKC (New Mumbai) were abruptly stopped, leading to difficulties in further new developments and implementation.

12.4.3 I note that as per clause 7.1, 7.3, 7.4, of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 Stock brokers with a minimum client base across the exchanges, as may be specified by stock exchanges from time to time, shall mandatorily establish business continuity/DR set up. The DRS shall preferably be set up in different seismic zones. Specified stock brokers shall conduct DR drills / live trading from DR site. Clause 6(x) and 6(xi) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022, provides that The BCP-DR policy document shall be reviewed at least once a year to minimize incidents affecting business continuity. The Governing Board of the Members shall review the implementation of BCP-DR policy approved by the Governing board of the Members on a Quarterly basis.

12.4.4 I note that during inspection it was observed that the Noticee has failed to establish Business Continuity Planning (BCP) and Disaster Recovery Site (DRS). In reply to the SCN, Noticee submitted that due to the default by RCap

(its parent company) certain technologies were abruptly stopped. Therefore, I observe that the Noticee admitted the aforesaid allegation.

12.4.5 In view of the above, I note that the Noticee is in violation of clause 7.1, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/ 160 dated November 25, 2022 and clause 6(viii), 6(x), 6(xi) and 6(xiii) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.5 All endpoint not covered in Data Leakage Prevention (DLP) coverage

12.5.1 It was observed that the 336 endpoints were found to be not covered under DLP. In view of the above it was alleged that Noticee is in violation of clause-6(f) of Annexure B of NSE Circular no. NSE/INSP/61769 dated April 26, 2024 r/w Clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.5.2 In reply to the SCN, Noticee submitted that it had provided the DLP Documents to NSE vide email dated December 17, 2024 as a part of Inspection Notice and PIQ exercise which covered the 336 End point Desktops as referred in SCN. Further it was only upon NSE and SEBI's request (both being post inspection period) that the Noticee immediately forwarded the evidence as on the date of submission. The said endpoints were already covered during the inspection period and the said are not corrective actions as stated in the inspection report.

12.5.3 I note that as per clause-6(f) of Annexure B of NSE Circular no. NSE/INSP/ 61769 dated April 26, 2024 Stockbrokers/ Depository Participants shall deploy detection and alerting tools. Members shall create data leakage prevention (DLP) solutions/ processes inclusive of detection, alerting, prevention, containment & response to a data breach/ data leak.

12.5.4 I note that during inspection, the inventory of assets on boarded on the DLP was exported and compared with the list of endpoints to procure the number of assets that were not. There was a total of 707 endpoints in the live asset inventory provided. It was observed that only 371 endpoints were onboarded onto the DLP and the 336 endpoints were found to be not covered under DLP, however in reply to the inspection findings Noticee has submitted that the same

are covered under web DLP. Noticee was advised to provide evidence to prove that the aforesaid endpoints were covered under DLP during the inspection period. The Noticee vide email dated April 03, 2025 has provided the documentary evidence as on March 19, 2025 i.e. after the inspection period.

12.5.5 I note that Noticee submitted that it had provided the DLP Documents to NSE vide email dated December 17, 2024 as a part of Inspection Notice and PIQ exercise which covered the 336 End point Desktops as referred in SCN. It further submitted that it was only upon NSE and SEBI's request (both being post inspection period) that the Noticee immediately forwarded the evidence as on the date of submission.

12.5.6 I note from the material available before me that 336 endpoints were not covered under DLP as the same was covered under web DLP. As a part of PIQ, Noticee provided DLP Documents to NSE vide email dated December 17, 2024 which included the DLP documents and Noticee provided the documentary evidence to SEBI and NSE as on March 19, 2025 as it was sought from the Noticee on that date. Therefore, the instant allegation against the Noticee is not established.

12.6 No solutions in place for classification of data

12.6.1 During inspection, based on the review of endpoints conducted, it was observed that there were no solutions in place for classification of data. Therefore, it was alleged that Noticee is in violation of clause 29 SEBI circular no. SEBI/HO/MIRSD/2018/147 dated December 03, 2018.

12.6.2 I note that in reply to the SCN, Noticee submitted that the Inspection Report at Para 5.2 Page 10 and Para 6.2 Page 11 itself record that end points were covered under DLP and "Form – 16" sent to external domain was blocked as a result of classified information.

12.6.3 I note that as per clause 29 SEBI circular no. SEBI/HO/MIRSD/2018/147 dated December 03, 2018, Critical data must be identified and encrypted in motion and at rest by using strong encryption methods.

12.6.4 I note that during inspection, based on the review of endpoints conducted, it was observed that there were no solutions in place for classification of data. In this regard, Noticee submitted that all the DLP controls were in place at all times

– before inspection period, during inspection and till date, however, no documentary evidence is submitted by the Noticee. Therefore, the aforesaid contention of the Noticee is not tenable.

12.6.5 I also note that Noticee submitted that the Inspection Report at Para 5.2 Page 10 and Para 6.2 Page 11 itself record that end points were covered under DLP and “Form – 16” sent to external domain was blocked as a result of classified information. In this regard, I note that the observation made in the inspection report is with regard to the post inspection period. Therefore, the aforesaid contention of the Noticee is not tenable.

12.6.6 In view of the above, I observe that the Noticee is in violation of clause 29 SEBI circular no. SEBI/HO/MIRSD/2018/147 dated December 03, 2018.

12.7 **No solutions in place for Data Leakage Prevention – PII Data**

12.7.1 During inspection, upon execution of the test email, it was observed that the email was successfully sent out to the external domain without raising any alert or blocking the email. Therefore, it was alleged that Noticee is in violation of clause-6(f) of Annexure B NSE Circular no. NSE/INSP/61769 dated April 26, 2024 r/w Clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

12.7.2 I note that in reply to the SCN, Noticee submitted that an alert mechanism was already in place at all times. A sample of the same was also provided to SEBI vide letter dated March 10, 2025, which specifically covered the alert.

12.7.3 I note that as per clause-6(f) of Annexure B NSE Circular no. NSE/INSP/61769 dated April 26, 2024, Stockbrokers/ Depository Participants shall deploy detection and alerting tools. Members shall create data leakage prevention (DLP) solutions/ processes inclusive of detection, alerting, prevention, containment & response to a data breach/ data leak.

12.7.4 I note that during inspection upon execution of the test email, it was observed that the email was successfully sent out to the external domain without raising any alert or blocking the email. In this regard, Noticee submitted that an alert mechanism was already in place at all times and submitted all the documentary evidence vide email dated March 19, 2025 to NSE. I note that Noticee sent a test email on March 19, 2025, i.e. after the inspection period, for prevention of

data leakage, by sending a document "ADHAR.pdf" to an external domain over email which was successfully blocked. However, during the inspection it was observed that a test mail was sent to external domain without raising any alert or blocking the email. Hence the submission of the Noticee is considered as corrective action as no documentary evidence is submitted by the Noticee for inspection period.

12.7.5 In view of the above, I observe that the Noticee is in violation of clause-6(f) of Annexure B NSE Circular no. NSE/INSP/61769 dated April 26, 2024 r/w Clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty under Section 15HB of SEBI Act?

13. As has been established above, Noticee has violated the following provisions-

13.1 Clause 4.2 & 4.3 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 3(iii) & 3(iv) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

13.2 Clause 5.2, 5.3, 5.4, 5.6 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 4(v) & 4(x) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

13.3 Clause 6.4 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 5(ii) of Annexure A of NSE circular no. NSE/COMP/54876 dated December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations and Clause A (2) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

13.4 Clause 7.1, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8 of SEBI circular no. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and clause 6(viii), 6(x), 6(xi) and 6(xiii) of Annexure A of NSE circular no. NSE/COMP/54876 dated

December 16, 2022 r/w clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

13.5 Clause 29 SEBI circular no. SEBI/HO/MIRSD/2018/147 dated December 03, 2018.

13.6 Clause-6(f) of Annexure B NSE Circular no. NSE/INSP/61769 dated April 26, 2024 r/w Clause A (5) of Schedule II of Code of Conduct r/w Regulation 9(f) of Stock Brokers Regulations.

14. Thus, the undersigned is of the view that it is a fit case for imposition of penalty u/s 15HB of the SEBI Act, which reads as given below:

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

ISSUE III: If so, how much penalty should be imposed on the Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?

15. While determining the quantum of penalty u/s 15HB of the SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under-
15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.”

16. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, suffered by the investors as a result of its failure nor has it been alleged by SEBI. As regard to the repetitive nature of the default, I note that Noticee has been penalised earlier by SEBI.

17. It is observed that the Noticee was under a statutory obligation to abide by and comply with the provisions of the Circulars / directions issued by SEBI and stock exchanges, which they failed to do during the inspection period. The very purpose of the said provisions is to deter wrongdoing and promote ethical conduct in securities market. While remedial action has been taken in some cases, Noticee being a registered intermediary is expected to take the statutory compliances seriously and take extra care to maintain a high degree of professionalism in the conduct of their business. Therefore, violations as established above do attract imposition of suitable penalty.

ORDER

18. Having considered the facts and circumstances of the case, the material available on record, the submissions made and corrective steps taken by the Noticee, the factors mentioned in Section 15J of the SEBI Act, and also taking into account judgment of the Hon'ble Supreme Court in *SEBI vs. Bhavesh Pabari (2019) 5 SCC 90* and in exercise of power conferred upon the undersigned u/s 15-I of the SEBI Act r/w rule 5 of the Adjudication Rules, 1995, the following penalty is imposed u/s 15HB of the SEBI Act on the Noticee:

Name of entity	Penalty u/s	Penalty
Reliance Securities Limited PAN: AADCR0260P	Section 15HB of SEBI Act	Rs. 5,00,000/- (Rs. Five Lakhs Only)

I am of the view that the said penalty is commensurate with the lapse/ omission on the part of the Noticee.

19. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

20. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

21. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings u/s 28A of the SEBI Act for realization of the said amount of

penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

22. In terms of the provisions of rule 6 of the Adjudication Rules, 1995, a copy of this order is being sent to the Noticee and also to SEBI.

PLACE: MUMBAI

DATE: November 26, 2025

AMIT KAPOOR

ADJUDICATING OFFICER