



IN-GJ59549565624009X



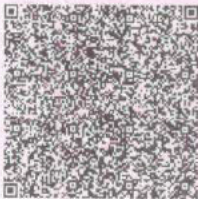
सत्यमेव जयते

INDIA NON JUDICIAL
Government of Gujarat
Certificate of Stamp Duty

Certificate No. : IN-GJ59549565624009X
Certificate Issued Date : 18-Feb-2025 03:15 PM
Account Reference : CSCACC (GV)/ gjcsceg07/ GJ-SUBIP0519/ GJ-SU
Unique Doc. Reference : SUBIN-GJGJCSCÉG0730461763427006X
Purchased by :
Description of Document : Article 13 Award
Description : ARBITRAL AWARD
Consideration Price (Rs.) : 0
(Zero)
First Party :
Second Party :
Stamp Duty Paid By :
Stamp Duty Amount(Rs.) : 300
(Three Hundred only)

Before the Sole Arbitrator Justice

In the matter of Arbitration
CORD Case ID: SNSEI1024A0344
NSE Case ID- NSE-SB-2024-07-288817



In the matter between:



HIF 0031809468

Statutory Alert:

1. The authenticity of this Stamp certificate should be verified at 'www.shcilestamp.com' or using e-Stamp Mobile App of Stock Holding. Any discrepancy in the details on this Certificate and as available on the website / Mobile App renders it invalid.
2. The onus of checking the legitimacy is on the users of the certificate.
3. In case of any discrepancy please inform the Competent Authority.

[REDACTED]
PAN: [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

.....Claimant

Vs

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] - [REDACTED]

.....Respondent

**Appearance:
For Claimant:**

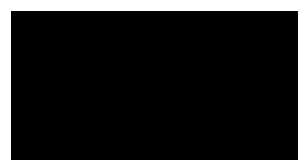
1. [REDACTED]

For Respondent:

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]

CORD: Ms. [REDACTED] Case Manager

CORD (Centre for Online Resolution of Dispute) is an independent institution facilitating and administering electronic Alternative Dispute Resolution via its online platform, <https://platform.resolveoncord.com>, also referred to as Online Dispute Resolution (“ODR”) Institution, having its registered office at Bangalore. CORD has been empanelled by the National Stock Exchange in accordance with the SEBI Master Circular No. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/145 dated August 11, 2023 (“SEBI Circular”) as may be amended/modified from time to time, for undertaking time- bound online Conciliation and online Arbitration. The above-mentioned matter was referred to CORD via SMARTODR.IN (“ODR Portal”), a common Portal established



by the Market Infrastructure Institutions("MII") in accordance with the SEBI Circular, for harnessing online Conciliation and online Arbitration for resolution of disputes arising in the Indian Securities Market. Further, the parties have accepted the terms and conditions of ODR Portal.

The undersigned has been appointed as sole arbitrator on the 16 December 2024 by CORD, in the present matter.

A hearing was held on 28.01.2025 and both parties were heard in detail.

Brief averments made in the claim statement filed by the claimant are as follows:

1. According to the Claimant, the following are the facts in this case which led to a capital loss of Rs.17,63,236. Additionally, the mental agony caused by [REDACTED] (TM) since the date of complaint to TM (8th June 22).
2. A total of 2930 trades were executed without any pre-authorizations and are rendered 'Unauthorised'. It is important to highlight that it is mandatory, as per SEBI's circular dated 22nd March 2018, for the Broker to execute trades in Investor's account only after obtaining a pre-authorization from the Investor. In addition, the broker should mandatorily obtain pre-trade instructions and retain the evidence. The broker is responsible to produce the evidence of pre-trade instructions in case of any dispute. Details of the Unauthorised trades have already been submitted to NSE as part of the complaint.

Details of the losses are as under:

Year	No of Unauthorised	Buy Value	Sell Value	P/L
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	Trades			
2017-18	130	13,60,639	8,88,894	-4,71,745
2018-19	1303	22,79,69,318	22,40,58,681	-39,10,636
2019-20	844	70,24,36,816	70,48,16,709	23,79,893
2020-21	519	10,66,39,329	10,66,21,879	-17,449
2021-22	114	18,13,494	19,63,610	1,50,116
2022-23	20	-	1,06,587	1,06,587
	2930	1,04,02,19,595	1,03,84,56,360	-17,63,236

3. The TM failed to produce any evidence of pre-trade instructions which is mandatory as per SEBI rules. Their non-submission of evidence is itself an acknowledgment by the TM as their wrong done as a well-designed modus operandi to earn more brokerage by executing trades in a clients' account by blatantly disregarding SEBI and NSE byelaws and regulations.
4. A complaint was made of 8th June 22, well within the limitation period of raising a claim, to the TM but they kept ignoring the complaint.
5. This complaint is filed for recovery of money by way of compensation of INR 17,63,236 with interest, on priority. It is evident that the TM indulged in malpractices and are in complete default of the byelaws and regulations set by SEBI/NSE. It is a crystal-clear case of 'Unauthorised trade' and the Constituent should not be made to suffer any losses on account of malpractices by the TM who are governed by SEBI/NSE byelaws and regulations.

Brief averments made in the Statement of Defence filed by the respondent are as follows:

1. The respondent denies all the averments made in the statement of claim. The respondent M/s Choice Equity Broking Private Limited is a Stock Broker registered with Securities and Exchange Board of India (SEBI) and a trading member of National Stock Exchange of India Limited (NSE),

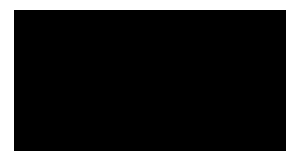


Bombay Stock Exchange Limited (BSE). The Respondent is also a Depository Participant with Central Depository Services Limited (CDSL) and National Depository Services Limited (NSDL).

2. The Respondent states that the Karta, [REDACTED], of the Applicant opened the trading account in the Applicant's name on October 25, 2017. The Karta of the Applicant got its HUF registered as constituent of the Respondent for trading in Cash, F&O and Currency Derivative segments of NSE, BSE.
3. The karta of the Applicant also opted for opening of a Demat Account with the Respondent and accordingly after completing the account opening procedures and having submitted the Power of Attorney to the Respondent for settlement of Pay in obligations across all exchanges and for margin purposes, the Applicant was allotted a DP Applicant ID: [REDACTED].
4. The karta, on behalf of the Applicant, further assented to receiving routine updates to *inter alia* receive the following updates: Electronic transaction cum holding statement on the registered email; Annual Report in both physical as well as electronic formats; Routine information from the respective stock exchanges in relation to the trades undertaken at the end of day; Routine information by the respective Depository in respect of all actions relating to respective debits and credits from the Demat account; Routine consolidated Account Statements.
5. The Applicant was also served with Quarterly Ledger statement/financial statement on the aforesaid Email ID.

[REDACTED]

6. The Applicant also availed a facility of SMS alerts from Exchanges & CDSL for all transactions in its trading and demat account respectively. Further, the karta of the Applicant duly acknowledged the receipt of separate booklet which contained the copy of the Risk Disclosure Document, Policies & Procedures, Rights and Obligations of Stock Broker, Sub- brokers and Applicant, Rights and Obligations of Beneficial Owner & Depository Participant and Guidance on Do's & Don'ts for Investors.
7. The Applicant was also served with Profit and Loss Statements on the aforesaid Email ID.
8. The digital contract notes for transactions executed by the Applicant through the Trading Member were from time to time sent to Applicant's email id as stated above. It is further submitted that Digital Contract Notes were duly sent by the Respondent and the receipt of the same was never disputed or objected by the Applicant.
9. The Applicant was also served with trade confirmation at the end of the day, which was accepted by the Applicant and it did not raise any objection towards it.
10. The Applicant has alleged unauthorized trades in its account spanning the Financial Years 2017-18 to 2022-23. In essence, the Applicant's claim pertains to alleged unauthorized trades purportedly executed by the Respondent over a prolonged period of approximately 4.5 years. It is pertinent to note that the Applicant or its *karta* has belatedly raised this claim while asserting ignorance of such trades for the entire period of approx. 4.5 years.



11. The present claim by the Applicant is an afterthought claim for recovery of losses and is not true and the alleged claim was filed beyond period of limitation and on this ground alone, the Statement of Claim should be quashed.
12. There was a complaint and a counter complaint between the Karta of the family and one [REDACTED], Relationship Manager at the Respondent's Ahmedabad office and the present application is an afterthought of a dispute between them.
13. It is pertinent to note that during the period FY 2017-18 to FY 2022-23, a total of 32,628 trades were executed from the account of Applicant in the cash segment for a total trade value of Rs. 104,02,19,595/- on the buy-side and Rs. 103,84,56,360/- on the sell- side.
14. Therefore it is clear that the karta of the Applicant was aware of all the trades executed in the Applicant's account. If he wouldn't have been aware of the trades, he would not have withdrawn money or earned profit from his trades.
15. In compliance with the prevailing SEBI circulars, the Respondent has consistently given timely information to the karta of the Applicant on its registered contact details in relation to all the trades undertaken in the trading account and the same cannot be disputed. All the trades are authorised trades and the regulations of the SEBI has always been followed. Therefore the claim has to be dismissed.

Brief averments made in the rejoinder filed by the claimant are as follows:



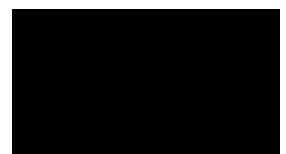
1. The respondent never shared Annual Statements, Ledger Statements and never followed the statutory obligations. They have violated SEBI regulations and they should furnish all the details of the trade following the circular dated 22.03.2018. The Hon'ble High Court and Supreme Court have insisted to provide evidence of pre-trade confirmation as per the regulations of SEBI and NSE. The claim is not barred by limitation as the Hon'ble Supreme Court has extended the period of limitation owing to Covid-19 pandemic. This claim is not a result of personal dispute between the claimant and personal relationship Officer of the respondent but on the basis of unauthorized trades executed by the employee of the respondent. The respondent is responsible for the commission and omission on the part of their Relationship Manager. Therefore, the claim is maintainable.

Based on the above pleadings the following issues are framed:

1. Whether the alleged 2930 trades between 2017-18 to 2022-23 are unauthorized?
2. Whether the claims are barred by limitation?
3. Whether the claimant is entitled for a compensation of Rs.17,63,236/- with interest?

The admitted facts are as follows:

1. One [REDACTED] representing a Hindu Undivided Family (HUF) was registered as a Constituent with the respondent who is a registered Trading Member as early as 21.01.1993. The respondent has filed the details of such registration, running account authorisation, verbal order acceptance authorisation and relevant documents and have opened a Demat account as early as on 25.10.2017. It is admitted that trades have been carried on between 2017-18 upto the financial year 2022-23. The claimant



has alleged that there were unauthorised trades every year from 2017-18 to 2022-23 which is as under.

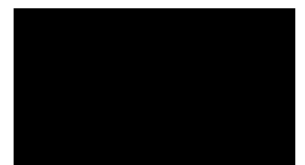
Year	No of Unauthorised Trades	Buy Value	Sell Value	P/L
2017-18	130	13,60,639	8,88,894	-4,71,745
2018-19	1303	22,79,69,318	22,40,58,681	-39,10,636
2019-20	844	70,24,36,816	70,48,16,709	23,79,893
2020-21	519	10,66,39,329	10,66,21,879	-17,449
2021-22	114	18,13,494	19,63,610	1,50,116
2022-23	20	-	1,06,587	1,06,587
	2930	1,04,02,19,595	1,03,84,56,360	-17,63,236

2. It is admitted that the complaint was first raised on 08.06.2022. Initially the matter was referred for a Conciliation between the parties and on the failure of the same the present claim is raised by filing the claim statement. According to the claimant from 2017-18 to 2022-23 there were 2930 unauthorised trades which has resulted in a loss of Rs.17,63,236/- and the respondents are liable to pay the same. The respondents have denied stating that all the trades are authorised trades. Therefore it has become necessary to find out whether the alleged 2930 trades between 2017-18 to 2022-23 are unauthorized or not.

Issue No.1:

Whether the alleged 2930 trades between 2017-18 to 2022-23 are unauthorized?

1. As admitted by both sides the dispute between the parties started when a complaint in the form of an email was sent on 08.06.2022 by one [REDACTED] representing [REDACTED] HUF. However, this complaint was mainly on loss of Rs.1.2 Crores of capital due to financial fraud and wrong reporting of the respondent and its



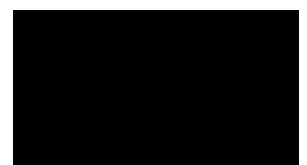
Employee one [REDACTED], the Relationship Manager of the respondent. The sender has stated that they are initiating legal action and have stated that they want an enquiry to be conducted.

2. As per the statement of defence the respondent would state that the complaint is as a result of personal dispute between the said employee and the complainant HUF. The respondent would admit that they have also received complaints from their employee against the Karta of the family and there were actions and counter actions between the parties. Thereafter the complainant seems to have approached Centre for Online Resolution Dispute (CORD) who has been empanelled by the National Stock Exchange (NSE) in accordance with SEBI Master Circular dated 11.08.2023 for undertaking time bound online conciliation and online arbitration. Initially a Conciliator was appointed on 02.08.2024 wherein the present claim of unauthorised trades for the loss of Rs.17,63,236/- has been claimed. As the Conciliation proceedings failed the present arbitration arose.
3. The claimant in his brief claim statement has detailed the losses on account of unauthorised trades from 2017-18 to 2022-23. [REDACTED] who represented the HUF would strongly rely on SEBI circular dated 22.03.2018 which deals with Prevention of Unauthorised Trading by Stock Brokers. According to this circular all brokers shall execute trades of clients only after keeping evidence of the claim placing such order which could be inter alia in the form of (a) Physical record written and signed by the client, (b) telephone recording, (c) email from authorised email id, (d) Log for internet transaction, (e) record of messages through mobile phone and (f) any other legally verifiable record. According to SEBI, when a dispute arises the broker shall produce the above mentioned records for the disputed trades. However, for



exceptional cases such as technical failure etc., where broker fails to produce order placing evidences the broker shall justify with reasons for the same and depending upon the merits of the same, other appropriate evidences like post-trade confirmation by client, receipt/payment of funds/securities by client in respect of disputed trades etc., shall also be considered. It is further stated that wherever orders are received from the clients through telephone the stock broker shall mandatorily use telephone recording systems to record the instructions and maintain telephone recordings as part of its records. The representative of the claimant relied on the judgment of the Hon'ble Delhi High Court made in O.M.P.No.686/2012 between Tarun Gupta and M/s.First Global Stock Broking Pvt Ltd dated 10.12.2018 and in FAO(OS) (COMM) 50/2019 between M/s.First Global Stock Broking Pvt Ltd and Tarun Gupta in this regard.

4. According to him, the respondent has failed to produce the records to show the trades as authorised in any one of the form above mentioned and therefore all the trades are unauthorised and the respondents are liable to pay the loss.
5. On the contrary, the Learned Counsel representing the respondent would submit that the claim is barred by limitation and the claimant has raised objections for the trades conducted in the year 2017-18 to 2022-23 and therefore the claim is only an afterthought and liable to be dismissed. The Learned Counsel also submitted that all the claims are barred by limitation.
6. The respondents have also forwarded contract notes for the period from 2017-18 to 2022-23 indicating various trades. According to the respondents the post-trade confirmations were made by periodically forwarding contract notes, ledger accounts, payment of funds and deposit by the client which is known as pay-in and

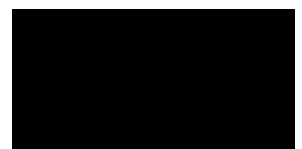


pay-out and has produced the various pay-ins and pay-outs by the claimant HUF.

7. This Tribunal has carefully considered the rival contentions. As rightly pointed out by the representative of the claimant HUF, in the event of claim of unauthorised trade, it is the duty of the stock brokers to keep evidence of the client placing such order in various forms as indicated in the circular dated 22.03.2018. However, if the Stock Broker failed to produce any such evidence, they may produce appropriate evidences for post-trade confirmation by the client.
8. In the present case, the claimant has placed their claim indicating the number of unauthorised trades for every financial year starting from 2017-18 to 2022-23. For example, for the year 2017-18, number of unauthorised trades are 130 for which buy value was of Rs.13,60,639/- and the sale value was Rs.8,88,894/- and therefore a loss of Rs.4,71,745/-. Similarly for the year 2018-19 there were 1303 unauthorised trades bought on a higher price and sold on a lower price causing a loss of Rs.39,10,636/-. However for the year 2019-20 though it was an unauthorised trade of 844 there was a profit of Rs.23,79,893/-. For the year 2020-21 there was a loss and for the year 2021-2022 there was a profit and for the year 2022-23 also there was a profit and the claimant has arrived at a total loss of Rs.17,63,236/-.
9. The respondent has produced contract note No.251126 dated 22.11.2017 wherein there was an order for buying 250 equities. The respondent has also produced Contract Note No.277 dated 02.04.2018, Contract Note No.5015 dated 02.04.2019, Contract Note No.982498 dated 03.04.2020, Contract Note No.2912204 dated 13.04.2021 and Contract Note No.6088678 dated 07.06.2022.



10. This Tribunal is not able to understand how the claimant has arrived at a specific figure for each year as unauthorised trading. There is no mention about which segment was bought or sold without authorisation. In the trade practice there is always a specific order to buy a particular equity or segment which is to be bought for a particular price as per the market price and to be sold as per the market demand. The person involving trading would decide to buy and sell as per the market trend. However the claimant has not specified which are all the authorised buy and sell and which are all the unauthorised buy and sell by specifying the equity or the segment.
11. Even assuming that the claimant has found the above number of sales as unauthorised they should have taken the particulars only either from the contract notes or from the periodical annual statement or ledger statement and therefore the claimant cannot deny that they have not received any post-confirmation of the trade conducted in their demat account. The claimant has chosen the numbers of total trade which results either in profit or in loss but has claimed a loss of Rs.17,63,236/-even after fairly admitting the profits.
12. The Brokers are required to maintain the records for a minimum period for which the arbitration accepts investors' complaints as notified from time to time which is currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute. If this is applied for Financial Year 2017-18, 3 years ends on March 2021; for 2018-19, 3 years ends on March 2022; for 2019-20, 3 years ends on March 2023; for 2020-21, 3 years ends on March 2024; for 2021-22, 3 year ends on March 2025 and for 2022-23 3 years ends on March 2026. In this case, the initial complaint was made on 08.06.2022



by the claimant which is the starting point of initiation of dispute. The three years period where the trading Member has to keep the records will cover the trades from 2019-20 which ends in 2023, 2020-21 which ends in 2024, 2021-22 which ends in 2025 and 2022-23 which ends in 2026. This 3 year period will not cover 2017-18 which ended in 2021, 2018-19 which ended in 2022,.

13. Therefore, for the unauthorised trades between 2017-18 to 2018-19 the respondents are not expected to produce any evidences as per the circular. However, for the alleged unauthorised trades between 2019-20 to 2022-23 they should have produced some evidence either pre-order or post-confirmation of instruction of buy and sell. But fortunately or unfortunately for the unauthorised trades of 2019-20 there is a profit of Rs.23,79,893/, 2020-21 there is a loss of Rs.17,449/-, for 2021-22 there is a profit of Rs.1,50,116/- and for 2022-23 there is no buy value but sell value was Rs.1,06,587/-.

14. As per the calculation given by the claimant he has arrived at the loss only after giving credit to the profit and therefore he cannot object the alleged unauthorised sale of 2019-20, 2020-21, 2021-22 and 2022-23. The remaining unauthorised sale is on 2020-21 for the loss of Rs.17,449/-. Therefore the claimant is entitled to only Rs.17,449/- and not Rs.17,63,236/-.

This issue is answered accordingly.

Issue No.2:

Whether the claims are barred by limitation?

1. The Learned Counsel for the respondent submitted that the claim is barred by limitation as it relates to the transaction of 2017-18 to 2022-23. However, it is admitted that the claimant has raised the dispute as early as on 08.06.2022. There is no specific plea



from the respondent that any unauthorised trade has to be challenged within a limited period. The claimant has relied on the order of the Hon'ble Supreme Court for the exception of limitation during the Covid 19 period. According to him, even for the unauthorised trade of 2017-18 the claimant is on time to raise his claim before this Tribunal. This Tribunal is not accepting the plea of barred by limitation by the respondent. Moreover, looking in another view it is a running account with the claimant and the cause of action arises only when the dispute arise which was in the year 2022. Moreover, in issue No.1, the respondents were found to be not responsible to produce any evidence of authorised trade after the expiry of 3 years i.e., 2017-18 and 2018-19. Therefore, there is no question of limitation.

This issue is answered accordingly.

Issue No.3:

Whether the claimant is entitled for a compensation of Rs.17,63,236/- with interest?

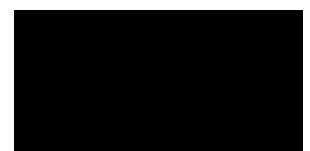
1. Since there is no contract between the parties for payment of interest pre-lite or pendente lite, the claimant is not entitled for any interest. However, the claimant is entitled for an interest post award.

This issue is answered accordingly.

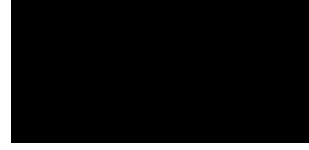
Result:

In the result, an Award is passed;

1. Directing the respondent to pay to the claimant a sum of Rs.17,449/- for the loss suffered due to the unauthorised trade during the Financial Year 2020-2021 with interest @18% p.a from the date of Award till date of payment.
2. The costs of the proceedings will abide by the NSE regulations.



Dated at Ahmedabad on this the 19th day of February 2025.



Sole Arbitrator