

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 I Trade Limited, Reg: No. INS 010790132, Sub-broker affiliated to M/s MSE Financial Services Limited. Member, Stock Exchange, Mumbai.

Whereas Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an inspection of the books of accounts and other documents of M/s I Trade Limited, sub-broker, SEBI Registration No. INS 010790132 (hereinafter referred to as ITL) for the period April 2000 to June 2002; and

whereas, the inspection team observed certain irregularities allegedly committed by ITL, namely, confirmation memos were not in the prescribed format, not maintained minimum margin money, delayed delivery or payment to the clients, inadequate maintenance of the client database, non- segregation of clients funds from own funds and delay in meeting the margin and pay-in requirements to the Exchange, in violation of Regulation 15 read with Schedule II of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as Broker Regulations) SEBI Circulars dated July 27, 2000, May 17, 2002, November 18, 1993 and May 21, 1997 and also the byelaws, rules and regulations of the stock exchange; and

whereas, an Enquiry Officer was thus appointed by SEBI vide order dated November 21, 2003 under Regulation 5 of SEBI (Procedure for holding Enquiry by Enquiry Officer and Imposing penalty) Regulations, 2002 (hereinafter referred to as Enquiry Regulations) to enquire into the violations, if any, of Broker Regulations, SEBI Circulars and the Bye-Laws, rules and regulations of the Stock Exchange; and

whereas, the Enquiry Officer after conducting detailed enquiry in terms of the Enquiry Regulations, while agreeing with the contention of ITL that it is a small company with no third party interest and the transactions were carried out for the benefit of its directors, relatives and friends, concluded that the contention of ITL that it had no third party interest is not tenable as the Broker Regulations do not recognize such distinction of the clients and whether the clients are relatives of the broker or outsiders the compliance of rules, Regulations, procedures and systems are mandatory as they are in the interest of investors and for the orderly development of the securities market ; and

whereas, the Enquiry Officer also observed that considering the gravity of the charges and the submissions made by ITL, a minor penalty of warning on ITL may be adequate, and recommended minor penalty of warning against ITL vide his Enquiry Report dated September 30, 2004; and

whereas, a copy of the said Enquiry Report was forwarded to ITL along with a Show Cause Notice dated October 05, 2004 advising it to show cause as to why the action as may be considered appropriate should not be taken against; and

whereas ITL replied vide letter dated October 27, 2004 and interalia submitted that it had appeared before the Enquiry Officer and had shown Cause based on which the Enquiry officer has recommended the penalty of warning and also submitted that it reiterates the same submissions and accepts the proposed penalty of warning.

Now therefore,

I, while agreeing with the findings of the Enquiry Officer, and having considered the nature and gravity of the charges established, the facts and circumstances of the case, the mitigating factors as explained above, and the submissions made by ITL thereto, in exercise of the powers conferred under section 19 of SEBI Act, 1992, read with Regulation 13(4) of SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations, 2002 , hereby censure M/s I Trade Limited, sub- broker with Registration No. INS 010790132, advise it to be more careful in future in its dealings in the securities market and diligently adhere to the provisions of the SEBI Act, 1992, the Regulations and the Rules made there under.

DATE: 30/12/2005

PLACE: MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA