

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002

AGAINST M/S. D. B. (INTERNATIONAL) STOCK BROKERS LTD., MEMBER, NATIONAL STOCK EXCHANGE, HAVING SEBI REGISTRATION NO. INB230643233

CO/81/MIRSD/11/2004

1.0 BACKGROUND

- 1.1 M/s. D. B. (International) Stock Brokers Ltd. (hereinafter referred to as "the broker") is a member, National Stock Exchange, having SEBI Registration No. INB230643233.

2.0 INSPECTION AND ENQUIRY PROCEEDINGS

- 2.1 Pursuant to an inspection of the books of accounts, records and other documents of the broker, an Enquiry Officer (EO) was appointed vide SEBI Order dated 29th January, 2003 under Regulation 28(1) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 to enquire into the alleged contraventions observed during the inspection of books of accounts of the broker. The EO submitted his report on 10.06.04, recommending censure stating that the irregularities were of technical nature and such deficiencies/ lapses could be rectified.
- 2.2 The Enquiry Officer did not find the broker guilty of the violations as alleged in the inspection report such as failure to maintain duplicate copies of contract notes, failure to maintain client database i.e. agreements and registration forms, dealing with unregistered sub broker and with members of other exchanges, failure to maintain necessary books of accounts and documents as mandated under rule 15 of SCR Rules, 1957, failure to prepare contract notes for sale of securities in "patawat" auction and "BDC" auction offer, Non segregation of client account from that of own account., failure to maintain client complaint register and pending client complaints etc.
- 2.3 The Enquiry Officer stated in the Enquiry Report that there were some irregularities which were technical in nature and such deficiencies/ lapses could be rectified. He found that barring a few delays, the broker dealt with its clients with due regard to them and not to their detriment.
- 2.4 The Enquiry officer observed that the broker had been in broking business for a long period and such lapses were not expected. The Enquiry Officer observed that no prudent broker would have allowed such small mistakes though made unintentionally since it is presumed that a broker has to deal in securities market in diligent manner and observe all necessary rules, regulations, guidelines issued by SEBI/ Stock Exchanges from time to time.
- 2.5 After considering all the issues, the Enquiry Officer concluded that the broker should be warned to be cautious in future while dealing with clients and comply the necessary formalities as mandated by SEBI circulars, guidelines issued/ to be issued from time to time. Further the broker should be warned to deal his business activities in more diligent manner in future.

3.0 SHOW CAUSE NOTICE AND BROKER'S REPLY

- 3.1 A show cause notice dated 14.06.04 was issued to the broker in terms of Regulation 13(2) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty), Regulations, 2002, advising it to show cause as to why the appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed on it.
- 3.2 The broker replied to the said show cause notice vide its letter dated 24.06.04 stating therein that the Enquiry Officer did not find anything irregular in the broker's records, systems and procedures. The only small deviations which the Enquiry Officer observed related to non-mentioning of Income Tax PAN no. in the client registration forms. The broker stated further, that it had mentioned during the Enquiry that those clients had not received their income tax PAN no. at that time and stated that all the cases quoted in the Enquiry Report related to such persons who were not allotted PAN No. at the time of executing the Registration Forms. However in each case, proof of identity was obtained and placed on record at the time of executing of Registration Forms. Thus there was no deficiency in the Client Registration Forms.
- 3.3 I have carefully examined the facts and circumstances of the case. I have also considered the Enquiry Report and the submissions of the broker. I find that adequate opportunity had been given to the broker in accordance with principles of natural justice. The submissions made by the broker in reply to the show cause notice are not satisfactory and I am convinced that it is a fit case to pass an order warning the broker so that it will be more cautious in all its future dealings. Hence I agree with the recommendation of the Enquiry Officer that a warning should be issued to the broker.

4.0 ORDER

- 4.1 Therefore, in light of submissions made by the broker and in the interest of the investors and safety and security of the capital market, in exercise of powers conferred on me under Section 4(3) of the SEBI Act read with Regulation 13(4) of the of Securities and Exchange Board of India (Procedure for holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I, hereby warn D. B. (International) Stock Brokers Ltd. to be more cautious in future in its dealings with securities and adhering to the provisions of SEBI Act, 1992 and the Rules and Regulations made thereunder. I also advise it to note that any future lapse on its part in complying with the requirements of the Code of Conduct for stock brokers would invite stringent action.

This Order shall come into effect immediately.

PLACE: MUMBAI

DATE :18th Nov. 2004

G N BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA