

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

S. RAMAN, WHOLE TIME MEMBER

ORDER

Under Regulation 28(2) of the SEBI (Intermediaries) Regulations, 2008 in respect of Galaxy Broking Limited (Member of BSE Limited-SEBI Registration No. INB010882739).

1. Galaxy Broking Limited ("**Galaxy Broking**") is registered with Securities and Exchange Board of India as a stock broker having SEBI Registration No. INB010882739. Galaxy Broking is a member of BSE Limited ("**BSE**").
2. Securities and Exchange Board of India ("**SEBI**") observed the following during an inspection of Galaxy Broking in the year 2013:
 - i. 22 Adjudication Orders were passed against Galaxy Broking by various Adjudicating Officers of SEBI.
 - ii. Galaxy Broking failed to pay monetary penalties in 6 Adjudication Orders passed against it.
3. In view of this, SEBI initiated proceedings against Galaxy Broking under the SEBI (Intermediaries) Regulations, 2008 ("**Intermediaries Regulations**") and appointed a Designated Authority ("**DA**") to enquire into the contravention of provisions of SEBI Act, and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 ("**Broker Regulations**") by Galaxy Broking.
4. The DA after considering the abovementioned allegations and the material available on record, vide Report dated July 24, 2015, in terms of Regulation 27 of the Intermediaries Regulations, recommended suspension of the Certificate of Registration of Galaxy Broking for a period of one year.

5. Thereafter, a Show Cause Notice (“SCN”) dated October 29, 2015 alongwith the said Report was sent to Galaxy Broking (hereinafter referred to as “**the Noticee**”) advising the Noticee to show cause as to why appropriate action including action recommended by the DA should not be imposed on it. The SCN sent through Hand Delivery with acknowledgment to the Noticee at its office at ‘634, P.J.Tower, Dalal Street, Fort, Mumbai 400 001’ was returned undelivered with the remarks ‘Office Locked’. It is noted that the SCN was affixed at the registered office of the Noticee i.e. 805-C, Panchdhara Plaza, Opp. Shiromani Complex, Nehru Nagar Cross Road, Ahmedabad-380015. Thereafter, an opportunity of personal hearing was granted to the Noticee for July 05, 2017. The hearing notice dated June 06, 2017 was served through publication in the newspapers viz. “Times of India’ (English Daily; Mumbai and Ahmedabad Edition) and Maharashtra Times (Mumbai Edition) and ‘Gujarat Samachar’ (Ahmedabad Edition) on June 16, 2017.
6. Pursuant to the publication of the hearing notice, the Noticee vide letter dated June 22, 2017 sought a copy of SCN. A copy of the SCN was also provided to the authorized representative of the Noticee on June 22, 2017.
7. Subsequently, the Noticee vide letter dated June 29, 2017 submitted their reply to the SCN stating that they have paid the penalties imposed by SEBI. In this regard, the Noticee submitted the following documents:
- (i) SEBI’s Order releasing bank accounts/lockers/demat accounts,
 - (ii) Certified copy of the Order dated April 27, 2016 passed by the Hon’ble Court of Sessions, Greater Mumbai in the matter of SEBI Vs. M/s Galaxy Broking Ltd & Ors.

Vide the said reply, the Noticee has *inter alia* submitted the following:

- i. “... as against the penalties (subject matter of the show cause notice), payments have been recovered from our company in the following manner:
 - a. Direct debit from Union Bank of India (Mumbai) A/c No. 317901011254 on 04.09.2014 for Rs.84162.27/-;
 - b. Direct debit from Union Bank of India (Rajkot) A/c No. 536901010050132 on 16.09.2014 for Rs.9945.61/-;

- c. *Direct debit from Union Bank of India (Rajkot) A/c No. 536901010050253 on 16.09.2014 for Rs.11643.10/-;*
 - d. *Pay order dated 22.10.2014, given by BSE (From our Deposit) for an amount of Rs.1158545/-;*
 - e. *Pay order dated 24.11.2014, given by BSE (From our Deposit) for an amount of Rs.66074/-.*
- ii. *The SEBI has acknowledged the receipt of the abovementioned amounts and after receipt of the amounts has ordered the release of our attached bank accounts. It needs to be emphasized that the release order has been passed on December 12, 2014 i.e. much prior to the so called enquiry report and the show cause under reply.*
 - iii. *The SEBI had filed three cases bearing nos. 12 of 2014, 371 of 2014 and 419 of 2014 against us before the Hon'ble Court for SEBI matters. All the said three matters have been compounded and we have made the payments of the legal expenses of Rs.67,000/- in each matter as required by the SEBI. ”*
8. The issue that arise for consideration in the present case is whether the Noticee failed to pay the monetary penalties levied by the Adjudicating Officers under various Orders thereby violated the provisions of the SEBI Act read with Brokers Regulations or not?.
9. Before dealing with the charges levelled against the Noticees, the relevant legal provisions, the contravention of which have been alleged in the instant case are reproduced hereunder:-

Broker Regulations

“Liability for action under the Enquiry Proceeding Regulations.

27. A stock broker or a sub-broker shall be liable for any action as specified in Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 including suspension or cancellation of his certificate of registration as a stock broker or a sub-broker, as the case may be, if he—

...

(xi) fails to pay the penalty imposed by the Adjudicating Officer;”

10. As regards the allegation of non-payment of monetary penalties by the Noticee, I note the following:

- i. 22 adjudication orders were passed against the Noticee by various Adjudicating Officers (**AO**) out of which the Noticee is alleged to have failed to pay the monetary penalties in 6 Adjudication Orders amounting to Rs.11, 00,000/-, the details of which are as under:

Sl. No	Name of the case	Date of Adjudication Order	Amount of Penalty in Rs.
1.	Hit Kit Global solution Ltd.	30/11/2010	5,00,000.00
2.	Monalisa Infotech Ltd.	23/03/2011	50,000.00
3.	K Sera Sera	29/04/2011	75,000.00
4.	Parsoli Corporation Ltd	20/06/2011	2,50,000.00
5.	G. Tech Info Training Ltd	24/05/2012	50,000.00
6.	T. Spiritual World Ltd.	04/09/2012	1,75,000.00
	Total		11,00,000.00

- ii. Considering the above, SEBI initiated the Enquiry proceedings against the Noticee. The DA issued SCN dated June 23, 2014. It is however noted from the Report that the SCN got returned undelivered. The details as regards service of the SCN is reproduced hereunder:

“the SCN was sent through Regd. Post AD at both the available addresses of the Noticee viz: 634, PJ Tower, Dalal Street, Fort, Mumbai-400 001 and 1008, Hemkoot, Behind LIC Building, Ashram Road, Ahmedabad- 380 001. However, the SCN was returned undelivered by the Postal Department with remarks “Not Claimed” at the first address and with remarks “Left” at the second address. Since, it was not claimed by the Noticee at the first address, therefore, the SCN was again sent on July 10, 2014 through Regd. Post AD at first address. However, the same was again returned undelivered by the postal department with remarks “Not Claimed”.

As the Noticee is a member of BSE, BSE was advised vide communique dated August 11, 2014 to affix the SCN along with annexures at the addresses of the Noticee witnessed by two persons and forward the Affixture Report on priority basis. Accordingly, the BSE vide their letter dated August 18, 2014, forwarded the Affixture Report dated August 14, 2014. The said SCN was affixed at the aforesaid first address of the Noticee situated at Mumbai.”

- iii. I note that the Noticee neither submitted any reply nor any evidence as regards payment of monetary penalties. In view of the same, the DA after considering the material available on record, vide Report dated July 24, 2015 recommended suspension of certificate of registration of the Noticee for a period of one year.
- iv. It is noted that the post enquiry SCN dated October 29, 2015 also got returned undelivered and the same was once again served through affixture. I note that it is only at the stage of personal hearing (when the hearing notice was published in the newspapers) that the Noticee responded to the SCN and submitted its reply dated June 29, 2017. Further, during the course of the enquiry, the notice sent to the Noticee at its Mumbai Office at Dalal Street Mumbai was returned with the remarks 'not claimed'. Such an attitude of an intermediary cannot just be accepted. The Noticee being a member of a recognised stock exchange and SEBI registered stock broker is required to accept the notices and communications from SEBI and promptly respond to the notices.
- v. Though the Noticee failed to act promptly to the SCNs issued by SEBI as detailed above, the following factors are also pertinent to be mentioned:
 - SEBI recovered the penalties along with interest and costs amounting to Rs.13,632/- from the Noticee through direct debit from its bank account with Union Bank of India (Rajkot) and also by way of Pay Orders (details are mentioned at paragraph 7 (i) above).
 - SEBI vide order dated 12/12/2014 acknowledged the receipt of the penalty amounts and ordered the release of the Noticee's bank accounts attached by SEBI.
 - The prosecution initiated by SEBI (three cases bearing nos. 12 of 2014, 371 of 2014 and 419 of 2014) against the Noticee before the Hon'ble Court of Sessions were compounded upon payment of compounding charges and legal expenses of Rs.67,000/- in each matter.
- vi. I note that the crux of the enquiry proceedings against the Noticee is non-payment of monetary penalties levied by Adjudicating Officers under various Adjudication Orders. Considering the fact that the Noticee has paid the penalties due to SEBI as on date, I am of the considered view that the matter may be allowed to rest with a strong warning to the Noticee to be more cautious in future and also promptly respond to the notices and communication from SEBI.

11. The Show Cause Notice dated October 29, 2015 issued to the Noticee Galaxy Broking Limited is disposed of accordingly.

Mumbai

August 08, 2017

S. RAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA