

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGAINST M/s NIRPAN SECURITIES PVT LTD., MEMBER NATIONAL STOCK EXCHANGE, SEBI REGISTRATION NO. INB230648336 UNDER REGULATION 13(4) SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

1.0 BACK GROUND

- 1.1 M/s Nirpan Securities Private Limited (hereinafter referred to as the 'broker') is a member of the National Stock Exchange (hereinafter referred to as 'NSE') and is registered with the Securities and Exchange Board of India (hereinafter referred to as 'SEBI') as a Stock broker under Section 12 of SEBI Act, 1992 with Registration Number INB230648336 .
- 1.2 The broker is having his Registered Office at Plot 60B, East West Road, No2, JVPD Scheme, Vile Parle (West), Mumbai-400049. SEBI conducted inspection of books of accounts, documents and other records of the said broker vide Order dated 26.03.2003 under section 19(1) of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 for the period April 2001 to March 2003.
- 1.3 During the Inspection, irregularities such as default in maintaining the Order Book and Margin Deposit Book, anomalies in the form and issue of Contract Notes, non-collection of margins, non-segregation of client's funds and delay in transfer of the client's securities from the pool account etc. were observed.

2.0 APPOINTEMENT OF ENQUIRY OFFICER

- 2.1 Inspection Report was forwarded to the broker on completion of inspection. After considering his reply dated 03.11.2003 an Enquiry Officer was appointed vide order dated 22.03.2004 under Regulation 5(1) of SEBI (Procedure for Holding enquiry by enquiry officer and imposing penalty) Regulations, 2002 (hereinafter referred as the 'said regulations') to enquire into the alleged irregularities committed by the broker which were observed during the inspection.
- 2.2 A Notice dated 28.04.2004 was issued to the broker under Regulation 6 (1) of the said Regulations by the Enquiry Officer. The broker submitted his reply dated 18.05.2004 and appeared for personal hearing on 28.10.2004. The Enquiry Officer conducted the enquiry in terms of the said Regulations and the broker was given a fair and reasonable opportunity to make his submissions.
- 2.3 After considering the reply and the submissions made at the time of Personal hearing the Enquiry officer submitted his report dated 29.10.2004 finding that the said broker has committed violations of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, as under:

1. Irregularities in maintaining Contract notes
2. Non-collection of upfront margins
3. Non-maintenance of unique client code

- 2.4 The Enquiry Officer recommended for the issuance of a 'warning' to the said broker under regulation 13 (1) (a) (i) of the SEBI (Procedure for holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.

3.0 CONSIDERATION OF THE ENQUIRY REPORT

- 3.1 Based upon the Enquiry report and recommendation of the Enquiry Officer, a Show Cause notice dated 28.01.2005 under regulation 13(2) of the said Regulations was issued to the broker enclosing therewith a copy of the Enquiry Report. The broker submitted his reply vide letter dated 10.02.2005.
- 3.2 I have carefully considered the findings of the Inspection, Enquiry and the submissions made by the broker.
- 3.3 As regards irregularities in maintaining the contract notes, the Enquiry Officer had found that these violations are technical in nature and the broker took appropriate steps to see that such things do not reoccur in future. With regard to the allegation that the broker failed to collect upfront margins the Enquiry Officer had held that the broker has started collecting upfront margins. Similarly in the matter of non-maintenance of unique client code, Enquiry Officer had accepted the submission made by the broker that he has upgraded the technology to prevent the recurrence of the same in the future
- 3.4 The broker vide his reply to Show Cause Notice dated 28.01.2005 submitted that he is dealing only for his group companies, family members and institutional clients. The broker further submitted that the violations that happened at his end were only

technical in nature. The broker has assured that such violations would not occur in future.

3.5 The following are considered as the mitigating factors

- 1 The violations committed by the broker are technical in nature.
- 2 There are no complaints against the broker with regard to the delay in transfer of securities to the clients.
- 3 The broker rectified most of the anomalies pointed out in the inspection reports.

3.6 In view of the above, I am of the view that it would meet the ends of justice if a warning is given to the broker.

4.0 **ORDER**

4.1 Now, therefore, in exercise of powers conferred under 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 Nirpan Securities Pvt Limited (INB230648336), member National Stock Exchange 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 effect immediately.

PLACE: MUMBAI
DATE : 27.12.2005

MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA