




31 JAN 2025

DK 582708

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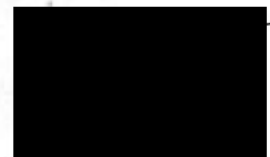
RAGUPATHI
STAMP VENDOR, L/No. C3/4839/83
No. 37, VILLAGE ROAD, NOW KNOWN AS
No. 79/91, VALLUVARKOTTAM HIGH ROAD
NUNGAMBAKKAM, CHENNAI-600 034
MOBILE: 9445114247

Before the Sole Arbitrator 
Registrar Amika Arbitration & Mediation Council

Appointed under Rules, Bye Laws, & Regulations of the
National Stock Exchange of India Ltd.

BY THE CENTRE FOR ONLINE RESOLUTION OF
DISPUTES(CORD)

In the Matter of Arbitration, No
NSE-SB-2024-11-333480 read with
CORD Case ID-SNSEII124A0356 of 2024





तमिलनाडु TAMILNADU

31 JAN 2025

DK 582709
R. RAGUPATHI

STAMP VENDOR, L/No. C3/4839/83
No. 37, VILLAGE ROAD, NOW KNOWN AS
No. 79/91, VALLUVARKOTTAM HIGH ROAD
NUNGAMBAKKAM, CHENNAI-600 034
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[REDACTED]

Applicant

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

PAN: [REDACTED]

VERSUS

[REDACTED]

Respondent

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Considering the amount of claim in dispute, no personal hearings were held. The Award is passed based on the documents made available to the sole arbitrator by the Centre for Online Resolution of Disputes (CORD).

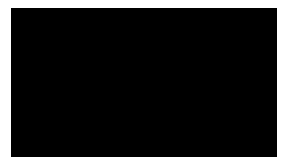
THE AWARD

PART I: The Dispute

1. The applicant is a client of the respondent, the [REDACTED] with Client ID [REDACTED], and the nature of the dispute is non-execution of orders given by the applicant to the respondent and the allegation of improper service by the respondent.
2. The applicant wanted to square off his positions, but the respondent has not acted on time, thereby resulting in a loss of Rs. 97,082 to the applicant. The applicant wanted the loss to be made good.
3. The applicant first went for conciliation, and the conciliation failed. Therefore, this arbitration.

PART II: Submissions and arguments by the Applicant

4. The applicant states that on 15.10.2024, his FINNIFTY 24100 PE short position was entered on 15.10.2024 with a hedge of 23700 PE buy position. When he tried exiting the said positions by squaring off 24100 PE, the order got rejected despite several attempts.



5. The applicant stated that he had called [REDACTED], the respondent call and trade services to square off the positions; however, the respondents said that they could square off the position, and the applicant needed to add extra margin. Therefore, the positions could not be closed till the end of the day, which resulted in a loss of Rs. 97082.
6. The applicant states further that:
- a. FINNIFTY 24100 PE short and 23700 PE long were entered on 15.10.2024.
 - b. FINNIFTY 24100 PE square off was attempted. Order got rejected repeatedly with RMS rejected for margin.
 - c. Complaint raised in [REDACTED] to square off all the respondent's open positions.
 - d. The respondent called [REDACTED] support/call and trade service, and asked them to square off all his open positions. They asked him for margin to square off his positions. They could not understand that when there is a margin shortfall, he has two options: 1. He can add margin. 2. He can square off short positions to bring back margin in line. However, the respondent refused to accept and repeatedly asked for margin to square off positions.
 - e. Because of this the applicant was not able to square off his positions till the end of the day. This resulted in loss, and he was not able to trade because his margin was locked.
 - f. Claim of loss calculation: End of the day loss
 - i. Loss in 24100 PE -Rs. 75985
 - ii. Loss in 23700 PE- Rs. 13781
 - iii. Total Loss - Rs.89766
 - iv. Cost and Expenses - Rs.7316

v. Total Claim amount _ Rs.97082

7. In support of the claim, the applicant has submitted Twitter messages and drawn the attention of this tribunal to the Securities and Exchange Board of India Stock Brokers Regulations 1992—Schedule 2. He argued that the respondent has to produce the recordings of the call between him and the respondent, where it would be clear about the instructions he has given and non-compliance with the directions given by him to the respondent.
8. Further in response to the statement of defence of the respondent, the applicant argued that, as per the statement of the respondent, FINNIFTY 24100 PE was the only open position that required margin at the time the applicant was trying to exit the same position. Therefore, exiting 24100 PE would only release the margin. Furthermore, the respondent has not disclosed the conversation details, stating that they had not maintained any conversation with the applicant.
9. That it was due to failure of execution of order, the loss has occurred. Further non-execution of order is a breach of contract and trust by the trading member.
10. The applicant never acknowledged a margin shortfall in his account. It is the respondent who asserts the existence of a margin shortfall. In fact, the respondent claims that the applicant's account being in margin shortfall, blocking the orders was against the contractual obligation. Evidently, selling multiple times from 11 AM to 3:27 PM. proves there was no margin shortfall at all.
11. The mere fact that the respondent is denying the proof available in the contract note is evidence of their ulterior motive of hiding the facts and their wrongdoing.
12. The applicant further argues that the officials of the respondent have poor understanding of the concept of hedge and hedge break, which is evident from their knowledge centre on the [REDACTED] website. They have given contradictory statements regarding hedge break rules in their article. This shows

a lack of knowledge among officials regarding hedge break rules, and they have incorporated the same in automated RMS, which is leading to the error.

13. That, as stated by the respondent, they have an automated RMS system. That is where the applicant pointed out the flaw. Instead of acknowledging and correcting the flaw in automated RMS, they are diverting the issue and giving absurd explanations to hide their flaw.

PART III: Respondents' response

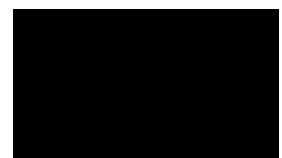
14. That while rejecting the claims of the applicant, the respondent states that all the contentions raised by the applicant are a mere exaggeration and a complete misrepresentation of the facts.
15. That on 15th October 2024, the applicant attempted to place a buy order for the "FINNIFTY 15 OCT 24 24100PE position" with a hedge buy order of the "FINNIFTY 15 OCT 24 23600PE position.". However, the hedge position of the buy order of the "FINNIFTY 15 OCT 24 23600PE position" was already sold at 9:49 a.m. on 15 October 2024 and could not have been hedged. In fact, this position that was allegedly hedged appeared to be carried forward to the next day, i.e., 15 October 2024. The applicant has mentioned this to be the hedged position throughout the Statement of Claim.
16. That the claim section of the statement of claim mentioned a completely different position, which was a hedged buy order of the "FINNIFTY 15 OCT 24 23700PE position" against a sell order for the "FINNIFTY 15 OCT 24 24100PE position". To this it is submitted that the applicant attempted to place a buy order for 24100 PE. These positions are intended to be part of a hedged strategy, both expiring on 15 October 2024, where the 23700PE position might be used to protect against a downside move, and the 24100PE serves as a higher strike price hedge. The applicant attempted to square off a partial quantity of the

24100PE, but there was insufficient margin in the account to do so, and without having enough margin in the account to support the remaining position (the 24100PE), this caused a margin requirement and hedge break.

17. It is submitted that since the applicant was not having sufficient margin available, the Respondent's system rejected the Claimant's orders in order to prevent the account from margin shortfall. The claimant's order to close the 24100 PE position (or modify it) could not be executed because it would leave the trader without enough margin to maintain the remaining position (the 24100 PE). This rejection was in accordance with the established system compliance with laws and regulations issued by SEBI and NSE, which ensures that no orders are executed without adequate margin or funds to cover them, which is systematised in the respondent's system.
18. That the Respondent further states that he had verified all records and confirms that there was no operational lapse on its part. The rejection of the order was an automated system-generated action triggered by the lack of sufficient funds in the claimant's account and was consistent with the respondent's margin collection procedures as stipulated in the terms of the trading agreement.
19. That the Applicant has been actively engaged in securities trading, utilising the Respondent's online trading platform or app for executing transactions. The respondent, through its risk disclosure documents, was made aware of the varying elements of risk associated with the securities and derivatives market. The applicant was cautioned to undertake transactions only if he/she understands the nature of trade and the extent of exposure to risk. The applicant cannot now blame the respondent for the losses that resulted from his own trading decisions.
20. That the applicant's allegation that the teleoperator on the respondent's customer care was lacking knowledge is denied. Furthermore, the applicant has not denied that his trading account had insufficient funds and is unnecessarily

harping on the point that the orders were rejected; however, without sufficient funds, no orders can be executed. The applicant has not shown any intention to deploy funds to avoid the rejection of the order due to the short margin fall (insufficient funds in trading accounts).

21. That the applicant's assertion of a financial loss and any claim at all is purely speculative and not supported by any documentary evidence. It is worthy to note that 15th October was a weekly expiry day, and the trade positions that allegedly resulted in loss had zero intrinsic value (i.e., out-of-the-money contracts) and had to be zeroed out as settlement norms of the market. Thus, the claimant's claim is not only hypothetical but also notional and liable to be rejected outright. The loss, if any, is attributable to the complainant's own failure to ensure that adequate funds were available in the account to cover the margin requirements.
22. That the claimant's failure to provide sufficient margin constituted a breach of their contractual obligations. In accordance with the terms and conditions governing the trading relationship, the applicant himself has sold his positions.
23. That from a bare perusal of the applicant's communications, complaints, and the present claim, the applicant has nowhere depicted his bona fides nor his readiness and willingness to make any payment to prevent the margin shortfall, thereby avoiding the alleged loss as mentioned in the statement of claim. Furthermore, the applicant is supposed to have basic awareness of the market conditions and bear the responsibility of its result, be it profit or its loss. In fact, the applicant has not denied that there were insufficient funds.
24. Further, the Respondent submits that the applicant alleges that he tried to square off his position on 15th October 2024, specifically a "FINNIFTY 24100 PE short position", but his orders were rejected repeatedly with the message "RMS margin exceeded." This resulted in his inability to exit the open position, which in turn led to the alleged loss.



25. That the hedge, or hedging, is a common investment strategy adopted by traders that is used to limit the risk of adverse price movements in a position such as options or futures. For example, if a trader has a short position, they might purchase a call option on the same stock to protect themselves against a rise in the stock's price. There are several strategies that allow the trader to avail themselves of the margin hedge benefit from the exchange. The applicant in this case had an open position that was hedged with buy and short positions of different strike price 'PUT' contracts (i.e., protected against price fluctuations using another financial instrument). The margin benefit is determined by the exchange based on predefined rules and is intended to reflect the reduced risk of the spread position compared to an equivalent naked position.
26. In margin trading, traders must keep a minimum amount of funds ("margin") in their account to sustain open positions. If the trader's margin falls below the required level, the Respondent's system detects this as a margin call or margin imbalance. However, when a trader holds a hedged position, the margin requirement thereunder is substantially low, and it reduces the risk of the position against market unfavourable movements.
27. The Respondent operates as a stockbroking agency without any malicious intent to profit from the Client's loss. The Respondent, like many other agencies, is merely a medium; inter alia, it can trade, as directed, and in compliance with SEBI and NSE rules, regulations, and guidelines. The Respondent has a system called Risk Management Systems (RMS) that automatically monitors and enforces margin requirements for every trade. This system is pre-approved under the regulatory norms. Thus, if a trader's margin falls below the required threshold, the RMS system may automatically reject further orders, as it does not meet the necessary funding criteria to support the positions, which has nothing to do with Respondent actions or control.
28. Specifically, the system flagged the position as having an "RMS margin exceeded" issue. This indicates that the system detected that the margin

required to support the positions was no longer sufficient due to the hedge break, thus rightfully rejected by the system. Therefore, the claimant's attempts to exit the open position were rejected because the system determined that the hedge no longer mitigated the risk, and the required margin to support the exit was not available.

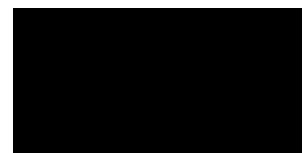
29. Therefore, the Respondent has adhered to the established procedures and risk management protocols, demonstrating no negligence or fault in their management of the Claimant's trade. The issue raised by the applicant is a result of insufficient funds in the account and not due to any operational or procedural failure on the Respondent's part. Therefore, the Respondent respectfully submits that the Statement of Claim is without merit. Thus, the conciliation proceedings, which were concluded as unsuccessful, are accurate and need not be interfered with.

PART IV: Point

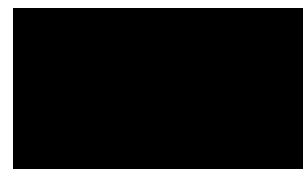
30. Taken on record are the documents submitted by both the parties. The Statement of Claim, the Statement of Defence, the rejoinder to the Statement of Defence, and the Sur-Rejoinder by the respondent and the annexures and attachments thereto.

31. The applicant has submitted the email and X (Twitter) conversations informing his inability to square off the positions. However, there was no immediate response except for a system-generated response assuring a response within 24-48 hours. In fact, before that time, the applicant claimed he had lost.

32. It is very much evident that the applicant has placed the orders and tried his best to carry out the actions of squaring off the positions with available margins, and the RMS system did not allow him to move forward until the closure of the business on the day of the transactions/actions in dispute.



33. Also, there is no dispute of delay in responding to the applicant by the respondent. However, the respondent has tried to cover up this attributing the actions to the automatic RMS system being operated by the Respondent.
34. Another point is that the respondent has categorically denied having maintained a record of conversations between the applicant and the respondent. Further, he had said the burden of proof lies with the applicant. This clearly shows that even to defend his own status, the respondent is not coming forward to place before the tribunal the evidence of any telephonic conversations available with him. Therefore, the tribunal is constrained to believe that either the respondent had not maintained any verbal conversations through phone or the conversations available with him will negate his stand if produced before the tribunal.
35. Now that after appreciation of the facts brought before me, documents placed before me, and the arguments advanced in the documents, I do not have any option but to believe that:
- a. The respondents have not acted as speedily as needed;
 - b. Margin shortfall was not an issue before the applicant started trading on 15 October 2024;
 - c. The respondent had tried to shift the entire blame to this automatic RMS system which did not allow the applicant to move further.
 - d. The applicant too had not monitored his margin positions in advance. However, this may not influence his squaring off actions
36. I fully agree with the arguments advanced by the applicant to the extent of the respondent's actions limiting the applicant's freedom to square off, explanation of availability of margins, and the limitations automatically imposed by IT enabled RMS.
37. IT systems are there to help us but not rule over us. Since we told the IT systems to function the way we wanted, we cannot blame them for any action by the system that is not in our favour. It is the respondent who made the system and programmed the system to behave in a way that is behaved in the instant case.



38. I have found that the margin shortfall was not an issue, and it was the pre-programmed systems defect that was not corrected by the respondent despite requests by the applicant, thereby putting him to an avoidable loss.
39. The typographical errors as stated by the applicant, where he had erroneously mentioned 23600 instead of 23700, are accepted by this tribunal, and the typographical error of one party should not be advantageous to another party.
40. Therefore, based on the presented facts and a thorough examination of the arguments presented by both parties in their written submission, I firmly believe that the applicant has suffered a loss of Rs. 97,082 (Ninety-seven thousand eighty-two rupees only).
41. I therefore award Rs. 97,082 (Ninety-seven thousand eighty-two rupees only) to the applicant, and the order towards costs will be as per SEBI/NSE norms and rates.
42. The application is thus disposed of.

Place: 


Sole Arbitrator

