

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

IN THE MATTER OF M/S JARDINE FLEMING INDIA BROKING LTD

(J.P. MORGAN INDIA PVT. LIMITED) MEMBER – NATIONAL STOCK EXCHANGE

M/s Jardine Fleming India Broking Limited (J.P. Morgan India Pvt. Limited -for brevity's sake referred to as JFIBL) is a member of the National Stock Exchange and registered as a broker with the Securities and Exchange Board of India (hereinafter referred to as "SEBI"). The "SEBI" ordered an investigation into the buying, selling or dealing in the shares of State Bank of India (hereinafter referred to as "SBI") during the period May to October 1996, by various intermediaries including JFIBL.

During the course of the investigation and inspection of JFIBL, it was found that JFIBL's position had been auctioned a number of times on the exchange on grounds such as "shares not available/ client failed to deliver stocks etc". Thereafter the investigation/inspection report was submitted to SEBI and after considering the facts as emerging from the said report, an Enquiry Officer was appointed vide an order dated June 20th, 2001, under Regulation 28 of the SEBI (Stock Brokers and Sub brokers) Regulations, 1992 (hereinafter referred to as the " Regulations") to conduct an enquiry into the affairs of JFIBL in respect of their dealings in the scrip of SBI and the alleged violations/irregularities noticed during the investigation as regards the provisions of the SEBI Act, 1992, (hereinafter referred to as the "Act") and the Regulations".

The Enquiry Officer issued a show cause notice dated August 7th, 2001, upon JFIBL to show cause as to why action in terms of Regulations 26, 27 and 28 of the Regulations should not be initiated against them for the contravention of the provisions of the Act and the Regulations.

Upon the conclusion of the enquiry, on the basis of the facts and circumstances of the case and the submissions made by JFIBL, the material available on record and on an analysis of the investigation /inspection report, the Enquiry Officer vide his report dated November 29, 2001, recommended that a warning be issued to JFIBL to be careful in future.

Subsequently, a show cause notice dated February 22, 2002, was issued to JFIBL asking them to show cause in terms of Regulation 29(1) of the Regulations as to why the penalty as recommended by the Enquiry Officer should not be imposed upon him. Further, JFIBL was advised to reply to the same within 21 days of the receipt of the notice and indicate their desire for a personal hearing. Subsequently, JFIBL vide their letter dated March 15, 2002, requested for a personal hearing before me. During the course of the hearing held on July 3, 2002, the representatives appearing on behalf of JFIBL reiterated the submissions made by them before the Enquiry Officer.

Thereafter vide their letter dated July 10, 2002, while reiterating the submissions made earlier, JFIBL, further stated that regular audits covering both the regulatory and technological aspects of their operating systems were being conducted in order to identify and minimize any technical lapses.

On consideration of the same as well as the facts and circumstances of the case, I have noted that the lapses as observed by the investigation/inspection team were largely the outcome of systemic features experienced at a time when electronic trading was new to the Indian Securities market. In view of the above as well as after taking into consideration the undertaking given by JFIBL and the record of their previous compliance, I am in agreement with the Enquiry Officer to the effect that a warning be issued to JFIBL.

In view of the above, In exercise of the powers conferred on me by virtue of sub section (3) of section 4 of the Securities and Exchange Board of India Act, 1992, read with regulation 29 (3) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992, I am of the opinion that a warning be issued to the JFIBL as regards associating with any transactions which could result in the violations of the SEBI Act, 1992, Rules and Regulations made there under and the Code of Conduct. prescribed under Annexure II of Regulation 7 of the Regulations. JFIBL is warned to be diligent in future while transacting in securities and dealing with the securities market and investors. JFIBL should ensure strict compliance of the provisions of the SEBI Act, 1992 and the Regulations made thereunder and Bye Laws of the NSE and to strictly abide by the provisions of the SEBI Act, 1992 and the Brokers' Rules and Regulations.

G. N. BAJPAI

CHAIRMAN

DATE : July 29th , 2002

PLACE: MUMBAI

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