

BEFORE DISCIPLINARY ACTION COMMITTEE
METROPOLITAN STOCK EXCHANGE OF INDIA LTD.
(Formerly known as MCX Stock Exchange Ltd.)

ORDER UNDER RULES 1 & 2 OF THE RULES OF METROPOLITAN STOCK EXCHANGE
OF INDIA LTD. AGAINST MICRO FOREX EQUITY & DERIVATIVES PVT. LTD
(MEMBER ID 11760),

BACKGROUND AND FACTS

- 1.1. Micro Forex Equity & Derivatives Pvt. Ltd ("Micro Forex" or the "Member") (Member ID 11760) is a member of the Metropolitan Stock Exchange of India Ltd. ("the Exchange"). Details of its membership are reproduced in the tabulation below:

Sr No	Segment	SEBI Registration No	SEBI Registration Date	Active/ Non-Active Segment
1	Currency Derivatives	INE261481239	March 20, 2013	Temporary Deactivated on 17-Jun-15
2	Equity	INB261481239	March 20, 2013	Not activated
3	Future & Options	INF261481239	March 20, 2013	Not activated

Proceedings before Inspection Authority:

- 1.2. In accordance with Regulation 16.1 of the Currency Derivatives Segment, the Exchange decided to conduct a Regular inspection of the books of accounts, other records and documents of Micro Forex covering the period August 1, 2013 to July 31, 2014, and accordingly issued a notice dated August 12, 2014 to Micro Forex. An Information Data Requisition sheet was also annexed to the notice which Micro Forex was to submit by August 19, 2014. The said information was submitted by Micro Forex on September 08, 2014. Accordingly, a Regular inspection was conducted by the Exchange on September 15, 2014 and September 18, 2014 by the Inspecting officials of the Exchange.

- 1.3. During the inspection, the Inspecting Officials addressed a letter dated October 17, 2014 ("Preliminary Observation Letter") to Micro Forex, wherein the observations made during the inspection were recorded and further documents/ information were requested. Micro Forex responded to the Preliminary Observation Letter vide communication dated November 10, 2014 which was received by the Exchange on December 5, 2014. The letter only addressed the observations mentioned in the Preliminary Observation Letter and submitted only two sample copies of authorization letters and a blank copy of the complaint register maintained by the member. Other pending documents such as Bank Books for own bank accounts and bank books/bank statements for other accounts held with ICICI Bank, KYC of 4 clients, duplicate copies/Proof of Dispatch of daily margin statements issued to clients, Proof of Dispatch of quarterly statements issued to clients, Duplicate copies of contract notes issued to clients, Trial Balance, Balance and Profit & Loss account statement along with all schedules.
- 1.4. The inspection was completed on November 17 and 18, 2014, on which date, Micro Forex submitted copies of 4 KYCs for verification which were pending earlier and the director of Micro Forex, Mr. Ashish Agarwal orally requested for an extension of 10 days to submit the pending documents listed in the Preliminary Observation Letter.
- 1.5. Subsequently, the Exchange addressed email dated November 21, 2014, to Micro Forex, wherein the observations based on the limited data provided by Micro Forex were enlisted and applicable penalties for the said contraventions were indicated. Micro Forex was advised to respond by December 1, 2014. The Inspection Authorities also repeatedly followed up telephonically with Micro Forex.
- 1.6. As no positive response was forthcoming from Micro Forex, a detailed Inspection Report was formulated based on the information provided by Micro Forex as well as the observations of the Inspection Authority. In accordance with Regulation 16.4.1 of the Regulations of the CD Segment of the Exchange, the Report dated December 16,

2014 recorded the observations based on the data provided by the member along with the list of pending documents.

- 1.7. Based on the suggestions and observations in the Inspection Report, the Exchange addressed a detailed Observation Letter no. MCX-SX/INS/RE/1438/07/14-15/10577 to Micro Forex on December 16, 2014 wherein the discrepancies observed during the inspection were recorded and exemplified. Micro Forex was requested to respond to the same by December 26, 2014. Since there was no reply from the member, following reminders were sent:

Sr No	Letter No. and date	Time granted to submit the reply up to
1	MCX-SX/INS/RE/1438/07/14-15/10778 dated December 29, 2014	January 5, 2015
2	MCX-SX/INS/RE/1438/07/14-15/69 dated January 6, 2015	January 13, 2015
3	MCX-SX/INS/RE/1438/07/14-15/202 dated January 13, 2015	January 19, 2015 (extension request granted)
4	MCX-SX/INS/RE/1438/07/14-15/390 dated January 20, 2015	January 27, 2015

- 1.8. Micro Forex vide letter dated January 19, 2015 (received by the Exchange on January 22, 2015) submitted its reply (Reply to Observation Letter). However, many documents still remained pending.
- 1.9. Accordingly, further communication was addressed to Micro Forex vide email dated January 30, 2015, wherein a tabulation of the Exchange Observation, Member's Reply, Exchange Analysis, Exchange Requirement and prescribed penalty was formulated. A reminder mail was also sent on February 16, 2015. Micro Forex was also informed that in case of non-submission of documents/information, it may be construed that Micro Forex has nothing to offer and that the case shall be closed based on data available with the Exchange. Micro Forex, vide its letter dated February 19, 2015, submitted certain documents in response to the mail dated January 30, 2015.
- 1.10. Further to receipt of these documents, the Exchange, verified the data /details provided by the member and recorded the details of all contraventions observed

during the inspection in addition to its remarks on the member's reply, prescribed penalty and decided to issue a Show Cause Notice and place it before the Disciplinary Action Committee ("the Committee") for consideration in its next meeting

Show cause Notice and Hearings

- 1.11. The Exchange then issued a Show Cause Notice dated February 20, 2015 to Micro Forex wherein the contraventions observed during the inspection were enlisted and Micro Forex was informed that its reply did not satisfactorily address the same. Accordingly, Micro Forex was asked to show cause as to why disciplinary action should not be taken against it in accordance with Rules 1 and 2 and other applicable provisions of Chapter V of the Rules of the Exchange. Micro Forex was also intimated that the matter shall be placed before the Committee in its next meeting and that it shall be informed of the same once the date and venue of the meeting is finalized.
- 1.12. Parallely, an email dated February 23, 2015 was addressed to Micro Forex wherein it stated that the documents submitted vide letter dated February 19, 2015 were not sufficient and yet again Micro Forex was provided with a list of documents/ data that was necessary to ascertain and prove compliance.
- 1.13. A notice of hearing before the Committee was issued to Micro Forex vide letter no. MCX-SX/INSP-2014-15/RE/10/1438/981 dated February 26, 2015 and an opportunity of hearing was granted to Micro Forex. Vide email dated March 9, 2015 Micro Forex confirmed its presence in the meeting and authorized Mr. Ashish Kumar Agarwal (Designated Director) and Mr. Piyush Saraf (Authorised Representative) to attend the case. Additionally, an email dated March 05, 2015 was also addressed to Micro Forex wherein the contents of email dated February 23, 2015 were reiterated.
- 1.14. Mr. Ashish Kumar Agarwal (Designated Director) and Mr. Piyush Saraf (Authorised Representative) appeared before the Committee on March 13, 2015. During the hearing, Mr. Agarwal explained that they were new to this business and were unaware of compliance requirements and that to take care of the same they had

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appointed a Compliance Officer. Mr. Agarwal mentioned that they had collected enough margins upfront, and done settlement etc., however, proper records of the same were not maintained by the earlier Compliance Officer. Mr. Agarwal requested the Committee to give them one month's time to correct the documentation and submit the same to the Exchange for verification, in case of all the above mentioned discrepancies.

- 1.15. The Committee noted that during inspection, various contraventions such as false reporting of client margin collection, non-settlement of clients' accounts, non-segregation of client and own funds, improper maintenance of books of accounts etc., involving heavy monetary penalty and suspension from trading were observed. Taking into view the seriousness of contraventions, the Committee decided to give Micro Forex additional time to submit its reply. Accordingly, the Committee deferred the entire case till the next meeting and instructed the Exchange to place the entire matter in the next meeting of the Committee.
- 1.16. The Committee directed the Exchange to grant time of 30 days to Micro Forex to submit its revised reply and pending documents. The Exchange issued letter no. MCX-SX/INS/RE/10/1438/14-15/1342 dated March 19, 2015, as directed by the Committee and also followed-up for the same vide email dated April 8, 2015. However, there was no response from Micro Forex.
- 1.17. Taking into account the seriousness of the matter as well as the fact that no further information was forthcoming from Micro Forex, it was decided to place the same again in the next meeting of the Committee which was scheduled on May 29, 2015. Micro Forex was issued a second hearing notice vide letter no. MSEI/INSP-2014-15/RE/10/1438/3145 dated May 22, 2015. This letter, sent by courier, returned undelivered with a remark "shifted." The Exchange also sent a scanned copy of the notice vide email dated May 25, 2015 which did not bounce back due to which it was

construed that the same was received by Micro Forex. Yet again, there was no response from Micro Forex and it failed to appear before the Committee for hearing.

- 1.18. Accordingly, during the meeting held on May 29, 2015, the Committee considered the merits of the matter based on the available records in addition to the submissions proffered by Micro Forex, and arrived at the conclusion recorded herein.

CONSIDERATION AND FINDINGS

The Committee notes that the inspection revealed serious contraventions by Micro Forex, which attracted heavy penalty. Though Micro Forex was granted more than sufficient time to present its case, it is noted that many documents/ information are yet to be submitted. In light of the factors, the Committee shall now consider the following contraventions which were placed before it in the meetings held on March 13, 2015 and May 29, 2015:

1. False reporting of client margin collection
2. Non settlement of client accounts in 14 instances
3. Non segregation of client and own funds
4. Settlement related non-compliance
5. Clients' ledgers not maintained properly.
6. Bank books not maintained properly
7. Non submission/ incomplete submission of the following documents:
 - a. Bank Book of 'Own' Bank Account with Axis Bank (A/c No. 913020073652840) and Bank Book and Bank Statement for 'Other' Bank Account (A/c No. 627705500657) held with ICICI Bank
 - b. Proof of dispatch of Statement of accounts issued to clients
 - c. Format of statement of accounts issued to clients
 - d. Proof of dispatch of daily margin statement issued to clients

e. Explanation on "short term borrowings" of Rs.54.25 lacs, "trade payable" Rs. 14.61 lacs, "trade receivable" Rs. 152 lacs and "short term loans & advances" Rs. 13.60 lacs appearing in the Balance Sheet. The member was informed to explain the same vide Exchange email dated March 5, 2015.

8. Format related discrepancies in the Contract Notes issued
9. Dedicated email id for correspondence between the Member and Exchange in relation to Investor Grievance was not intimated by the Member
10. Delay in intimating details of Designated Director to Financial Intelligence Unit (FIU), Delhi
11. Non upload of KYC documents to KRA
12. Discrepancies in Client Registration documents - incomplete, tariff sheet, financial info etc.
13. Non maintenance of order book

The alleged contraventions have been considered by the Committee based on the available records, particularly, the observations during the inspection, the documents and information furnished by Micro Forex as also the submissions proffered by Micro Forex during the meeting held on March 13, 2015.

I. CONTRAVENTION: FALSE REPORTING OF CLIENT MARGIN COLLECTION:

- The first contravention before the Committee for consideration pertains to that of False Reporting of client Margin Collection and reporting to the Exchange/Clearing Corporation. The Rules, Regulations and Bye Laws of the Exchange mandate that trading members must demand and collect from their constituents the prescribed margin deposit in respect of the business done by the Member for such constituents. Particularly, Regulation No. 4.4.14 of the CD Segment of the Exchange mandates that where a member is required to pay margin money on transaction executed on behalf

of the constituent, he shall collect the same from the constituent in such form and manner as may be specified by the Exchange. Additionally Regulation 6.5 of the CD Segment of the Exchange clearly indicates that the deals in Derivatives Contracts shall be cleared and settled by the Member only on receipt of the minimum margin as prescribed by the relevant authority and that the Member shall inform the Clearing Corporation of the amount deposited as margin on behalf of the Member's constituent. The manner and form of collection is further prescribed by way of the following circulars:

- MCX-SX Circular No. MCX-SX/C&S/63/2009 dated February 16, 2009
- SEBI circular no. CIR/DNPD/7/2011 dated August 10, 2011
- MCX-SX Circular No. MCX-SX/C&S/619/2011 dated August 11, 2011
- Exchange Circular no. MCX-SX/C&S/663/2011 dated December 16, 2011
- MCX-SX Circular No. MCX-SX/INSP/667/2011 dated December 20, 2011

FINDINGS:

- In the present case, it is noted that Micro Forex failed to collect the prescribed margin from its clients, and additionally falsely reported that the same was duly collected. At the time of inspection, the Inspection Authorities noted that of the 7 instances which were verified, there was shortfall in the margin reported as collected in 5 instances. The same was also communicated to Micro Forex vide the Preliminary Observation Letter dated October 17, 2014. Details of the contravention are reproduced below:

Margin Date	Client Code	Client Name	Margin Required	Margin Reported to be collected	MCX- SX MTM ledger balance (Dr/Cr)	Margin available in the books of MCX- SX	Shortfall in Margin reported and margin available
06.01.14	MF012	Agomoni Commercial Pvt. Ltd	68,820	75,000	50,000	50,000	18,820
21.03.14	MF039	Maniratan Vincom Pvt. Ltd.	7,94,175	9,00,000	0	0	7,94,175
21.03.14	MF040	Prashan Commotrade Pvt. Ltd.	13,23,625	14,00,000	0	0	13,23,625

24.03.14	MF044	Hooghly Alloy & Steels Co. Pvt. Ltd.	20,32,240	21,00,000	0	0	20,32,240
28.07.14	MF008	Siddharth Agarwal	2,41,900	2,50,000	-3,54,338	0	2,41,900
TOTAL MARGIN (MINIMUM OF REQUIRED AND REPORTED)							56,43,655/-
TOTAL SHORTFALL IN MARGIN							44,10,761/-

- The Committee further noted that Micro Forex responded to the Preliminary Observation Letter by stating that all margin shortfalls were due to employee negligence and that the management was not informed of the same. Micro Forex further assured the Inspection Authorities that the mistake shall not happen in the future. The Observation Letter issued to Micro Forex indicated that the shortfall was due to insufficient ledger balance in respect of client code nos. MF012 and MF008. Also it was highlighted that benefit of cheque received was not given since the cheque was not presented for payment in case of client code nos. MF039, MF040 and MF044. Micro Forex, in its response, yet again stated that wrong/ false reporting was due to the inappropriate knowledge of the employee and that the management became aware of this matter only after inspection.
- The Committee notes that the member did not contest the observation. On the other hand, such false reporting was attributed to employee negligence. The Committee is of the view that False Reporting of Margin is a grave and serious offence, due to which the same cannot be overlooked despite the assurance provided by Micro Forex. The management ought to be aware of the activities within its organization and the plea of ignorance cannot be taken in such cases. In the absence of documentary evidence to refute the margin contravention observed by the Inspection Authorities as well as clear admission by Micro Forex of the same, the contravention of False Reporting of Margin stands established and prescribed penalty may be levied.

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II. CONTRAVENTION: NON SEGREGATION OF CLIENT AND OWN FUNDS

- The contravention in respect of non-segregation of client and own funds is now discussed. As per Regulation 15.1.6.1 of the Regulations of the CD Segment it is compulsory for all Trading Members to keep the money of the constituents in a separate account and their own money in a separate account. No payment for transactions in which the Trading Member is taking a position as a principal shall be allowed to be made from the constituent's account. It was therefore necessary for Micro Forex to observe this policy and also demonstrate its compliance of the same.

FINDINGS:

- The Committee notes that at the time of inspection it was observed that the policy of non-segregation of funds in Client's Bank Account and member's own Bank Account was not duly followed. Such non-segregation was observed in both accounts such that entries reflected receipts from or payments to entities other than clients.

a. Client's Bank Account:

From the Bank Book and Bank Statement of Member's Client Bank Account No. 913020003867087, maintained with Axis Bank it was observed that entries as detailed below pertained to receipts from/ payments to entities other than clients.

Date	Client Code	Client Name	Receipt	Payment	Balance	Chq No Drawn on
26-Dec-13	M001	CORAL TRADECOM PVT	2,00,000.00		2,00,100.00	RTGS
4-Feb-14	M014	KESARINANDAN COMMOD	3,20,000.00		1,683.91	RTGS
13-Feb-14	M001	CORAL TRADECOM PVT	2,00,000.00		2,01,683.91	RTGS
27-Feb-14	M012	ASHISH SURANA		7,00,000.00	1,93,019.96	RTGSAXIS BANK 7087
25-Mar-14	M026	INDIA FORMS CENTRE		13,125.00	-8,20,105.04	185637 AXIS BANK 7087
28-Mar-14	M002	PARAMJYOTI TIE UP P	5,00,000.00		-4,18,787.54	RTGS
29-Mar-14	CASH	CASH AC	3,000.00		-8,61,733.05	
31-Mar-14	M014	KESARINANDAN COMMOD		3,20,000.00	-11,92,620.84	185557 AXIS BANK MCX SX CURRENCY
31-Mar-14	M009	SLA COMMODITIES & D		2,000.00	-11,94,620.84	185561 AXIS BANK MCX SX CURRENCY
31-Mar-14	M010	DALI TRADE LINK PVT		3,000.00	-11,97,620.84	185552 AXIS

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						BANK MCX SX CURRENCY
5-Apr-14	M011	H R SYNERGIES		11,798.00	-12,26,356.37	185639 AXIS BANK MCX SX CURRENCY
11-Apr-14	M002	PARAMJYOTI TIE UP P		6,00,000.00	-12,76,356.37	RTGSAXIS BANK MCX SX CURRENCY
25-Apr-14	M011	H R SYNERGIES		7,833.00	-12,33,635.34	185641 AXIS BANK MCX SX CURRENCY
14-May-14	M002	PARAMJYOTI TIE UP P	30,000.00		-12,04,421.86	NEFT
16-May-14	M002	PARAMJYOTI TIE UP P	1,00,000.00		-11,90,597.04	NEFT
19-May-14	M002	PARAMJYOTI TIE UP P	50,000.00		-12,40,597.04	NEFT
3-Jun-14	M002	PARAMJYOTI TIE UP P		1,50,000.00	-18,16,152.59	NEFTAXIS BANK MCX SX CURRENCY
6-Jun-14	M007	PEERLESS SECURITIES		3,247.00	-18,14,399.59	185541 AXIS BANK MCX SX CURRENCY
9-Jun-14	M011	H R SYNERGIES		1,154.00	-18,15,553.59	185542 AXIS BANK MCX SX CURRENCY
13-Jun-14	M030	MCX-SX MISC CHARGES		1,124.00	-22,83,307.39	185537 AXIS BANK MCX SX CURRENCY
18-Jun-14	CASH	CASH AC		1,00,000.00	-31,70,722.73	185544 AXIS BANK MCX SX CURRENCY
27-Jun-14	M002	PARAMJYOTI TIE UP P	3,50,000.00		-59,97,106.18	RTGS
30-Jun-14	M006	DEEPAK AGARWAL	30,000.00		-59,67,106.18	NEFT
4-Jul-14	M030	MCX-SX MISC CHARGES		1,124.00	-60,18,230.18	185543 AXIS BANK MCX SX CURRENCY
4-Jul-14	M027	SYPHER COMMOTRADEPVT	2,00,000.00		-58,18,230.18	RTGS
17-Jul-14	M028	V PATODIA & CO.		7,500.00	-58,25,730.18	185566
18-Jul-14	M027	SYPHER COMMOTRADEPVT		2,00,000.00	-60,25,730.18	185567
24-Jul-14	M027	SYPHER COMMOTRADEPVT	2,00,000.00		-59,22,730.18	5

b. Member's Own Bank Account

From the Bank Statement of 'Own' Bank Account (Account No. 913020007365284) maintained with Axis Bank, it was observed that entries as detailed below pertained to receipts from/ payments to entities registered as clients.

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Transaction Date	Cheque No	Particulars	Debit	Credit	Balance
7-Jan-14	64237	BRN-RTGS-UTIBH14007222425-OCTAGONENTERPRISE	1424934.31	-	2172.43
4-Feb-14	64235	UNIVERSALCORPORATIONLIMITED	500000		2172.43
29-Mar-14	64247	VALUEADDEDMERCHANTSPVT	39847.95		3764.05

- The Committee notes that the above observation and details were communicated to Micro Forex vide the Preliminary Observation letter, to which Micro Forex responded by stating that by mistake some receipts and payments were made through client's bank account which is not related to clients and it would not happen in the future. As the response provided by Micro Forex was an admission, the same was not altered and yet again forwarded to Micro Forex vide the Observation letter. The Committee notes that Micro Forex, in its response yet again admitted the contravention by stating that it happened by mistake that cheques other than those of clients were deposited instead of self- account and some expense cheques were issued from client bank account. Vice versa in self-account some client cheque was deposited. Additionally, Micro Forex gave assurance that such type of mistake will not happen in future.
- The Committee is now of the view that the observation of the Inspection Authorities and the Exchange is established as the available records indicate non- segregation of funds in client and member's own account. Furthermore, the admission of non-segregation by Micro Forex and the absence of any data to the contrary fortify the above. The Committee is of the view that Micro Forex has not segregated its accounts from that of its clients and has thereby contravened the requirement of Regulation 15.1.6.1. It is also evident that Micro Forex attributed such contravention to a mistake which cannot be condoned. The contravention is hence established and the prescribed penalty may be levied.

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III. CONTRAVENTION: NON SETTLEMENT OF CLIENT ACCOUNTS IN 14 INSTANCES

- The next contravention under consideration pertains to non-settlement of client accounts. SEBI, vide circular no. MIRSD/SE/Cir-19/2009 dated December 3, 2009 mandated that client accounts ought to be settled in accordance with the timelines and procedure as prescribed from time to time. In this respect the following circulars were issued in respect of settlement of client accounts:
 - SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 3, 2009
 - MCX-SX Circular No. MCX-SX/INSP/238/2009 dated December 4, 2009
 - MCX-SX Circular No. MCX-SX/INSP/296/2010 February 25, 2010
 - MCX-SX Circular No. MCX-SX/INSP/1552/2013 dated October 30, 2013

FINDINGS:

- It is noted that the Inspection Authorities, at the time of inspection, observed that client's account was not settled on a monthly/ quarterly basis in 14 out of 23 instances. The same was also enlisted and communicated to Micro Forex in the Preliminary Observation Letter. Details of the non-settlement are given herein below:

Client Code	Name of client	For the quarter	Date of Settlement	Total balance in all exchanges on settlement day	Total Margin & other obligation in all exchanges	Funds allowed to be retained	Amount to be settled
MF004	Starpoint	Dec 2013	30-Dec-13	14,25,804	0	0	14,25,804
MF004	Constructions Pvt. Ltd.	Jun 2014	30-Jun-14	9,50,000	0	0	9,50,000
MF006	Universal Corporation Ltd.	Dec 2013	27-Dec-13	4,57,733	0	0	4,57,733
MF007	Arihant Equity	Mar 2014	31-Mar-14	16,938	0	0	16,938
MF007	International Pvt Ltd	Jun 2014	30-Jun-14	16,938	0	0	16,938
MF023	Eloquent Exim Pvt Ltd	Mar 2014	31-Mar-14	82,931	0	0	82,931
MF025	G S Financial Corporation	Jun 2014	30-Jun-14	5,25,556	0	0	5,25,556
MF030	Jayant Sebacates Pvt Ltd	Jun 2014	30-Jun-14	4,66,630	0	0	4,66,630

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MF033	Siddhipriya	Mar 2014	31-Mar-14	59,926	0	0	59,926
MF033	Distributors Pvt Ltd	Jun 2014	30-Jun-14	59,926	0	0	59,926
MF039	Maniratan Vincom	Mar 2014	31-Mar-14	8,87,415	0	0	8,87,415
MF039	Pvt Ltd	Jun 2014	30-Jun-14	8,87,415	0	0	8,87,415
MF040	Prashan	Mar 2014	31-Mar-14	12,21,774	0	0	12,21,774
MF040	Commotrade Pvt Ltd	Jun 2014	30-Jun-14	12,21,774	0	0	12,21,774

- The Committee notes that the response received from by Micro Forex was that running account authorization was being taken from the client and maximum client accounts were settled on quarterly or monthly basis. However, Micro Forex stated that some clients did not wish to settle their account, such that though cheques were issued, the client did not accept the same. The Observation Letter too recorded this response and maintained the observation while recording that the member had provided dates of settlement and though the above table was prepared based on the dates provided by the member, it was observed that no actual settlement had taken place. Micro Forex, in response to the Observation Letter stated that it settled the client's ledger on best effort basis but some ledgers were not settled in due course. An assurance was also given that at present all client's ledgers were settled as mentioned in the observation letter. A copy of the ledger was also stated to be attached.
- The Committee notes that Micro Forex confirmed that the ledgers were settled subsequently. However, client ledgers and bank statements were not provided in support of its claims. It is further observed that Micro Forex was requested vide emails dated January 30, 2015, February 16, 2015, February 23, 2015, and March 05, 2015 to provide client ledgers and bank statement. Additional time was also granted to submit settlement working and Bank Statements displaying the payment of funds. However, there were no documents submitted by Micro Forex in this regard.
- The Committee is of the view that in the absence of satisfactory documents to prove the contrary and clear admission of contravention by the member, the contravention

observed against Micro Forex in respect of non-settlement of client funds in the aforementioned 14 instances, is established and the prescribed penalty may be levied.

IV. SETTLEMENT RELATED NON-COMPLIANCE

- Having considered and established non-compliance in respect of Section (III) above, a further aspect of settlement non-compliance is now under discussion. The circulars prescribed by SEBI and the Exchange state that unless specifically agreed by a client, the settlement of funds/ securities shall be done within 24 hours of the payment. However, a client may specifically authorize the broker to maintain a running account subject to certain conditions. One of these conditions mandates that the actual settlement of funds and securities shall be done at least once in a calendar quarter or month, depending upon the preference of the client. The circulars which prescribe requirements are as follows:
 - SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 3, 2009
 - MCX-SX Circular No. MCX-SX/INSP/238/2009 dated December 4, 2009
 - MCX-SX Circular No. MCX-SX/INSP/296/2010 February 25, 2010

FINDINGS BASED ON FACTS PLACED BEFORE Committee:

- In the present case, the Committee notes that Micro Forex stated that running account authorization was taken and maximum client settlement was done on a quarterly basis.
- At the time of inspection, it was observed that for the following 17 clients out of the 25 clients selected for sample scrutiny, the member had not obtained the preference from the clients towards monthly / quarterly settlement of their accounts:-

Sr. No	Client Code	Client Name
1	MF004	Starpoint Constructions Pvt. Ltd.
2	MF005	Deepak Hitech Motors Pvt. Ltd.
3	MF006	Universal Corporation Ltd.
4	MF007	Arihant Equity International Private Limited

Sr. No	Client Code	Client Name
5	MF008	Siddharth Agarwal
6	MF011	Dolphin Commerce Private Limited
7	MF012	Agomoni Commercial Private Limited
8	MF023	Eloquent Exim Pvt Ltd
9	MF025	G S Financial Corporation
10	MF030	Jayant Sebacates Pvt Ltd
11	MF034	Suman Realtors Advisory Pvt Ltd
12	MF035	Merrill Infrastructure Ltd
13	MF037	Lingraj Plaza Pvt Ltd
14	MF039	Maniratan Vincom Pvt Ltd
15	MF040	Prashan Commotrade Pvt Ltd
16	MF042	Rahul Suri
17	MF044	Hooghly Alloy & Steels Co Pvt Ltd

- It is seen that the Observation letter recorded the above and requested comments from Micro Forex. The response to the Observation letter stated that Micro Forex had already complied with the same in due course and a photocopy of the documents indicating preference for all clients was annexed. The Committee notes that the Inspection Authorities reviewed the documents submitted and informed Micro Forex that preference towards settlement of accounts was not provided in respect of the following two clients:

Sr. No	Client Code	Client Name
1	MF007	Arihant Equity International Private Limited
2	MF042	Rahul Suri

- The preference towards settlement in respect of Client Code No. MF042 (Rahul Suri) was provided vide letter dated February 19, 2015. However, no documents were submitted further to this, in spite of repeated requests by the Exchange as well as the Committee. Accordingly, it is noted that Micro Forex has not obtained preference towards monthly/ quarterly settlement of account in respect of one client i.e. Arihant Equity International Private Limited. Due to this, the Committee is of the view that

Micro Forex is in contravention of the requirements in respect of settlement of accounts and has thereby failed to comply with the same. The contravention observed against Micro Forex thereby stands established. As non-compliance is indicated in one case out of the 25 cases scrutinized, the percentage of contravention is 4%. The applicable penalty may thereby be levied.

V. CONTRAVENTION: CLIENTS' LEDGERS NOT MAINTAINED PROPERLY.

- The Committee now considers the aspect of improper maintenance of client ledgers. As required under Regulation No. 15.1.6.1 of the CD Segment of the Exchange, every Trading Member shall keep for a period of 3 years such books of accounts, as shall be necessary, to show and distinguish in connection with his business as a Trading Member and also to comply with Rule 15 of Securities Contracts (Regulation) Rules, 1957:
 - (i) The moneys received from or on account of and moneys paid to or on account of each of his constituents; and,
 - (ii) The moneys received and the moneys paid on Trading Members own account

FINDINGS:

- At the time of inspection, the Inspection Authorities observed that there were certain discrepancies in the client ledgers wherein certain entries in the ledgers did not reflect in the corresponding Bank Statements or the entries in the Bank Statements did not appear in the client ledgers. Since penalty has been imposed for non-segregation of client's and own funds, these discrepancies are being considered in respect of improper maintenance of client ledgers.
- It is noted that the Preliminary Observation Letter sent to Micro Forex, recorded the following observation in this regard:
 - i. Member's 'Other' Bank Account: From the Bank Statement of Member's Bank account no 627705500657 maintained with ICICI Bank (provided for 26-Dec-

13, 19-Mar-14, 20-Mar-14, 21-Mar-14, 24-Mar-14, and 26-Mar-14), it was observed that entries appearing in the same pertain to receipts from / payments to clients. However the same were not recorded in the Client ledgers. In some instances Client ledgers were not provided for verification. Bank statement for the period August 2013 to July 2014 was also not provided.

Details of the entries are reproduced below:

Value Date	Txn Posted Date	Description	Credit/ Debit	Transaction Amount	Available Balance	Remark
19-Mar-14	19-Mar-14	RTGS-BKDNH14078575902-JAYANT SEBACTES PRIVATE LTD	Cr	9500000	9532876.57	
19-Mar-14	19-Mar-14	RTGS-ICICH14078052264/KAMINI METALLIKS PVT LTD	Dr	2500000	7032876.57	**
19-Mar-14	19-Mar-14	RTGS-ICICH14078052338/KAMINI METALLIKS PVT LTD	Dr	2700000	4332876.57	**
19-Mar-14	19-Mar-14	INF00000851911/JAIMATA DI PLASTIC P	Dr	2000000	1032876.57	
19-Mar-14	19-Mar-14	RTGS-VIJBH14078036623-ELOQUENT EXIM PVT LTD	Cr	510000	1542876.57	
20-Mar-14	20-Mar-14	RTGS-HDFCH14079650210-HIREN HARESH VED	Cr	1750000	1792876.57	**
20-Mar-14	20-Mar-14	RTGS-ICICH4079092994/ARIHANT EQUITY INTERNATIONAL	Dr	1750000	42876.57	
20-Mar-14	20-Mar-14	RTGS-PSIBH14079009613-KASTURI TRADECOM PVT LTD	Cr	250000	292876.57	**
20-Mar-14	20-Mar-14	RTGS-IBKLH14079093041-G.S.FINANCIAL CORPORATION	Cr	1500000	1792876.57	
20-Mar-14	20-Mar-14	TRFR FROM RED OAK HOLDINGS PVT LTD	Cr	685682.42	2478558.99	**
21-Mar-14	21-Mar-14	RTGS-ICICH14080004250/ARIHANT EQUITY INTERNATIONAL	Dr	2467091.65	11467.34	
21-Mar-14	21-Mar-14	SIDDHIPRIYA DISTR 804814 HDFC	Cr	2350000	2361467.34	
21-Mar-14	21-Mar-14	RTGS-DCBLH1480008543-JAYANT SEBACTES PRIVATE LTD	Cr	5000000	7361467.34	
21-Mar-14	21-Mar-14	RTGS-PSIBH14080003490-KASTURI TRADECOM PVT LTD	Cr	300000	2961467.34	**
24-Mar-14	24-Mar-14	RTGS-UTIBH14083052102-	Cr	600000	1661467.34	

Value Date	Txn Posted Date	Description	Credit/Debit	Transaction Amount	Available Balance	Remark
		LINGRAJ PLAZA PRIVATE LIMITED				
24-Mar-14	24-Mar-14	RTGS-UTIBH14083052818-LINGRAJ PLAZA PRIVATE LIMITED	Cr	400000	2061467.34	
26-Mar-14	26-Mar-14	RTGS-ICICH14085028080/MERRILL INFRASTRUCTURE LTD	Dr	2650000	14973.71	
26-Mar-14	26-Mar-14	RTGS-FDR LH14085097382-NISHI MARKETING PVT LTD	Cr	205991.26	220964.97	
26-Mar-14	26-Mar-14	RTGS-FDR LH14085003761-MANIRATAN VINCOM PVT LTD	Cr	293317.65	514282.62	
26-Mar-14	26-Mar-14	RTGS-BKDNH140785637636-JAYANT SEBACTES PRIVATE LTD	Cr	1000000	2410602.77	
26-Mar-14	26-Mar-14	PASHUPAI TRADEX P 970936 CITI	Cr	1500000	3910602.77	**
26-Mar-14	26-Mar-14	RTGS-UTIBH14085033371-PRASHAN COMMOTRADE PRIVATE L	Cr	1500000	6810602.77	
26-Mar-14	26-Mar-14	RTGS-VIJBH14085002233-ELOQUENT EXIM PVT LTD	Cr	391210	7201812.77	

**Ledger not provided by member since the client is not one of the sample clients selected for inspection

ii. Client Ledgers provided for Sample scrutiny:

- a. AXIS Bank: Entries appearing in the Client Ledgers w.r.t transactions done in AXIS Bank account do not appear in the corresponding Bank Statement. Bank Reconciliation statement for the said account was not provided.

Details are reproduced below:

Date	Client Name	Debit	Credit	Cumm. Balance
18/03/2014	Starpoint Constructions Private Limited [Mf004]	9,50,000.00		-
31/03/2014	Aribant Equity International Pvt Ltd [Mf007]	16,937.53		-
23/05/2014	G S Financial Corporation	5,25,555.55		-
11/06/2014	Jayant Sebacates Pvt Ltd	4,66,629.80		-

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23/06/2014	Siddhipriya Distributors Pvt Ltd	59,926.07		-
18/06/2014	Maniratan Vinmcom Pvt Ltd	8,87,415.34		-
20/06/2014	Prashan Commotrade Pvt Ltd	12,21,774.11		-
20/06/2014	Hooghly Alloy & Steels Co Pvt Ltd	18,94,683.27		-

b. ICICI Bank: Entries appearing in the Client Ledgers w.r.t transactions done in ICICI Bank do not appear in the corresponding Bank Statement. Bank statement for the inspection period was not provided. Details are reproduced below:

Date	Client Name	Debit	Credit	Cumm. Balance
21/03/2014	HOOGLY ALLOY & STEELS CO PVT LTD		21,00,000.00	-21,00,000.00

- The Committee notes that Micro Forex did not address this issue in its response to the Preliminary Observation Letter. The observation was thus reproduced as is in the Observation Letter, further to which Micro Forex responded by stating that the client ledgers were settled on a best effort basis, but some ledgers were not settled in due course. An assurance was also given that as on the date of the Reply to the Observation Letter, all clients' ledgers were settled in accordance with the Observation Sheet. It was stated that a copy of the ledger was attached. On a review of the response, it was found that the ledger was not attached. As Micro Forex did not contest the observation, the Show Cause Notice issued by the Committee also reflected the same. The letter dated March 19, 2015 issued by Committee post-hearing, granted Micro Forex 30 days to submit proper clients' ledgers since the entries appearing in the Client Ledgers did not appear in the Bank Statements. However, no reply was forthcoming from Micro Forex.

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- The Committee, after considering the observation, in addition to the response provided by Micro Forex is of the view that Micro Forex did not refute the observation. On the other hand, its reply to the Observation Letter clearly indicates an admission that some ledgers were not settled. The response from Micro Forex is therefore vague and unsatisfactory. Especially with regard to the cheques not being encashed by the clients, Micro Forex should have reversed the entries upon receiving intimation of the cheques having expired. Additionally, in spite of repeated requests for information, both pre and post inspection, there has been no further information submitted by Micro Forex in this regard. The Regulations of the CD Segment of the Exchange clearly mandate proper maintenance of all client records, for a period of at least three years so that the business of the Member and that of its constituent is clearly differentiated. In the present case, the entries prove that there has been an outright contravention of this regulation, due to which the same cannot be overlooked. The contravention has therefore been established and the prescribed penalty may be levied.

VI. CONTRAVENTION: BANK BOOKS NOT MAINTAINED PROPERLY

- In continuation of the above section (V), the Committee notes that the Inspection Authorities observed yet another contravention of Regulation No. 15.1.6.1 of the CD Segment Regulations of the Exchange. This contravention was in respect of discrepancies between the entries in the Client Bank Book and Bank Statements of Account No. 9130003867087 maintained with Axis Bank, wherein entries appearing in the Bank Statement did not reflect in the corresponding Bank Book and vice versa. The same is now being considered by the Committee for ascertaining the contravention in respect of Improper Maintenance of Client Bank Books.

FINDINGS:

- i. Entries not reflecting in Bank Statements: Entries appearing in Client Bank Book (Account No. 913020003867087) maintained with Axis Bank as detailed below, did not reflect in Bank Statements :

Date	Client code	Client Name	Receipt	Payment	Balance	Chq No Drawn on
18-Mar-14	MF004	STARPOINT CONSTRUCT		9,50,000.00	-9,06,980.04	185592 AXIS BANK MCX SX CURRENCY
31-Mar-14	MF007	ARIHANT EQUITY INTE		16,937.53	-12,14,558.37	185548 AXIS BANK MCX SX CURRENCY
16-Jul-14	SMC	SMC	1,00,000.00		-58,18,230.18	

- ii. Entries not reflecting in corresponding Bank Book: Entries appearing in Client Bank Book Statement (Account No. 913020003867087) maintained with Axis Bank as detailed below, did not reflect in the corresponding Bank Book:

Transaction date	Cheque No	Particulars	Debit	Credit	
20-Jun-14	-	INB-BULK-UPLD/20514810 /SALARY/jun/14/F		45000	45815.49
23-Jun-14	185545	BRN-To CASH SELF	45000	-	815.49
16-Jul-14		INB-BULK-UPLD/20687588 /SALARY/jul/14/F		100000	204691.5

Transaction type	Cheque No	Cheque Amount	Return date	Reason for return
Inward Clearing	185626	14191.83	20-Feb-14	Funds Insufficient
Inward Clearing	185527	86175.18	4-Apr-14	Funds Insufficient

- The Committee notes that in response to the observation as recorded in the Preliminary Observation Letter, Micro Forex stated that by mistake some receipts and payments which were not related to clients were made through client's bank account,

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and that the same would not happen in the future. As the response was not satisfactory, the observation was reproduced in the Observation Letter. The response to the Observation Letter was a repetition of the clarification provided in the first response. Accordingly, the Show Cause Notice and post hearing letter dated March 19, 2015 issued by the Committee also referred to the same as a contravention. The Committee notes that Micro Forex was given sufficient time and opportunity to contest the observation and provide proof of compliance.

- It is noted that ample time and opportunity was given to Micro Forex to clarify its stance. However, apart from the admission in its responses, there was no further documentation or clarification provided. The Committee is of the view that there has indeed been discrepancy in the entries in the Bank Books and Bank Statements which amounts to Improper Maintenance of Bank Books. The contravention observed during inspection is thereby accepted and the applicable penalty may be levied.

VII. CONTRAVENTION: NON SUBMISSION/ INCOMPLETE SUBMISSION OF DOCUMENTS

- The contravention which is now under consideration pertains to non-submission or incomplete submission of documents and information. The Rules, Regulations and Bye Laws of the Exchange require that a member allow and co-operate with the Inspection Authority at the time of inspection. One aspect of such co-operation is timely provision of information and documents as required and requested by the Inspection Authority.

FINDINGS:

- In the present case, one of the contraventions alleged against Micro Forex is non-submission of numerous documents, due to which the Inspection Authority was unable to ascertain or verify compliance. The Committee notes that during and further to the inspection, Micro Forex was requested to submit data/ documents,

which it failed to furnish. The preliminary observation letter indicated the absence of the following documents required to verify compliance:

- a. Duplicate Copies/ Proof of dispatch of quarterly statements
 - b. Duplicate copies of Contract notes for dates selected for sample scrutiny
 - c. Trial Balance
 - d. Balance sheet and Profit & Loss Account with all schedules
 - e. Bank Book for Own account with Axis Bank (A/c No. 9130200073652840)
 - f. Bank Book and Bank Statement for Other Account (A/c No. 627705500657) held with ICICI Bank
 - g. Client Registration Documents of Client Code Nos. MF038, MF033, MF036 and MF043.
- The response to the preliminary observation letter submitted by Micro Forex, indicates that it annexed the following documents:
 - a. Photocopy of client registration documents
 - b. Photocopy of the POD of quarterly statement of accounts
 - c. Photocopy of contract notes
 - The Committee further notes that upon analysis of the reply, the Inspection Authority noted the absence of many pending documents. The Observation letter indicated a list of documents which were not provided for inspection as well as the corresponding compliance to be verified as follows:
 - a. Verification whether client was involved in business other than that of securities:
 - i. Trial Balance as on March 31, 2014 and as on the date of inspection (November 18, 2014)
 - ii. Balance sheet and Profit & Loss A/c with all schedules for the financial year 2013-14

Handwritten mark

b. Compliance with management of client funds and use of bank accounts

- i. Bank Book for 'Own' account with Axis Bank (A/c No.: 9130200073652840)
- ii. Bank Book and Bank Statement for 'Other' account (A/c No. 627705500657) held with ICICI Bank

c. Compliance with Issue of statements of accounts/ issue of statement of accounts at the time of settlements and format of the statements issued

- i. Duplicate copies/ proof of dispatch of quarterly statements or statement along with retention of funds issued at the time of settlement

d. Compliance in respect of actual issuance of statements and format of statements issued

- i. Duplicate copies/ proof of dispatch of daily margin statements for dates selected for sample scrutiny in case of 25 clients

- The Committee notes that as a part of its reply to the Observation Letter, Micro Forex stated that all the documents which were not provided at the time of inspection were attached. However, as the documents provided were not satisfactory, the Inspection Department, vide its email dated January 30, 2015, provided a tabulated analysis of the response/ documents furnished by Micro Forex. The comments in respect of documents are reproduced below:

Documents not submitted	Exchange Analysis of Submitted documents	Requirement
i. Trial Balance as on March 31, 2014 and as on the date of inspection (November 18, 2014)	Trial balance attached is of the period 01/04/2013 to 31/03/2014. Further the trial balance provided is only party ledger (containing only sundry debtors)	Provide trial balance for the period covered under inspection (general and party ledger)
ii. Balance Sheet & Profit & loss A/c with all schedules for the financial year 2013-14		
Bank Book for 'Own' account	Bank book for Own' account with	Provide Bank book for Own'

with Axis Bank (A/c no - 913020007 3652840)	Axis Bank (A/c no - 9130200073652840) not provided along with reply. Bank statement for Axis Bank (A/c no - 9130200073652840) for the period (April 2014 to July 2014)	account with Axis Bank (A/c no 9130200073652840). (inspection period (August 2013 to July 2014) Provide Bank statement for Own' account with Axis Bank (A/c no - 9130200073652840). (period (April 2014 to July 2014)
Bank book and Bank Statement for 'Other' account (A/c no. 627705500657) held with ICICI bank	Bank book and Bank Statement for account (A/c no. 627705500657) held with ICICI bank not provided along with reply	Provide Bank book and Bank Statement for account (A/c no. 627705500657) held with ICICI bank (inspection period (August 2013 to July 2014)
Duplicate copies/proof of dispatch of quarterly statements or statement along with retention of funds issued at the time of settlement in case of 25 clients	No documents provided along with the reply	Provide Duplicate copies/proof of dispatch of quarterly statements or statement along with retention of funds issued at the time of settlement for the selected 25 clients. If only proof of dispatch is going to be provided also provide copy of statement of accounts to verify whether the same is according to format prescribed.
Duplicate copies/proof of dispatch of daily margin statements for dates selected for sample scrutiny in case of selected 25 clients	No documents provided along with the reply	Provide Duplicate copies/proof of dispatch of daily margin statements for the selected 25 clients for the selected dates. If only proof of dispatch is going to be provided also provide copy of daily margin statement to verify whether the same is according to format prescribed.

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- Micro Forex replied to this mail by stating that the following documents were submitted:
 - a. Receiving copy of contract note from client
 - b. Trial Balance
 - c. General Ledger
 - d. Bank Book of Axis Bank Client A/c
- The Inspection Department, yet again issued an email to Micro Forex, wherein it was clearly stated that except for Trial Balance and General Ledger and preference obtained from Client Code MF042, none of the documents submitted were as per the requirements of the email dated January 30, 2015. Additionally, a list of documents to be submitted was again provided. Further to a reminder email issued on March 05, 2015, the hearing notice dated March 19, 2015 issued by the Committee also indicated the documents to be submitted.
- In respect of the Trial Balance and Balance Sheet submitted, the Committee also requested for an explanation towards the following balances displayed in the Balance Sheet as on March 31, 2014: amount of Short Term Borrowings is Rs. 54.25 lacs, Trade Payables is Rs. 14.61 lacs, Trade Receivables is Rs. 152 lacs and Short Term Loans and Advances is Rs. 13.60 lacs. Though reminder mails were issued to Micro Forex and a second opportunity for hearing was provided, the aforementioned documents were not submitted.
- The Committee notes that Micro Forex has failed to co-operate with the Exchange in this matter, right from the time of inspection. In the absence of the requested documents, compliance with the mandates of the Exchange could not be verified. The Regulations of the CD segment necessitate compliance and co-operation by a member at the time of inspection, which has not been done in the present case. Due to this, Micro Forex has not complied with the basic requirements, and such omission attracts

penalization by the Exchange in. Accordingly, the penalty may be levied separately, for each compliance requirement.

VIII. CONTRAVENTION: FORMAT RELATED DISCREPANCIES IN THE CONTRACT NOTES

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- The next contravention under consideration pertains to that of incorrect format of contract notes. In this regard, the Committee notes that Regulation 3.6. of the Regulations of the CD Segment of the Exchange pertains to the issue of contract notes, wherein every Trading Member is required to issue a contract note to his constituents for trades executed in such format as may be prescribed by the Exchange from time to time with all relevant details as required therein to be filled in. The format for such contract notes was prescribed vide the following circulars:

- MCX-SX Circular No. MCX-SX/INSP/793/2012 dated June 14, 2012
- MCX-SX Circular No. MCX-SX/INSP/177/2009 dated September 10, 2009
- SEBI circular no. Cir/MIRSD/9/2010 dated November 4, 2010
- MCX-SX Circular no. MCX-SX/INSP/471/2010 dated November 10, 2010

During the inspection it was observed that the contract notes issued by Micro Forex, were not in accordance with the aforesaid prescribed format.

FINDINGS:

- The Committee notes that the Preliminary Observation Letter indicated that duplicate copies of contract notes for the dates selected for sample scrutiny were not provided for verification, in the absence of which compliance in respect of the same could not be verified. A scrutiny of a sample contract note highlighted the following discrepancies:
 - a. SEBI Registration Number of Capital Market Segment mentioned instead of Currency Derivatives Segment

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- b. Following clause on page 1 of the Contract Note was not in accordance with format prescribed vide Exchange Circular No. MCX-SX/INSP/793/2012 dated June 14, 2012:

Prescribed clause: " In the matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, proper courts within the area covered under the Regional Arbitration Centre shall have jurisdiction in respect of the arbitration proceedings falling under or conducted in that Regional Arbitration Centre. "

Printed clause

"In matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, Civil courts nearest to the regional Arbitration centre where arbitration proceedings or appellate arbitration proceedings were conducted shall have exclusive jurisdiction"

- c. the amended Bye Laws & Regulations of the Exchange with respect to Limitation period for Arbitration, Appellate Arbitration, etc. not printed
 - d. Dealing office address not printed
 - e. Compliance officer details not printed
 - f. Investor grievance email id of the Exchange mentioned incorrectly
- The response to the preliminary observation letter of Micro Forex stated that the contract notes were issued to client within stipulated time but the same was not shown to the Inspection authorities and that photocopies of the same were attached for verification. Also that the SEBI registration number and all discrepancies noted by the Exchange were rectified. As the response provided by Micro Forex was not satisfactory, the same was reproduced in the Observation Letter issued by the

Exchange. In response to the Observation letter, Micro Forex stated that the same would be rectified and that it would put rubber stamp for modification of SEBI Registration Number.

- The Committee noted that the contract notes were not in accordance with the prescribed format and the member admitted non-compliance. Exchange Circular No. MCX-SX/INSP/1277/2013 dated June 28, 2013 prescribes that the member be advised in such cases. Hence this particular non-compliance would not attract any monetary penalty and the member is advised to follow the prescribed format and provide a copy of the modified contract note to the Exchange to show compliance.

IX. CONTRAVENTION: DEDICATED EMAIL ID FOR CORRESPONDENCE BETWEEN THE MEMBER AND EXCHANGE IN RELATION TO INVESTOR GRIEVANCE WAS NOT INTIMATED BY THE MEMBER

- Regulation 16.1.2 (da) of the Regulations of the CD Segment of the Exchange requires the Inspection Authority to investigate compliance and efficacy of the investor grievance redressal mechanism of the Trading Member. Exchange circular no. MCX-SX/IG&ARBN/1535/2013 dated October 22, 2013, requires that the Trading Member maintain and intimate the Exchange of a dedicated email id for correspondence between the member and Exchange in relation to Investor Grievance.

FINDINGS:

- Based on the documents on record, the Committee notes that at the time of inspection, Micro Forex had not complied with a specific requirement of the Investor Grievance redressal mechanism. Particularly, Micro Forex had not maintained and intimated the Exchange of a dedicated email id for correspondence.
- The Committee notes that Micro Forex was informed of such non-intimation vide the Preliminary Observation Letter. The response of Micro Forex was that it would

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intimate the same to the Exchange after inspection. The non-compliance was repeated at the time of responding to the Preliminary Observation Letter.

- It is noted that such email-id has not yet been provided by Micro Forex. The Committee also notes that Micro Forex did not contest the observation. The Committee in its meeting dated September 24, 2014 has decided to advise the members in such cases, hence it is proposed that Micro Forex may be advised.

X. CONTRAVENTION: DELAY IN INTIMATING THE DETAILS OF DESIGNATED DIRECTOR TO FINANCIAL INTELLIGENCE UNIT (FIU), DELHI

- The next contravention under consideration of the Committee pertains to non-compliance with the provisions of the Prevention of Money Laundering Act, 2002 and Combating of Terrorism (CFT) under Unlawful Activities (Prevention) Act, 1967. The Committee notes that apart from a single case of non-compliance, Micro Forex has complied with all the prescribed requirements. The non-compliance is in respect of a delay in intimating the details of Designated Director to the Financial Intelligence Unit (FIU). As per Exchange Circular No MCX-SX/INSP/2030/2014 dated July 01, 2014, Trading Members were advised to appoint a Designated Director and intimate its details to the FIU and provide compliance status of the same to the Exchange on or before August 01, 2014.

FINDINGS:

- An analysis of the documents placed before the Committee shows that there was a delay by Micro Forex in intimating such details as the details were intimated during the onsite inspection. Micro Forex, in its defense, accepted the non-compliance and stated that the Designated Director was appointed and details intimated to the FIU when it came to know about such requirement. Though the contravention was not

contested by Micro Forex, and the same has been established, the Committee, further to its meeting held on September 24, 2014 had decided to advise the members in such cases. The Committee thereby directs that Micro Forex be advised to comply with this requirement in this regard.

XI. CONTRAVENTION: NON UPLOAD OF KYC DOCUMENTS TO KRA

- The Committee now considers the contravention pertaining to non-upload of KYC documents on the system of KRA. As per SEBI Circular No. MIRSD/Cir-23/2011 dated December 2, 2011 and MCX-SX Circular no. MCX-SX/INSP/670/2011 December 26, 2011, it is necessary that after the initial KYC of the new clients is done, the member shall forthwith upload the KYC information on the system of the KRA and send the KYC documents of the clients to the KRA within 10 working days from the date of execution of documents by the client

FINDINGS:

- Further to a review of the documents placed before the Committee, it is noted that in the case of Micro Forex, it was observed that for all the following 25 clients selected for sample scrutiny, the KYC details have not been uploaded on the system of KRA by the member.

Sr. No.	Client Code	Client name
1	MF012	Agomoni Commercial Private Limited
2	MF007	Arihant Equity International Private Limited
3	MF005	Deepak Hitech Motors Pvt. Ltd.
4	MF038	Deven Jitendra Shah
5	MF011	Dolphin Commerce Private Limited
6	MF023	Eloquent Exim Pvt Ltd
7	MF025	G S Financial Corporation
8	MF044	Hooghly Alloy & Steels Co Pvt Ltd
9	MF028	Jai Mata Di Plastics Pvt Ltd
10	MF030	Jayant Sebacates Pvt Ltd
11	MF019	JBF Finance Limited
12	MF037	Lingraj Plaza Pvt Ltd

Sr. No.	Client Code	Client name
13	MF039	Maniratan Vincom Pvt Ltd
14	MF035	Merrill Infrastructure Ltd
15	MF041	Nishi Marketing Pvt Ltd
16	MF014	Octagon Enterprises Private Limited
17	MF040	Prashan Commotrade Pvt Ltd
18	MF042	Rahul Suri
19	MF008	Siddharth Agarwal
20	MF033	Siddhipriya Distributors Pvt Ltd
21	MF004	Starpoint Constructions Pvt. Ltd.
22	MF034	Suman Realtors Advisory Pvt Ltd
23	MF006	Universal Corporation Ltd.
24	MF036	Vitul Marketing Pvt Ltd
25	MF043	Warden & Co India Pvt Ltd

- The Committee further notes that in response to the observation, Micro Forex stated that at the time of inspection, it was not registered with any KRA authorities, but the PAN of the entities which who registered with it as a client, would be checked from the website and status of the same would be printed. After inspection, the KRA authorities would be registered as intermediaries for uploading the KYC with KRA. Micro Forex also gave an undertaking that this would not happen in the future.
- Though the contravention was not contested by Micro Forex, and the same has been established, the Committee, further to its meeting held on September 24, 2014 had decided to advise the members in such cases. The Committee thereby directs that Micro Forex be advised to comply with this requirement in this regard.

XII. CONTRAVENTION: DISCREPANCIES IN THE CLIENT REGISTRATION DOCUMENTS - INCOMPLETE, TARIFF SHEET, FINANCIAL INFO ETC.

- As a part of the process of registering a client, a Trading Member has been instructed to obtain specific information/ documents in a specific format. Details of the same are prescribed via the following circulars:

- Exchange circular no. MCX-SX/INSP/628/2011 dated 24-Aug-2011
- SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011
- Exchange circular no. MCX-SX/INSP/1672/2013 dated December 27, 2013

FINDINGS:

- Upon review of the communication and documents placed before the Committee, it is seen that the Preliminary Observation letter issued by the Inspection Authorities highlighted the following deficiencies which were observed in the Client Registration Documents of the 25 clients selected for sample scrutiny (Instances in the below table marked as 'No' are the requirements which have not been complied):

Client Code	Client Name	KYC filled up properly	Tariff Sheet filled up	Share holder details	Financial statements obtained at the time of Registration	Photos /Details of Directors in KYC	Board Resolution for trading in MCX SX CDS	Supporting documents available with KYC
MF004	Starpoint Constructions Pvt. Ltd.	No	No	No	No	Yes	No	No
MF005	Deepak Hitech Motors Pvt. Ltd.	No	No	No	No	Yes	No	Yes
MF006	Universal Corporation Ltd.	No	No	Yes	No	No	Yes	No
MF007	Arihant Equity International Private Limited	No	No	No	No	Yes	Yes	No
MF008	Siddharth Agarwal	No	Yes	NA	Yes	Yes	NA	No
MF011	Dolphin Commerce Private Limited	No	No	No	No	No	No	No
MF012	Agomoni Commercial Pvt Ltd	No	Yes	Yes	No	No	No	Yes
MF014	Octagon Enterprises Private Limited	No	Yes	No	Yes	Yes	Yes	No
MF019	Jbf Finance Limited	No	No	Yes	Yes	Yes	Yes	Yes
MF023	Eloquent Exim Pvt Ltd	No	No	Yes	No	Yes	Yes	Yes
MF025	G S Financial Corporation	No	No	No	Yes	No	NA	No
MF028	Jai Mata Di Plastics	No	No	No	Yes	Yes	No	No

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Client Code	Client Name	KYC filled up properly	Tariff Sheet filled up	Share holder details	Financial statements obtained at the time of Registration	Photos /Details of Directors in KYC	Board Resolution for trading in MCKSX CDS	Supporting documents available with KYC
	Pvt Ltd							
MF030	Jayant Sebacates Pvt Ltd	No	No	No	No	No	No	Yes
MF033	Siddhipriya Distributors Pvt Ltd	No	No	Yes	Yes	Yes	Yes	Yes
MF034	Suman Realtors Advisory Pvt Ltd	No	No	No	No	No	No	Yes
MF035	Merrill Infrastructure Ltd	No	No	Yes	No	Yes	Yes	Yes
MF036	Vitul Marketing Pvt Ltd	No	No	No	Yes	Yes	Yes	Yes
MF037	Lingraj Plaza Pvt Ltd	No	No	No	No	Yes	Yes	Yes
MF038	Deven Jitendra Shah	No	No	NA	No	NA	NA	Yes
MF039	Maniratan Vincom Pvt Ltd	No	No	No	No	Yes	Yes	No
MF040	Prashan Commotrade Pvt Ltd	No	No	Yes	No	No	No	No
MF041	Nishi Marketing Pvt Ltd	No	No	No	No	Yes	Yes	Yes
MF042	Rahul Suri	No	No	NA	Yes	NA	NA	Yes
MF043	Warden & Co India Pvt Ltd	No	No	No	No	Yes	No	Yes
MF044	Hooghly Alloy & Steels Co Pvt Ltd	No	No	Yes	No	Yes	No	No

- The Committee further notes that Micro Forex stated that it would comply with these requirements and rectify these deficiencies. It is evident that Micro Forex did not contest the allegation. In accordance with the meeting held on September 24, 2014, the Committee had decided to advise the members in such cases. The Committee thereby directs that Micro Forex be advised to comply with this requirement in this regard.

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XIII. CONTRAVENTION: ORDER BOOK NOT MAINTAINED

- The last matter which was placed before the Committee for its consideration, pertained to non-maintenance of Order Book. The Committee notes that Regulation No. 15.1.4 (e & f) (CD segment) of the Exchange requires every Trading Member of the CD Segment of the Exchange to maintain an Order Book reflecting specific details which are not reproduced for the sake of brevity.
- The Committee notes that at the time of inspection, it was observed that Micro Forex did not maintain an Order Book. Upon issuance of the Preliminary Observation Letter, the Member's response to this observation was that it was already mentioned in KYC that orders were taken over the telephone and confirmed over the telephone itself.
- It is further noted that Micro Forex did not proffer any further response or clarification in this regard. In the view of the Committee, the response of Micro Forex serves to be an admission of non-compliance. Accordingly, the non-compliance stands established. The Committee in its meeting held on June 26, 2014 has decided to advise the members in such cases and hence it is decided that Micro Forex be advised to maintain an Order Book.

ORDER

Having considered and established the contraventions alleged against Micro Forex, the Committee unanimously concluded that Micro Forex be penalized in accordance with the actions as prescribed vide Exchange circular No. MCX-SX/INSP/1277/2013 dated June 28, 2013 and as decided by the Committee in its earlier meetings. The details of contraventions and applicable action/ penalty are as under:

SR NO	CONTRAVENTION	ACTIONS APPROVED BY COMMITTEE
1	False reporting of client margin collection (Rs. 44,10,761/-)	A penalty of Rs. 44,10,761/- + 1 day suspension by
2	Non Settlement of client accounts in 14 Instances (61%)	A penalty of Rs. 50,000/- shall be levied
3	Non segregation of client and own funds - Funds were received from / paid to entities other than clients, from 'client' bank account no. 913020003867087 maintained with Axis Bank. Funds paid to clients from member's 'own' bank account no. 913020007365284 maintained with Axis Bank.	A penalty of Rs. 50,000/- shall be levied
4	Settlement related non-compliance - in 1 case (4%) Preference of frequency of settlement not obtained.	A penalty of Rs 10,000/- shall be levied.
5	Clients' ledgers not maintained properly. The entries reflecting in the bank statements of bank account no. 627705500657 maintained with ICICI Bank no 913020003867087 maintained with Axis Bank not reflecting in the client ledgers.	A penalty of Rs. 25,000/- shall be levied
6	Bank Books not maintained properly - The entries appearing in Client Bank Statement (Account no 913020003867087) maintained with Axis Bank, were not reflecting in the	A penalty of Rs. 5,000/- shall be levied

SR NO	CONTRAVENTION	ACTIONS APPROVED BY COMMITTEE
	corresponding Bank Book and vice versa.	
7	Non submission/ incomplete submission of documents - Bank Book for 'Own' account with Axis Bank (A/c no - 9130200073652840 and ii. Bank book and Bank Statement for 'Other' account (A/c no. 627705500657) held with ICICI bank, both for the period August 1, 2013 to July 31, 2014.	As approved in its meeting held on December 26, 2013 and September 24, 2014, a penalty of Rs 10,000/- shall be levied.
8	Non submission/ incomplete submission of documents - Statement of accounts issued to the clients at the time of settlement compliance - Statement of accounts to verify the format	As approved in its meeting held on December 26, 2013 and September 24, 2014, a penalty of Rs 10,000/- shall be levied.
9	Non submission/ incomplete submission of documents - proof of issue of Daily Margin Statement to clients due to which compliance with respect to issue as well as format could not be verified	As approved in its meeting held on December 26, 2013 and September 24, 2014, a penalty of Rs 10,000/- shall be levied.
10	Incomplete submission of documents - Incomplete Trial Balance - Explanation on certain entries in Balance Sheet	As approved in its meeting held on December 26, 2013 and September 24, 2014, a penalty of Rs 10,000/- shall be levied.
11	Format related discrepancies in the Contract	Advice

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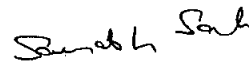
SR NO	CONTRAVENTION	ACTIONS APPROVED BY COMMITTEE
	notes issued	
12	Dedicated email id for correspondence between the member and Exchange in relation to investor grievance was not intimated by the member	Advice
13	Delay in intimating the details of Designated Director to Financial Intelligence Unit (FIU), Delhi	Advice
14	Non upload of KYC documents to KRA	Advice
15	Discrepancies in the client registration documents - Incomplete, Tariff sheet, Financial Info etc.	Advice
16	Order Book not maintained	Advice

- A total fine of Rs. 45,90,761/- (Forty Five Lacs, Ninety Thousand Seven Sixty One Only) shall be levied. Micro Forex is advised to make the payment through Cheque/Demand Draft drawn in favour of Metropolitan Stock Exchange of India Limited within 90 days of the receipt of this order.
- The trading of Micro Forex shall be suspended for one day after 90 days from today.
- Micro Forex may approach the suitable forum in case it is aggrieved by this order.

Dated on 18 day of August, 2015.


Thomas Mathew T.


Prof. Ashima Goyal


Saurabh Sarkar

