

**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 SYKES & RAY EQUITIES (I) LTD., MEMBER, THE STOCK EXCHANGE, MUMBAI, SEBI REGISTRATION NO. INB010727734

1.0 BACKGROUND

- 1.1 Sykes & Rays Equities (I) Ltd. (hereinafter referred to as "the broker") is a member of The Stock Exchange, Mumbai ("BSE") registered with SEBI as a stock broker under section 12 of SEBI Act, 1992 with SEBI Registration No. INB010727734.
- 1.2 Inspection of the books of accounts, documents and other records maintained by the broker for the period April 2000 to September 2001 was carried out by S R Ghedia & Associates, Chartered Accountants, on behalf of SEBI as per letter: SMD/DBA-I/Pre-Insp./AK/14877/2002, dated August 06, 2002. Certain irregularities / contraventions of the SEBI Regulations were observed during the said inspection.

A copy of the Inspection Report was sent to the broker vide SEBI letter dated November 18, 2002 and his comments thereto were received vide reply dated December 10, 2002

2.0 ENQUIRY PROCEEDINGS

- 2.1 An Enquiry Officer (EO) was appointed vide SEBI Order dated March 08, 2004 under Regulation 5 of SEBI (Procedure for holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'said regulations') to enquire into the alleged contraventions observed during the inspection of books of accounts of the broker. The EO after conducting the enquiry in terms of the said regulations submitted his report on 28.10.04 and recommended a minor penalty of warning against the broker.
- 2.2 The Enquiry Officer in his report has found as under with regard to the contravention of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992:
- (i) Out of the 9 areas of alleged violations by the broker, the department has taken a lenient view in 8 areas after examining the reply of the broker. The enquiry proceedings were therefore confined to the remaining 1 violation pertaining to irregularities in the issuance of contract notes in violation of SEBI Circular No.SMD/MDP/CIR/043/96 dated 5.8.96. It is alleged that the contract notes issued by the broker do not bear pre-printed serial numbers but are directly generated through the member brokers' computer system. The numbering of contract notes is on daily basis and not on annual basis.
 - (ii) The Enquiry Officer after considering the reply of the broker in respect of the above allegation has concluded that the alleged irregularities in the issuance of contract notes that do not have serial numbers on an annual basis was a minor lapse and recommended that a penalty of warning be imposed in terms of Regulation 13(a)(i) of the enquiry regulations.

3.0 SHOW CAUSE NOTICE AND THE BROKER'S SUBMISSIONS

- 3.1 A copy of the Enquiry Report was sent to the broker along with a show cause notice dated 03.11.04, in terms of regulation 13(2) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'the said regulations'), advising the broker to show cause as to why the penalty as recommended by the Enquiry Officer should not be imposed.
- 3.2 The broker replied vide letter dated 22.11.04 and submitted as under:
The alleged violations were found to be technical or procedural by the Enquiry Officer which were caused inadvertently in the course of conduct of business. They have immediately taken steps to rectify such errors.
The broker further submitted that there was no loss caused to any investor or any grievance from any of the clients is received. There are no instances of any alleged violations of the Regulations by them in the past. There has been no grievance from any of their clients. There are no arbitral proceedings pending against them.

4.0 CONSIDERATION OF ISSUES

- 4.1 I have carefully examined the facts and circumstances of the case, the Enquiry Report and the submissions of the broker thereto. I find that adequate opportunity was given to the broker in accordance with the enquiry regulations.
- 4.2 The only charge that is established against the broker relates to irregularities in the issuance of contract notes that do not have pre-printed serial numbers and the numbering was not done on annual basis as is required. The Enquiry Officer had taken into account the submission of the broker that the back office software which generated serial numbers on a daily basis was modified to generate serial numbers on an annual basis.
- 4.3 The following are considered as mitigating factors:
- (i) It was the first SEBI Inspection of the broker and there are no investor complaints.
 - (ii) There is no failure to pay the margin to the exchange.
 - (iii) There are no pending arbitration cases or allegations of market manipulation against the brokers.

4.0 ORDER

- 4.1 Having regard to the gravity of the charges established, the mitigating factors as explained, it would meet the ends of justice, if the broker is warned to be careful in future.
Now, therefore, in exercise of the powers conferred upon me in terms of Section 19 of SEBI Act, 1992 read with Regulation 13(4) of the said Regulations, I hereby warn M/s Sykes & Ray Equities (I) Ltd., member, The Stock Exchange Mumbai having SEBI Registration No. INB010727734 and direct him to be more cautious in future in its dealings with securities and to adhere to the provisions of SEBI Act, 1992 and the Rules and Regulations made thereunder. Any future lapse on its part in complying with the said provisions would invite stringent action
- 4.2 This order shall come into force with immediate effect.

PLACE: MUMBAI
DATE: 27December,2005

MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA