WTM/AB/MRD/MRD-SEC-1/31435/2025-26

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Section 11B (2) of the Securities and Exchange Board of India Act, 1992 and Section 12A (2) of the Securities Contracts (Regulation) Act, 1956

In respect of:

Noticee No.	Name of the Noticee	PAN
1.	Multi Commodity Exchange of India Ltd. (MCX)	AADCM8239K
2.	Multi Commodity Exchange Clearing Corporation Ltd. (MCXCCL)	AAFCM9108B
3.	Padala Subbi Reddy	AAEPP1891N
4.	Narendra Kumar Ahlawat	ABZPA1574H
5.	Sanjay Golecha	AAFPG7183F
6.	Himanshu Ashar	AANPA6741R
7.	Manav Jain	AIUPJ4118Q

(The aforesaid entities are hereinafter individually referred to by their respective names / Noticee no. and collectively as "Noticees", unless the context specifies otherwise)

In the matter of Trading Software contract of MCX and MCXCCL with 63 Moons (erstwhile FTIL) and TCS

Background

1. Pursuant to a special purpose examination of Multi Commodity Exchange of India Ltd. ("**MCX**") and Multi Commodity Exchange Clearing Corporation Ltd. ("**MCXCCL**"), the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") issued a show cause notice dated October 16, 2023 ("**SCN**") to the Noticees for certain alleged violations of the provisions of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ("**SECC Regulations**, **2018"**), SEBI Act, 1992, Securities

Contracts Regulation Act, 1956 ("**SCRA, 1956"**) and various other Rules/ Regulations / directions / Circulars issued thereunder.

2. The facts of the case leading to the issuance of the SCN, as mentioned in the SCN, are summarized in the paragraphs below.

3. MCX started its operations in November 2003 as a commodity derivative exchange under the regulatory framework of the erstwhile Forward Market Commission ("**FMC**"). 63 Moons Technologies Ltd. ("**63 Moons**") [erstwhile Financial Technologies India Limited ("**FTIL**")] had 100% stake of MCX. As per then applicable regulatory norms, functions of Clearing and Settlement were earlier handled by a clearing house within MCX. Overtime, 63 Moons reduced its stake in MCX from 100% until March 30, 2005 to NIL by September 30, 2014.

4. MCX was using the trading software and related services from 63 Moons (erstwhile FTIL) since it started operations in 2003. As per Software License agreement, 2003, MCX had license to use this Customized software for 99 years (50 years + 49 years with auto renewal), with its consideration already paid by MCX. Despite having software services related clause in software license agreement dated Feb. 27, 2003 agreement, MCX and 63 Moons also separately entered into various service agreements since October 2005 for specified time period, for providing software support and managed services. With effect from Oct. 1, 2015, MCX discontinued availing managed services from 63 Moons while it continued to avail support services.

5. As per the last service agreement, 'Technology Support and Managed Services Agreement' of 2012 and Master amendment to agreements signed with 63 Moons in 2014, the 10 years' term of service was to end in September 2022. Further, MCX was required to pay recurring fees (fixed plus variable fee based on gross transaction charges received by MCX) to 63 Moons. For software support services provided by 63 Moons to MCX, the latter made payment of Rs. 15 Crore on quarterly basis during FY2021-22. While source code of the software was stored in an escrow account, it could be realised in favour of MCX

on occurrence of - termination of agreement by MCX due to bankruptcy/ winding up of 63 Moons, or occurrence of Force Majeure event or trading halt due to malfunction in FTIL software.

6. Among various restrictive clauses in agreements signed with 63 Moons, there was a non-compete clause that restricted MCX from procuring / licensing / developing commodity trading software 2 years prior to end of contract (i.e. till September 2020), unless the parties to the agreement were served notice to terminate the contract, wherein MCX would have had to pay 63 Moons full charges for the remaining term of the Agreement (i.e. till September 2022).

7. Pursuant to the merger of FMC with SEBI w.e.f. September 28, 2015, MCX came under the purview of SEBI from the said date and MCXCCL was recognized as a Clearing Corporation ("**CC"**) w.e.f. July 31, 2018. As per SEBI's notification dated September 8, 2015, commodity exchanges had to transfer functions of clearing and settlement to a separate clearing corporation within 3 years. Vide letter dated July 25, 2016, 63 Moons approved access of its software to MCXCCL, which would then have right to use the 63 Moons application for its functions i.e., Risk Management, Clearing & Settlement and Collateral. Accordingly, in February 22, 2018, MCX and MCXCCL entered into a resource sharing agreement wherein MCX *inter alia* extended to MCXCCL all the IT related equipment / facilities for carrying out activities related to clearing and settlement activities, including software of 63 Moons, for an amount that was to be reimbursed by MCXCCL to MCX.

8. Further, MCX and MCXCCL entered into a business transfer agreement dated June 4, 2018 to transfer Clearing and Settlement Division to MCXCCL from MCX. Subsequently, SEBI, vide gazette notification dated July 30, 2018 granted recognition to MCXCCL under Regulations 4 of amended SECC Regulations, 2012 for a period of one year (i.e. from July 31, 2018 to July 30, 2019. Thereafter, MCXCCL started clearing and settlement of trades executed on MCX as a separate legal entity.

9. In the meantime, on September 13, 2017, SEBI issued circular no. SEBI/HO/MRD/DP/CIR/P/2017/101 (herein after referred to as "Outsourcing Circular") on outsourcing policy that *inter alia* required all Stock Exchanges/ CCs to have a separate Outsourcing policy and implement its provisions by March 12, 2018, *inter alia* to retain an appropriate level of control over the work outsourced by them.

10. Subsequently, vide amendment to SECC Regulations, 2012 as notified on April 02, 2018, it was provided that there would be no separate category of 'Commodity Derivatives Exchanges' w.e.f. October 01, 2018. Accordingly, MCX became a 'Stock Exchange' having a Commodity Derivatives segment, with MCXCCL as its 'Clearing corporation'. Consequently, all regulatory provisions applicable to stock exchanges became applicable, mutatis mutandis, to stock exchanges with Commodity Derivatives segments also.

11. As non-compete clause with 63 Moons was to end in September, 2020, during early 2020, Standing Committee of Technology (SCOT) of MCX and Governing Board of MCX started discussion on future of Commodity Derivative Platform (CDP) at MCX. The MCX Board, in its meeting dated January 30, 2020, recorded a decision taken in SCOT meeting dated January 29, 2020 that in 7-15 days, MD&CEO should explore alternative options which would meet exchange requirement and could migrate in 2 years, which would enable MCX to be in better position to negotiate with 63 Moons. In subsequent SCOT meeting dated February 22, 2020, the Committee was informed that the vendors were not committing on timelines and that a mail had already been sent to 63 Moons, initiating discussion on the matter.

12. From 63 Moons' letter dated August 7, 2020, it was observed that two rounds of meeting with MCX were already held with 63 Moons on the matter and that 63 Moons had proposed to MCX the rate of Rs. 750 Crores along with applicable taxes as cash consideration for sale of Intellectual Property Rights (IPR) and source code (from 63 Moons) for self-use. Subsequently, in the Board Meeting dated September 10, 2020, alternatives on way ahead that were

discussed in SCOT meeting dated July 21, 2020 & August 19, 2020 were presented and it was decided not to go ahead with the 63 Moons proposal, *inter alia*, on account of the software being outdated.

13. Accordingly, MCX considered floating Request for Proposal ("**RFP**") and invite vendors for developing a new Commodity Derivative Platform ("**CDP**") (a new trading and settlement platform) for MCX within 2 years, as in this process, MCX could obtain perpetual licenses and take control over source code along with latest technology with full rights on IPR. MCX Board, considering that 18 months' period was a tight timeline for MCX, suggested to have strict timelines for rolling out new system (with buffer time of 6 months); or alternatively float RFP after seeking extension of 1 year from 63 Moons.

14. In the Board Meeting dated September 25, 2020, MCX Board as well as PwC (auditor engaged for RFP of CDP) raised concerns on tight timelines. However, Noticee 3 (MD&CEO of MCX) stated that his team was confident that the CDP could be developed in the 2 years' timeframe. He also stated that agreement with 63 Moons could be extended anytime during the 2-year period, on terms and conditions acceptable to MCX. In the said Board Meeting, it was decided that by October 15, 2020 negotiations should be held with 63 Moons for giving services beyond September 2022, without compromising on the ability of MCX to develop any system. Further, it was decided that RFP was to be made ready for floating by October 16, 2020.

15. However, during the Board Meeting dated October 15, 2020, it was informed that only informal discussions were initiated by MCX with 63 Moons, wherein 63 Moons informed MCX to send a formal request, which would be reverted by 63 Moons with a note of affirmative interest approved by its Board of Directors by October 30, 2020. In the said Board Meeting, it was decided to float RFP and simultaneously hold negotiations with 63 Moons.

16. On October 17, 2020, RFP was floated by MCX for CDP. On December 09, 2020, letter was received by MCX from 63 Moons, expressing that it was most reliable and tested provider of technology and was capable to give solutions

based on emerging requirements even on open platforms; proposing to extend its term with new agreement, or providing license of IP with Source code.

17. During the Board Meeting dated January, 12, 2021, it was opined that MCX should continue to negotiate with 63 Moons, on extension of term of existing contract with a view to maintain a business relationship and to have a fall back option. During the Board Meetings dated January 12, 2021 and January 21, 2021, it was informed that negotiation with 63 Moons had reached a deadlock, while Board opined to continue its negotiation with 63 Moons to have a fall back option. It was also informed that Tata Consultancy Services ("**TCS**") and London Stock Exchange Group ("**LSEG**") had submitted their bids, and that 63 Moons had not responded to the RFP.

18. Subsequently, TCS was assigned the project for development of CDP and the contract was awarded to TCS on February 05, 2021 i.e. 20 months' prior the end of 63 Moons contract. As per four agreements signed by MCX with TCS, MCX was to get non-exclusive, non-transferable, royalty free, limited in time, right and license to use the said products of TCS, subject to continued payment of AMC by MCX. TCS was to own the IPR and the Source code was to be accessible to MCX only in specified scenarios. TCS was awarded contract for a total cost of INR142 Crores (plus applicable taxes), including 49 Crore of AMC fees for 6 years. Also, the contract with TCS limited the penalty amount to 10% of Statement of Work ("**SOW**") value (i.e. maximum for Rs. 5.7 Crore). The initial go-live date of TCS contract was decided to be July 11, 2022.

19. Subsequently, letters dated May 12, 2021 and November 11, 2021 were received by MCX from 63 Moons expressing that it was most qualified for new CDP project and was open to discuss the commercials as per its proposal dated December 09, 2020. 63 Moons had also highlighted that MCX had not responded to its earlier letter. The said letters were placed before the MCX Board in meetings dated July 24, 2021 and December 22, 2021 along-with MCX's response.

20. In subsequent 10 Board meetings held during the period March 2021 - May 2022, status of the CDP project was placed before the MCX Board, wherein MCX Board made the CTO and the MD responsible for monitoring the progress of project. Also, since March 2021, MCX Board repeatedly directed to place a PERT chart that was placed only in Board Meetings dated March 28, 2022 and April 20, 2022. While TCS did not deliver on the targeted deliverables, Noticee 3 (MD and CEO of MCX) apprised the MCX Board that TCS had assured that it would make good the delay. The MD further assured that 'Go Live' date would not change. MCX Board also enquired about Plan B and reason for not placing it before MCX Board despite repeated requests. Over the 14 months, the Go Live date provided to TCS was shifted to August 29 2022.

21. In the Board Meeting dated July 30, 2022, it was informed to the MCX Board that TCS was not able to deliver CDP project as per the deadline initially agreed upon. As service agreement of 63 Moons was ending on September 30, 2022, and the final product was not delivered by the targeted date, to keep exchange platform running, MCX paid Rs. 60 Crore plus taxes for a quarter to 63 Moons for extension of support services till December 2022, on the basis of a purchase order.

22. Subsequently, in the Board Meeting dated December 06, 2022, it was informed to MCX Board that once trading was migrated to TCS system, it was not possible to go back to the system / software offered by 63 Moons. The MCX Board was further informed that TCS software would not be in position to Go-Live before January 01, 2023, and thus, the services of 63 Moons were further extended for another two quarters ending on June 2023, for Rs. 81 Crore (plus applicable taxes) per quarter. Further, it was noted in the Board Meeting dated June 28, 2023 that TCS software would not be in position to Go-Live before the specified deadline of July 03, 2023, and thus, the services of 63 Moons were further extended for another two quarters ending on December 2023, for Rs. 125 Crore (plus applicable taxes) per quarter.

23. The SCN has alleged that by virtue of MCX and MCXCCL ending up in such a situation where they were unable to complete the new CDP project in timely manner, they were potentially left without any vendor support for their core software. The said situation placed the very continuity of the MCX's exchange and MCXCCL's clearing platform at risk, which could have led to a possibility of disruption in their core activities as exchange and clearing corporation, impacting a wide range of stakeholders and the securities market as a whole.

24. It was also alleged that MCX had made inadequate disclosures to the exchanges regarding its purchase orders to 63 Moons and had submitted wrong information to SEBI regarding timeline of CDP Project.

25. In view of the above, the Noticees were alleged to have violated the following provisions of law:

Sr. No.	**Noticee No.**	**Alleged Violations**	**Penal Provisions**
1	Noticee 1 (MCX)	i. SEBI circular no. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017. ii. Clause 3 of SEBI circular no. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017, read-with Annexure I of the circular, including its Clause 2, 3, 4, 5, 7, 8, 11 and 13, read-with amendment to SECC Regulations, 2012 dated April 2, 2018 and SECC Regulations, 2018 and its amendment w.e.f. October 3, 2018 iii. Regulation 7(2)(f) and Regulation 7(3)(a,b &j) of SECC Regulations, 2018 read-with 12(5) of SECC Regulations, 2018. iv. Regulation 4(1)(c), 4(1)(d), 4(1)(e) and 4(1)(i) and 30(12) of LODR Regulations,	Regulation 23A(a), 23GA and 23H of SCRA, 1956 and 15A(b) & 15 HB of SEBI Act, 1992 read with 12A (2) of SCRA and 11B (2) of SEBI Act

		2015, read-with Regulation 33(1) of SECC Regulations, 2018.	
2	Noticee 2 (MCXCCL)	i. SEBI circular no. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017 ii. Regulation 7(2)(f) and 7(4) (a, b & g) read-with 12(5) of SECC Regulations, 2018 iii. Clause 3 of SEBI circular dated September 13, 2017 iv. Clause 2, 3, 4, 5, 6, 8.1 and 8.3 of Annexure I to SEBI circular dated September 13, 2017.	15HB of SEBI Act, 1992 and section 23GA and 23H of SCRA 1956 read with 12A (2) of SCRA and 11B (2) of SEBI Act
3	Noticee 3 (Mr. Padala Subbi Reddy, MD & CEO of MCX and shareholder director of MCXCCL)	i. Clause 1(b), 3(a), 3(b), 4(a), 4(b), 4(d), 5(b), 5(e), 5(f), 5(g) and 5(h) of Code of Conduct read-with Regulation 26(1) of SECC Regulations, 2018 read with clause 3 of PART – A schedule II of SECC Regulations, 2018 ii. Clause 1(b),1(c), 3(a), 3(b), 3(e) and 3(f) of Code of Ethics read-with Regulation 26(2) of SECC Regulations, 2018 read with regulation 33(1) of SECC Regulations 2018 and Regulation 32 of SECC Regulation 2012.	15 HB of SEBI Act, 1992 and section 23H of SCRA, 1956 read with 12A (2) of SCRA and 11B (2) of SEBI Act
4	Noticee 4 (Mr. Narendra Kumar Ahlawat, MD & CEO of MCXCCL)	i. Clause1(b),3(a),3(b),4(a),4(b),5(b),5(e),5(f) ,5(h) of Code of Conduct read-with Regulation 26(1) of SECC Regulations, 2018 ii. Clause 1(b),1(c),3(a),3(b),3(e) and 3(f) of Code of Ethics read-with Regulation 26(2) of SECC Regulations, 2018. iii. Clause 3 of SEBI circular dated September 13, 2017. iv. Clause 2, 5, 6 and 8.1 of Annexure I to SEBI circular dated September 13, 2017.	15HB of SEBI Act, 1992 and section 23H of SCRA, 1956 read with 12A (2) of SCRA and 11B (2) of SEBI Act

5	Noticee 5 (Mr. Sanjay Golecha, ex-CRO and ex-KMP of MCX)	Clause 1(b) and 3(f) of Code of Ethics read-with Regulation 26(2) of SECC Regulations, 2018 read-with Regulation 30(1) and 30(2) of SECC Regulations, 2018 and Regulation 32 of SECC Regulations, 2012 .	15 HB of SEBI Act, 1992 and section 23H of SCRA, 1956 read with 12A (2) of SCRA and 11B (2) of SEBI Act
6	Noticee 6 (Mr. Himanshu Ashar, KMP and CRO-in-charge of MCX w.e.f. July 01, 2022)	Clause 1(b) and 3(f) of Code of Ethics read-with Regulation 26(2) of SECC Regulations, 2018, read-with Regulation 30(1) and 30(2) of SECC Regulations, 2018	15 HB of SEBI Act, 1992 and section 23H of SCRA, 1956 read with 12A (2) of SCRA and 11B (2) of SEBI Act
7	Noticee 7 (Mr. Manav Jain, ex-CTO of MCX)	Clause 1(c), 3(a) and 3(e) of Code of ethics read-with Regulation 26(2) of SECC Regulations, 2018	15 HB of SEBI Act, 1992 and section 23H of SCRA, 1956 read with 12A (2) of SCRA and 11B (2) of SEBI Act

26. The observations / findings against the Noticees which led to the allegations of violation of the abovementioned provisions of law are discussed in later part of this order, which considering the issues.

27. The SCN called upon the Noticees to show cause as to why appropriate direction(s) under Section 11B(2) of SEBI Act, 1992 and 12A(2) of SCRA, 1956 should not be issued against them on account of the alleged violations mentioned in this SCN.

Replies and Personal Hearings

28. The SCN was duly served on the Noticees. The Noticees subsequently filed Settlement applications in terms of the provisions of SEBI (Settlement

Proceedings) Regulations, 2018. Later, the said applications were withdrawn by the Noticees. The Noticees have filed their individual replies in respect of the allegations against them mentioned in the SCN. The details are as under:

Noticee Number	Date of first reply	Date of additional reply
1	March 29, 2024	April 11, 2025
2	February 13, 2024	April 8, 2025
3	April 1, 2024	April 17, 2025
4	February 13, 2024	April 8, 2025
5	April 1, 2024	April 16, 2025
6	April 1, 2024	April 16, 2025
7	April 1, 2024	April 15, 2025

29. The submissions of the Noticees have been referred to and considered while dealing with the issues being adjudicated in this order. The Noticees were granted opportunities of personal hearing, which were availed by them on June 03, 2024 and March 27, 2025. During the hearing, the Noticees reiterated their submissions made in their replies filed earlier. The Noticees also filed additional written submissions after the hearing (*Refer to Table above*).

Consideration of Issues

30. I have examined the facts of the case, the allegations against the Noticees and their submissions.

31. I note that primarily, the allegations made against the Noticees in the SCN emanate from the allegation of violation SEBI Circular No. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017 ("**Outsourcing Circular**") by MCX and MCXCCL.

32. The SCN alleged that the Outsourcing Circular was applicable to all Stock Exchanges and Clearing Corporations, without any exclusion to Commodity Exchanges, and it was of a generic nature. As per the SCN, the said circular, which was to be implemented by March 12, 2018, was *per se* applicable to Commodity Exchanges and Commodity Clearing Corporations, including MCX and MCXCCL respectively. Further, post regulatory amendments that removed distinction of Commodity Exchanges, Stock Exchanges and Clearing

Corporations, without any ambiguity, all Stock Exchange and Clearing Corporations related norms, including the Outsourcing Circular, became applicable, mutatis mutandis, to Exchanges with Commodity Derivatives segments w.e.f. October 03, 2018.

33. Vide Clause 3 of the Outsourcing Circular, stock exchanges and clearing corporations were advised to formulate and document an outsourcing policy duly approved by their Board based on the guidelines placed at Annexure I of the said Circular. MCX formulated its outsourcing policy on January 19, 2023, whereas MCXCCL's outsourcing policy was approved by MCXCCL Board on February 03, 2023. The SCN alleged that MCX failed to implement the Outsourcing Circular from 2018 till January 2023. SCN further alleged that MCXCCL failed to implement the Outsourcing Circular from 2018 until February 2023, since MCXCCL was recognised as a Clearing Corporation by SEBI w.e.f July 31, 2018.

34. A summary of the provisions of Outsourcing Circular allegedly violated by MCX and MCXCCL, as alleged in the SCN, is provided below:

(a) Clause 3: Stock Exchanges and Clearing Corporations must frame a board approved outsourcing policy.
(b) Clause 2 of Annexure I: Stock Exchanges and Clearing Corporations must determine materiality of outsourcing, especially when vendor failure can impact market operations.
(c) Clause 3.5 of Annexure I: Core IT functions can be outsourced, but vendor source code must be escrowed for business continuity.
(d) Clause 4 of Annexure I Selection of Service Providers/ Outsourced agencies and Due Diligence: Clause 4.1–4.3 provides for mandatory due diligence on vendor's financial, operational, and reputational strength.
(e) Clause 4.1 - Qualitative and quantitative, financial, operational and reputation factors of the service provider/ Outsourcing agency.
(f) Clause 4.2 - Proven high delivery standards or expertise in the field which may include parameters like track record, delivery standard, unique selling proposition, service standards.

(g) Clause 4.3 – Due Diligence should be documented and re-performed periodically.

(h) Clause 5 of Annexure I: Legal Accountability: Clause 5.1-5.3 provides for the Board and senior management retain accountability for outsourced functions.

(i) Clause 5.1 - Stock Exchanges and Clearing Corporations shall ensure legally binding written contract with the service provider/ Outsourcing agency.

(j) Clause 5.2 - Outsourcing arrangement does not diminish its obligations and those of its board and senior management, to comply with relevant laws and regulations.

(k) Clause 5.3 - Board and senior management of the stock exchange and clearing corporation shall retain responsibility for the effective management of risks arising from outsourcing.

(l) Clause 6 of Annexure I: Sub-contracting Clause 6.1–6.2 sub-contracting allowed only with approval and safeguards.

(m) Clause 6.1 - SE/CC to ensure outsourced activities are further outsourced downstream only with the prior consent of SE/CC and with safeguards.

(n) Clause 6.2 - SE/CC to consider ability of the sub-contractor to perform the services as a part of the due diligence.

(o) Clause 7 of Annexure I: Contract with Service Provider/ Outsourcing agency - Clause 7.1, 7.2 and 7.3 provides that Contracts must include risk mitigation, dispute resolution, and renegotiation terms, respectively.

(p) Clause 8 of Annexure I: Monitoring of Service Provider's/ Outsourcing agency's Performance - Clause 8.1, 8.2 and 8.3 require regular monitoring and reviews of outsourced functions, including tracking of risks and vendor performance.

(q) Clause 11 of Annexure I: Contracts must include exit/termination provisions and transition strategies for business continuity.

(r) Clause 13 of Annexure I: Outsourcing policy should be auditable and included in system audits, especially for IT systems.

35. I note that there are other allegations of violations of the provisions of the provisions of SECC Regulations, 2012 and SECC Regulations, 2018 against the Noticees, as mentioned in the Table under Para 25 above, which primarily emanate from the abovementioned allegations pertaining to violation of the provisions of Outsourcing Circular by MCX and MCXCCL. Holding the Noticees guilty of such violations mainly hinges on the issue as to whether the allegation of violation of the provisions of Outsourcing Circular by MCX and MCXCCL is established or not.

36. I note that the Noticees have raised a preliminary ground regarding the applicability of Outsourcing Circular to MCX and MCXCCL. They have contended that the said Circular has no applicability to Commodity Derivatives Segments of the recognised Stock Exchanges / Clearing Corporations, in the first place.

37. MCX and MCXCCL have, *inter alia*, argued that the Outsourcing Circular was not applicable for the following reasons:

(a) After FMC was subsumed within SEBI in 2015, the regulation and administration of Commodity Derivative Exchanges (CDEs) and their Clearing Corporations (CCs) was overseen by SEBI's Commodity Derivatives Market Regulation Department (CDMRD), while the Market Regulation Department (MRD) continued to oversee the functioning of exchanges other than CDEs. The said bifurcation in responsibilities was evident from circulars issued by CDMRD which were specifically addressed to CDEs, whereas the generic circulars issued by MRD were directed to 'All Recognised Stock Exchanges'.

(b) Any provisions applicable to equity exchanges which were released by MRD, were made applicable to CDEs and their CCs through specific directives issued to that effect by CDMRD. For example, CDMRD Circular dated August 11, 2016 on "Annual System Audit of Stock Brokers / Trading Members of National Commodity Derivatives Exchanges" made the provisions of an earlier MRD Circular dated November 6, 2013, applicable to brokers of National Commodity Derivatives Exchanges. Further,

CDMRD Circular dated March 29, 2016 made the provisions of an earlier MRD Circular dated July 6, 2015 applicable to MIIs in commodity derivatives market. Thus, the circulars issued by MRD were generally not applicable to CDEs and their CCs unless otherwise specified by MRD or made applicable by a corresponding circular of CDMRD.

(c) The distinction between stock exchanges and CDEs was removed w.e.f. October 1, 2018 and vide SEBI Circular dated September 28, 2018 on "Applicability of Circulars issued for Commodity Derivatives markets" it was clarified that all the norms issued for CDEs shall be applicable to Commodity Derivatives Segments of Recognised Stock Exchanges and their CCs to the extent applicable. However, there was no separate clarification on applicability of norms issued for stock exchanges other than CDEs, including the Outsourcing Circular, to the Commodity Derivatives Segments of Recognised Stock Exchanges and their CCs. As Outsourcing Circular was issued by MRD one year prior to the abolition of the separate category of CDEs, the same could not be made applicable to stock exchanges having commodity derivatives segment, unless specifically made applicable by CDMRD.

(d) This non-applicability of Outsourcing Circular was further reinforced by non-inclusion of the Outsourcing Circular in the Master Circulars issued by SEBI for Commodity Derivatives Market dated September 7, 2018, July 10, 2020, July 1, 2021, May 17, 2022 and August 4, 2023, which sought to put all information mentioned in various circulars in a single place. However, the Outsourcing Circular finds mention only in the Master Circulars issued for Stock Exchanges and Clearing Corporations. Applying the legal maxim - *expressio unius est exclusio alterius,* it is clear the Outsourcing Circular did not apply to CDEs and their CCs. Moreover, inclusion of certain common circulars (such as SEBI Circular dated January 10, 2019 bearing circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13) in both the Master Circulars for CDEs and for Stock Exchanges and Clearing Corporations, lends further credence to this view.

(e) MCX and MCXCCL's management was of the bona fide view that the Exchange / Clearing Corporation was not bound by provisions of Outsourcing Circular, more so given the ambiguity surrounding applicability of Outsourcing Circular and absence of clear regulatory directive. Without prejudice to this understanding, MCX and MCXCCL *suo motu* formulated an Outsourcing Policy in line with the Outsourcing Circular prior to issuance of the SCN as a good governance measure.

38. Having considered the submissions of the Noticees, I note that after the merger of FMC with SEBI on September 28, 2015, the regulation and administration of CDEs came to be overseen by SEBI. However, the Stock Exchanges and CDEs continued to function separately. Thereafter, the Outsourcing Circular was issued on September 13, 2017, which was applicable to all Stock Exchanges and Clearing Corporations. In the meantime, vide Circular dated November 26, 2015, SEBI mandated that CDEs had to transfer the function of clearing and settlement of trades to a separate Clearing Corporation, within three years from September 28, 2015.

39. Subsequently, amendments were carried out in SECC, 2012 which were notified on April 02, 2018. Pursuant to the same, SEBI Circular dated September 28, 2018 was issued which provided that *"there would be no separate category of 'Commodity Derivatives Exchanges' w.e.f. October 1, 2018."* The said Circular further provided - *"Accordingly, it is clarified that all the norms issued for Commodity Derivatives Exchanges till date shall be applicable to Commodity Derivatives Segments of Recognised Stock Exchanges / Recognised Clearing Corporations to the extent applicable."*

40. In the meantime, SEBI, vide Gazette notification dated July 30, 2018, granted recognition to MCXCCL under Regulation 4 of the SECC Regulations, 2012 and accordingly, in September 2018, MCXCCL started clearing and settlement of trades executed on MCX as a separate legal entity.

41. After MCX and MCXCCL started operating as recognised Stock Exchange and Clearing Corporation, the moot point is whether they automatically got covered by the ambit of the Outsourcing Circular.

42. In this regard, it is noted that SEBI, prior to the issuance of SEBI Circular dated September 28, 2018 which abolished the concept of CDEs, issued a number of circulars which were either addressed to 'All recognised stock exchanges', or to 'All National Commodity Derivatives Exchanges'. The Outsourcing Circular dated September 13, 2017 was one such Circular, which was addressed to All Stock Exchanges. While SEBI Circular dated September 28, 2018 provided that all the norms issued for Commodity Derivatives Exchanges till date shall be applicable to Commodity Derivatives Segments of Recognised Stock Exchanges / Recognised Clearing Corporations to the extent applicable, there was no clarity on whether earlier Circulars issued for All Stock Exchanges prior to 2018 Circular, were applicable to Commodity Derivatives Segment of recognised Stock Exchanges / Clearing Corporations, or not.

43. It is further noted that subsequently, SEBI issued Master Circulars from time to time which either applied to Stock Exchanges or to Commodity Derivative Segments of the Stock Exchanges. When the contents of the Master Circulars issued by SEBI from time to time for the Commodity Derivatives Segment are compared with the Master Circulars issued for Stock Exchanges and Clearing Corporations, wherein, I note that the Outsourcing Circular finds mention in the Master Circulars issued for Stock Exchanges and Clearing Corporations, whereas it is conspicuously absent from the Master Circulars issued for the Commodity Derivatives Segment. Further, while certain Circulars, such as SEBI Circular dated January 10, 2019 on "Committees at Market Infrastructure Institutions", are mentioned in both the Master Circulars issued for Stock Exchanges and Clearing Corporations as well as for Commodity Derivatives Segment, the Outsourcing Circular is not one such Circular.

44. The above observations show that there was legal ambiguity on the issue of whether the Outsourcing Circular was applicable to Commodity Derivative

Segments in the first place. In view of such legal ambiguity, I am inclined to accept the explanation submitted by MCX and MCXCCL for delayed implementation of the provisions of the Outsourcing Circular. I note that MCX and MCXCLL have subsequently formulated an Outsourcing Policy, in terms of Clause 3 of the said Circular, which shows that they have taken remedial steps. Accordingly, I find that the allegation of violation of the provisions of Outsourcing Circular against MCX and MCXCCL does not sustain.

45. I note that various provisions of SECC Regulations, 2012 and SECC Regulations, 2018 have been invoked against the Noticees for issues which are directly linked to alleged non-implementation of the Outsourcing Circular by MCX and MCXCCL. As the allegations of violation of Outsourcing Circular against MCX and MCXCCL does not sustain, the related allegations pertaining to violation of the provisions of SECC Regulations, 2012 and SECC Regulations, 2018 against the Noticees do not stand.

46. Apart from the alleged non-implementation of the provisions of Outsourcing Circular, the SCN has also made certain assertions to allege that MCX / MCXCCL and / or its management did not act with care, due diligence and in the best interest of MCX/MCXCCL. On the basis of these assertions, the Noticees are alleged to have violated the provisions of SECC Regulations, 2012 and SECC Regulations, 2018. The essence of these assertions can be summarized as below:

    (a) The 2012 agreement read with its Master Agreement between MCX and 63 Moons had biased, restrictive and arbitrary clauses preventing MCX from exploring other options. While Legal opinion dated September 26, 2022 obtained by MCX confirmed MCX's strong position under the 2003 agreement wherein 63 Moons was bound to continue providing services beyond September 30, 2022, MCX failed to explore legal options for ensuring continuity of service by 63 Moons. Due to this, MCX had to agree to pay Multi-fold charges to 63 Moons' for continuing service beyond September 30, 2022. MCX Management failed to assess or use its legal leverage in time. The lack of actions of MCX in respect of taking legal

recourse on timely basis had potential to impact capabilities of MCX to have necessary infrastructure for orderly execution of trades and adequate trading system.

(b) There was delay on part of MCX's management to systematically plan and place the alternatives before the MCX Board, which led to delay in taking decision to go ahead with RFP Option and accordingly MCX was not able to float RFP on October 01, 2020, which was the first available opportunity. The RFP was floated only on October 17, 2020 and TCS was awarded contract only on February 05, 2021. The same ultimately led to MCX paying exorbitant sums to 63 Moons for continuation of services.

(c) MCX failed to ascertain the requirement of any technological advancements in the existing software or whether 63 Moons was capable of fulfilling the requirements, before floating the RFP.

(d) Two years' time was not sufficient for completion of CDP Project. Even though concerns were expressed regarding changing technology under tight timeline of 2 years, MCX management expressed unrealistic confidence that MCX was capable of setting up a new platform and operationalize it before September 2022. The management of MCX failed to take into consideration the situation where there was delay in operationalizing CDP Project by TCS and there was no extension of service contract with 63 Moons on terms acceptable to MCX. MCX went ahead with the RFP based on assumptions not backed by any practical analysis and without getting terms of the 63 Moons agreement modified or securing at least the extension of services. Neither the new platform was operational by September 2022 nor was MCX able to negotiate with 63 Moons on favourable terms. This led to MCX incurring huge cost through payment of enhanced charges.

(e) Since January 2021, MCX Board directed the MCX management to negotiate with 63 Moons to have a fall back option. Although it was directed in the Board Meeting dated March 28, 2022 to have Plan B in place, the option to approach 63 Moons was discussed only on July 30, 2022 and concrete alternative plans were placed before the Board only on

September 29, 2022 i.e. a day before 63 Moons contract was expiring. Due to MCX approaching 63 Moons only at the end of contract date, MCX was forced to agree to pay charges that were four times higher. Similar trend regarding delayed placement of agenda in Board Meeting was observed for period after October 2022 as well. This showed lack of seriousness on part of the MCX management to actively protect the interest of the exchange and keep the board informed of the manner in which the important project was being monitored.

(f) The go-live date of the CDP Project by TCS was shifted multiple times. Timely information was not provided to the Board which could enable better monitoring of project progress. The MD and CEO of MCX kept giving unrealistic reassurances to the Board of MCX regarding timeline without any basis. This resulted in no corrective action being taken by MCX Board to address the delay in CDP Project by TCS. Further, MCX and its management failed to thoroughly vet the TCS contract, since it did not have adequate penalty clause for delay by TCS.

(g) MCXCCL and its management was not actively engaged in CDP Project despite the fact that CDP Project had serious implications on clearing and settlement functions of MCXCCL. MCXCCL was absolutely dependent on MCX. MCXCCL also did not appoint a CTO in a timely manner. Further, as MCXCCL did not alternative options but went for Resource Sharing Agreement with MCX, it had to incur huge cost due to delay in operationalization of CDP Project.

(h) There were frequent changes in the position of CTO in MCX when a critical technology platform was being developed. The management of MCX failed to ensure continuity of critical manpower during a crucial period of finalization of CDP Project.

(i) There was enormous financial loss to MCX and MCXCCL due to delay in operationalization of CDP Project and MCX was forced into paying enhanced charges to 63 Moons. Even after incurring huge cost, MCX and MCXCCL continued to face risk of disruption of continuity of trading, clearing and settlement operations.

47. I note that through the abovementioned assertions, the SCN has alleged various lapses on part of MCX / MCXCCL and its management, in respect of MCX's agreement with 63 Moons and contract for CDP Project with TCS. While particular acts and decisions of MCX / MCXCCL and its management may appear as lapses when viewed with the benefit of hindsight, drawing any inference regarding such acts / decisions calls for careful examination of all the facts and circumstances prevailing at the relevant time.

48. The SCN has repeatedly spoken of the fact that MCX did not negotiate with 63 Moons in advance for extension of service agreement on favourable terms nor did it explore legal options to protect its interest.

49. MCX, in its reply to SCN, has submitted that in the MCX's SCOT Meeting dated August 19, 2020, three options were presented for consideration, which were (i) In-house development of CDP (ii) Floating RFP and (iii) Continuing with 63 Moons on revised terms of agreement. In respect of the third option, SCOT was informed that 63 Moons had quoted a price of Rs. 750 Crore for sale of IPR. The SCOT, after deliberating on the issue, recommended proceeding with the option of floating an RFP.

50. MCX has also submitted that MCX, on being requested by 63 Moons, submitted a proposal to enter into a new agreement with 63 Moons for support and maintenance services for a tenure of one year after the expiry of the support services agreement. In response, 63 Moons vide letter dated December 09, 2020 rejected the terms proposed by MCX, and in turn, proposed a minimum term of 33 years.

51. MCX, in its reply to the SCN, has submitted that although a legal opinion dated September 26, 2022 taken for exploring legal options had delineated grounds available to MCX, the said opinion had also concluded that the likelihood of securing interim relief in the matter was not very high. MCX further submitted that another legal opinion dated June 22, 2023 also opined on similar lines and cautioned MCX that any action for seeking interim relief might aggravate relations with 63 Moons.

52. MCX also submitted that since software vendors operate outside SEBI's purview and often occupy a monopolistic position in the IT Services Industry, more so due to availability of limited players capable of developing customised trading software, it becomes difficult for MIIs to unilaterally dictate terms during commercial negotiations.

53. Having examined the submissions, I am of the opinion that exploring legal remedies like challenge in courts or going for arbitration are not easy decisions which can be taken in isolation. Such decisions are taken only after carefully considering all the factors and weighing pros and cons. The management cannot be faulted for not exercising that option, especially when the outcome of such decisions cannot be predicted with certainty. These decisions, taken in the specific circumstances prevailing at that time, can go either way and any inference regarding their suitability ought not to be drawn with the benefit of hindsight.

54. As regards negotiations with 63 Moons for extension of service contract, I note that MCX had started the negotiations after the restrictive clause came to an end in September 2020, which is evident from its letter dated November 04, 2020 sent to 63 Moons. In fact, the SCN itself notes that in the Board Meetings dated January 12, 2021 & January 21, 2021, it was informed that negotiation with 63 Moons had reached a deadlock.

55. In view of the above, I am of the view that the allegation that MCX / its management did not attempt to negotiate for extension of service agreement with 63 Moons in advance does not hold true. As regards MCX not taking legal recourse, the same has to be treated as a business decision, as submitted by MCX, and cannot be faulted.

56. The next allegations mentioned in the SCN is that there was delay on part of MCX's management to systematically plan and place the alternatives before the MCX Board, which led to delay in taking decision to go ahead with RFP Option.

57. In this regard, MCX has submitted that in line with its Board's decision of January 30, 2020 to explore alternative options, MCX was engaged in exploratory exercise and gathering information from external vendors and any delay was on account of delayed responses from vendors. I note that the due to the restrictive clause in the agreement with 63 Moons, the RFP could not have been floated before October 01, 2020 in any case. The RFP was floated on October 17, 2020. In my view, the delay of 16 days in floating the RFP was not a material delay and accordingly, no negative inference can be drawn in this regard.

58. As per the SCN, MCX failed to ascertain the requirement of any technological advancements in the existing software or whether 63 Moons was capable of fulfilling the requirements, before floating the RFP. In this regard, MCX has submitted that in SCOT's meeting dated July 21, 2020, the issue of outdated nature of technology provided by 63 Moons was discussed. MCX has also submitted that the said decision fell within the business judgment of MCX. I agree with the submission of MCX that the decision to go for RFP or to explore the option of continuing / dis-continuing with of an existing vendor purely fell within the ambit of business decision of MCX. According, I do not draw any negative inference against MCX in this regard.

59. The next allegation made by the SCN is that two years' time was not sufficient for completion of CDP Project. In spite of concerns being raised, MCX management expressed unrealistic confidence about operationalization of CDP Project before September 2022. The management of MCX, before going ahead with RFP, failed to take into consideration the possibility of delay in operationalizing CDP Project and no extension of service contract with 63 Moons on terms acceptable to MCX. Neither the new platform was operational by September 2022 nor was MCX able to negotiate with 63 Moons on favourable terms, leading to MCX incurring huge cost.

60. In this regard, MCX has submitted that based on the information received from potential vendors including TCS and consequent evaluation and demos

conducted by MCX, there was a bonafide and well-informed impression that the development of CDP could be concluded within the two years' timeline. Further, the delays could not have been reasonably foreseen and there were no reasons to suspect TCS's ability to adhere to delivery timelines, given its reputation.

61. I note that TCS is a vendor which has expertise in the IT Services. The fact that TCS had accepted the contract for development of CDP with an original go-live date of July 11, 2022 (which is much before the date of expiry of service contract with 63 Moons) itself signifies that the completion of CDP Project was achievable within two years' timeline. Further, the timelines informed by the management of MCX to MCX Board regarding the CDP Project was as per the assessment of TCS itself, which was developing the software. Accordingly, I do not find the abovementioned allegation to be sustainable.

62. The next allegation raised by the SCN is that negotiation with 63 Moons to have a fall back option was not done in time and that concrete alternative plans were placed before the Board only in September 29, 2022 i.e. a day before 63 Moons contract was expiring. Such instances were also observed after October 2022.

63. In this regard, MCX has submitted that the Board in its meeting dated July 30, 2022 was informed that the MD of MCX had discussed the possibility of extension of 63 Moons support services with the MD and CEO of 63 Moons. The Board then directed COO, CTO and MD of MCX to open formal negotiations with 63 Moons and accordingly, vide letters dated August 01, 2022 and August 11, 2022, MVX approached 63 Moons seeking a six-month extension of support services. 63 Moons, on August 22, 2022, submitted its proposal to MCX which was placed before MCX Board on August 26, 2022. Thus, it is incorrect to allege that concrete plans for fall-back options were placed before the MCX Board only on September 29, 2022.

64. I have considered the submissions of the Noticee and accept the same as satisfactory explanation.

65. The next allegation is that the go-live date of the CDP Project by TCS was shifted multiple times and that timely information was not provided to the Board which could enable better monitoring of project progress. The MD and CEO of MCX kept giving unrealistic reassurances to the Board regarding timeline due to which no corrective action could be taken by MCX Board to address the delay in CDP Project. Further, MCX and its management failed to thoroughly vet the TCS contract, since it did not have adequate penalty clause for delay by TCS.

66. In this regard, MCX has submitted that changes in go-live dates were due to delay on part of TCS. The project commenced at a time when COVID-19 was at its peak and there were several governmental restrictions hindering physical movement which impacted co-ordination. Senior officials gave assurances that there would be no change in the final go-live date. Accordingly, the MD and CEO of MCX gave reassurances to the board of MCX regarding the timeline of CDP Project.

67. I have considered the above submissions of the Noticee and find them to be satisfactory. Accordingly, I am not drawing any negative inference in this regard.

68. The next allegation for consideration is that MCXCCL and its management was not actively engaged in CDP Project and MCXCCL was absolutely dependent on MCX in this regard. MCXCCL did not appoint a CTO in a timely manner. Further, as MCXCCL did not alternative options but went for Resource Sharing Agreement with MCX, it had to incur huge cost due to delay in operationalization of CDP Project.

69. In this regard, MCXCCL has submitted that it was involved in CDP Project right from floating of RFP and even after finalization of TCS as a new vendor. MCXCCL also participated in the evaluation of the proposals received from two bidders, i.e., TCS and LSEG. The SCOT of MCXCCL was notified about the Functional Specification Documents (FSD) prepared by TCS, which were duly reviewed, modified, finalized and signed off by the respective departments of MCXCCL. Even upon finalization of TCS as the vendor, MCXCCL continued to

remain involved at all stages of the CDP Project. Senior management of MCXCCL (PIDs, CTO and COO) regularly attended the meetings of EC, set up to track the progress of CDP Project. The SCOT of MCXCCL also independently tracked the progress of CDP Project.

70. As regards appointment of CTO, MCXCCL has submitted that a CISO was appointed w.e.f. March 05, 2019 and the responsibilities of CTO and CISO overlapped significantly. The CISO made significant contributions to CDP Project. Further, first reference of having a CTO for a CC was made in SEBI Circular dated March 22, 2021. A CTO was appointed by MCXCCL on July 23, 2021.

71. As regards entering into a Resource Sharing Agreement instead of exploring alternative options, MCXCCL has submitted that the systems of both MCX and MCXCCL were intertwined and the two entities were interdependent on each other for carrying out their functions smoothly.

72. I have considered the above-mentioned submissions and find them to be satisfactory.

73. The next allegation is that there were frequent changes in the position of CTO in MCX when a critical technology platform was being developed. MCX also waived notice period in case of one CTO. The management of MCX failed to ensure continuity of critical manpower during a crucial period of finalization of CDP Project.

74. In this regard, MCX has submitted that matters of employment are governed by respective employment contracts which provide for resignation related clauses. Without prejudice to the same, MCX persuaded CTO to continue, who however, requested for early relieving and had also on earlier occasions in November 2022 and March 2023 expressed his desire to resign. MCX Management, therefore, was of the view that relieving the CTO early would be in the organisation's interest as he was disinterested in working on a critical project and would have spread dissatisfaction among other employees. Moreover, the

CDO, who had secondary responsibility to oversee CDP implementation, was in place to ensure minimal impact of absence of CTO. The fact of CTO's early exit was brought to the notice of SCOT, Nomination and Remuneration Committee (which noted that management took decision in interest of the project and that there was no internal breach of any rule), and the Board of MCX.

75. I have considered the submissions of the Noticee and accept the same as satisfactory.

76. The SCN has alleged that there was enormous financial loss to MCX and MCXCCL due to delay in operationalization of CDP Project and MCX being compelled to pay enhanced charges to 63 Moons. Even after incurring huge cost, MCX and MCXCCL continued to face risk of disruption of continuity of trading, clearing and settlement operations.

77. In this regard, I note that MCX has provided explanations for the delay in operationalization of CDP Project and the reasons why it could not avoid payment of enhanced charges to 63 Moons. The said explanations have already been discussed above and have been found to be credible. Further, I note that the CDP Project went live on the same date on which the SCN was issued to the Noticees.

78. For the above stated observations, findings and reasons, I find that the allegation of violations of the provisions of SECC Regulations, 2012 and SECC Regulations, 2018 levelled against the Noticee in respect of the abovementioned assertions in the SCN are not established.

79. While I have considered all the issues and recorded my issue-wise findings, I deem it important to put certain facts in perspective, which may help in understanding the nuances of this case.

80. The Software License Agreement executed in 2003 between MCX and 63 Moons (erstwhile FTIL) was not a normal business transaction, as 63 Moons

was also the absolute owner (100% shareholding) of MCX in 2003. The Service Agreement of 2012 was basically an incidental agreement under the 2003 agreement. Even at the time of 2012 Service agreement, 63 Moons held 26% stake in MCX. Thus, the transactions between MCX and 63 Moons can be said to be a related party transaction. It is interesting to note that 63 Moons, even after being so closely connected to MCX in the past, did not show any leniency in extending the service contract on terms favorable to MCX.

81. MCX was clearly caught in a Catch-22 situation where the timely operationalization of CDP Project looked uncertain due to complexity of the project and the prevailing COVID restrictions. At the same time, any coercive legal action by MCX against 63 Moons could have led to 63 Moons abruptly stopping the services after the end date of agreement, which could have jeopardized the very continuity of MCX and MCXCCL's operations. Faced with a dilemma - *damned if you do, damned if you don't* – MCX went ahead with the choice of temporary extension of services, for which 63 Moons extracted its pound of flesh. While the losses to MCX resultantly were huge, it had to be ensured, at any cost, that the Exchange and CC functioned without any disruptions. It must be reckoned that MCX and MCXCCL were ultimately able to operationalize the CDP Project without glitch and inconveniencing investors.

Disclosure related to 63 Moons' services extension:

82. As per Regulation 33(1) of SECC Regulations, 2018, *"The disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to a recognised stock exchange and a recognised clearing corporation."*

83. It was noted that vide press release dated September 30, 2022, October 7, 2022 and December 30, 2022 and notes to quarterly financial results published on October 22, 2022, MCX disclosed that it had issued a purchase order to 63 Moons for extending Support & Managed services for its existing trading & clearing platform with 63 Moons, initially for quarter ended December 2022 and thereafter for half-year ended June 2023. However, the fact that MCX paid Rs.

60 Crore for quarter ended December 2022 and Rs. 81 Crore per quarter till half-year ended June 2023 was not disclosed by MCX to public in these press releases and notes to quarterly financial results. The said quarterly payment to 63 Moons of Rs. 222 Crore for 3 quarters between Oct. 2022 – June 2023 was more than the annual profit of MCX viz. Rs. 118 Crore for previous FY 2021-22. The said disclosure was made only on January 11, 2023 as 'Note to Unaudited Financial results for quarter ended December 31, 2022', published on BSE's website.

84. It is alleged in the SCN that MCX, by failing to make appropriate disclosures as stated above, MCX violated the provisions of Regulation 4(1)(d), 4(1)(e), 4(1)(i) and 30(12) of LODR Regulations, 2015, read-with Regulation 33(1) of SECC Regulations, 2018.

85. The provisions of Regulations 4(1)(d) and 4(1)(e) of LODR Regulations, 2015 mandate disclosure of accurate, adequate, explicit and timely information. Similarly, Regulation 4(1)(i) mandates that filings, reports, statements, documents and information which are event based, or are filed periodically, shall contain relevant information. Further, Regulation 30(12) of LODR Regulations, 2015, *inter alia,* provides that any event or information which is not mentioned in Para A or B of Part A of Schedule III but which may have a material effect on the listed entity is required to be adequately disclosed.

86. I note that the quarterly payments made by MCX to 63 Moons for 3 quarter between Oct. 2022 – June 2023, which totalled Rs. 222 Crore, was much larger than the annual profit of MCX for previous FY 2021-22, which stood at Rs. 118 Crore. This information was a material information, since the said quarterly payments exceeded the quarterly payments made earlier to 63 Moons by many times. The increased quarterly payments can be said to have huge bearing on the profitability of MCX. Accordingly, such information has to be treated as material information which ought to have been disclosed by MCX to public, in terms of the provisions of Regulation 30(12) read with Regulations 4(1)(d), 4(1)(e) and 4(1)(i) of the LODR Regulations, 2015. MCX has admitted that it

failed to disclose the same to public. However, it has submitted that the same was an inadvertent mistake. As MCX has admitted the lapse, I find that the allegation of violations of the abovementioned provisions of LODR Regulations, 2015 and SECC Regulations, 2018 by MCX stands established. Accordingly, MCX is liable for a monetary penalty under Section 15HB of the SEBI Act, 1992 for the abovementioned provisions of LODR Regulations, 2015 and SECC Regulations, 2018.

87. The SCN has also alleged that MCX has made incorrect public disclosure in its press release dated September 30, 2022 regarding Managed Services. In this regard, MCX has submitted that the disclosure was regarding extension of the agreement with 63 Moons which was titled 'Support and Managed Services Agreement'. MCX has further submitted that there was no wrong disclosure as it had specifically disclosed that "*the Services envisaged under the existing agreements with 63 Moons shall remain the same*". Considering the submission of MCX, I am inclined to drop the allegation regarding incorrect disclosure against MCX.

88. The SCN also alleged that Noticee 3 made incorrect disclosures to SEBI regarding timeline for the CDP Project. As per SCN, the timeline provided by TCS was informed to SEBI rather than the one envisaged by MCX / MCXCCL internally. In this regard, I am of the view that since TCS was the vendor which was given the contract for CDP, Noticee 3 cannot be found fault with for informing the timeline provided by TCS. Accordingly, I find no lapse on part of Noticee 3 in this regard.

89. While imposing the monetary penalty, I have considered the factors, as mentioned under Section 15J of the SEBI Act, 1992.

Order

90. In view of the reasons recorded in detail in this Order, I, in the exercise of the powers conferred upon me under Section 11B(2) of the SEBI Act, 1992 and Section 12A(2) of SCRA, 1956 read with Rule 5 of the SEBI (Procedure for

Holding Inquiry and Imposing Penalties) Rules, 1995; Rule 5 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 and Section 19 of SEBI Act, 1992, hereby order as follows:

(a) MCX (Noticee 1), is hereby imposed with a monetary penalty, as provided hereunder:

Noticee	Provisions of law violated	Penalty Imposed under Section	Penalty Imposed
MCX (Noticee 1)	4(1)(d), 4(1)(e), 4(1)(i) and 30(12) of LODR Regulations, 2015, read with Regulation 33(1) of SECC Regulations, 2018	Section 15HB of the SEBI Act, 1992	Rs. Twenty-Five Lakh (Rs. 25,00,000/-)

(b) MCX shall remit / pay the amount of penalty mentioned above, within 45 days of receipt of this order by using the undermentioned pathway: www.sebi.gov.in/Enforcement → Orders → Orders of Chairperson/ Members → Click on PAY NOW or by using the web link: https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. MCX shall forward the details/confirmation of penalty so paid through e-payment to "The Division Chief, MRD-SEC-1, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051" and also to e-mail id: tad@sebi.gov.in in the format given in the table below:

CASE NAME	
NAME OF PAYEE	
DATE OF PAYMENT	
AMOUNT PAID	
TRANSACTION NO.	
PAYMENT IS MADE FOR : (LIKE PENALTIES/DISGORGEMENT /RECOVERY/SETTLEMENT AMOUNT/LEGAL CHARGES ALONG WITH ORDER DETAILS)	

91. The proceedings in respect of Noticees 2 to 7 are hereby disposed of without any directions.

92. The Order shall come into force with immediate effect.

93. A copy of this Order shall be forwarded to the Noticees for information and for ensuring compliance with the above directions.

PLACE: MUMBAI **ASHWANI BHATIA**

DATE: MAY 26, 2025 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA