



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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March 05, 2024

**Action against JM Financial Products Limited under Section 45L(1)(b) of the Reserve Bank of India Act, 1934**

The Reserve Bank of India has today, in exercise of its powers under section 45L(1)(b) of the Reserve Bank of India Act, 1934, directed JM Financial Products Limited (JMFPL or 'the company') to cease and desist, with immediate effect, from doing any form of financing against shares and debentures, including sanction and disbursal of loans against Initial Public Offering (IPO) of shares as well as against subscription to debentures. The Company shall, however, continue to service its existing loan accounts through the usual collection and recovery process.

This action is necessitated due to certain serious deficiencies observed in respect of loans sanctioned by the company for IPO financing as well as NCD subscriptions. The RBI carried out a limited review of the books of the company on the basis of the information shared by the Securities and Exchange Board of India (SEBI).

During the limited review it was observed, inter alia, that the company repeatedly helped a group of its customers to bid for various IPO and NCD offerings by using loaned funds. The credit underwriting was found to be perfunctory, and financing was done against meagre margins. The application for subscription, the demat accounts and the bank accounts, all were operated by the company using a Power of Attorney (POA) and a Master Agreement obtained from these customers without their involvement, whatsoever, in the subsequent operations. Consequently, the company was able to effectively act as both lender as well as borrower. The company also acted as the arranger of bank account opening as well as operator of the said bank accounts using the POA. Apart from being in violation of regulatory guidelines, there are serious concerns on governance issues in the company, which in our assessment are detrimental to the interest of the customers. Regulatory violations and deficiencies, if any, on the part of the bank(s) in this regard is being examined separately.

The business restrictions now being imposed, will be reviewed upon the completion of a special audit to be instituted by the RBI and after rectification of the deficiencies to the satisfaction of RBI. Further, these business restrictions are without prejudice to any other Regulatory or Supervisory action that may be initiated by RBI, against the company.