

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGAINST M/s.ANISH SECURITIES LTD., MEMBER, BANGALORE STOCK EXCHANGE, SEBI REGISTRATION NO. INB080959318 UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

MO/78/MIRSD/01/06

1.0 **BACK GROUND**

- 1.1 M/s Anish Securities Ltd (hereinafter referred to as the 'broker') is a member of Bangalore Stock Exchange, (hereinafter referred to as 'BgSE') 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 INB080959318.
- 1.2 The broker is having its Registered Office at Prabhat Complex, K G Road, Bangalore – 560 009. SEBI conducted inspection of books of accounts, documents and other records of the broker vide Order dated 16.5.2002 under section 19(1) of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 for the years 2000-01, 2001-02 and April 2002 to June 23, 2002. During the inspection, certain irregularities found to have been committed by the broker were observed.

2.0 **ENQUIRY PROCEEDINGS**

- 2.1 The Inspection Report was forwarded to the broker on completion of inspection. After considering the broker's reply dated August 23, 2002 an Enquiry Officer was appointed vide Order dated November 5, 2003 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 July 15, 2004 was issued to the broker under Regulation 6 (1) of the said regulations. The broker submitted his reply vide letter dated August 6, 2004 and appeared for personal hearing on September 2, 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 The Enquiry Officer recommended for imposing a minor penalty of warning on the said broker.

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 September 30, 2004, in terms of Regulation 13(2) of the said Regulations, advising it to show cause as to why appropriate penalty including the penalty as recommended by the Enquiry Officer should not be imposed.

4.0 **CONSIDERATION OF ISSUES**

- 4.1 I have carefully considered the findings of the Inspection, Enquiry and the submissions made by the broker, and note the significant points, as under:

a) The charge against the broker is that it had acted as sub-broker without valid registration from SEBI. The broker submitted that it is registered as broker with BgSE and as sub broker with BgSE Financial Ltd which is a member of NSE &

BSE and it executed all its trades through BgSE Financial Ltd only. As there was not much liquidity on the regional stock exchange and not all scrips were traded on the exchange, it was forced to service its clients by executing some of their trades on NSE through an NSE broker. NSE members, at that point of time would consider them as their clients and not as their sub-broker. Hence it had to trade with them as clients and not sub-brokers, which was a common practice adopted by most of the NSE members. The broker admitted that it had acted as a sub broker without registration from Securities and Exchange Board of India as a sub broker in NSE.

b) As regards the allegation of non-reporting off the floor transactions, not collecting margins form clients and dealing with unregistered sub brokers, the Enquiry Officer found that the same are not established.

c) As regards the charge of non-payment of turnover fees to SEBI for the year 2001-2002, the broker submitted that the said matter was sub-judice at that time and after the matter was decided in favour of SEBI, the turnover fees was paid to SEBI and a copy of letter to this effect was enclosed along with its reply dated August 23, 2002. The broker has remitted an amount of Rs.1,59,750 as principal fee and Rs.56,364/- as interest. The broker further submitted that on reconciliation if any deficit is found, he would pay the same. The Enquiry Officer concluded that an action in terms of the Regulations may be separately taken in case of default by the broker.

5.0 The Enquiry Officer recommended for issuing a warning to the broker. In the light of the above, I have no substantive reasons to differ with the findings of the Enquiry Officer.

6.0 **ORDER**

6.1 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 Anish Securities Ltd Ltd (INB080959318), Member, Bangalore Stock Exchange, and direct it 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.

6.2 This order shall come into force with immediate effect.

Place: Mumbai

Date: 5/1/06

Madhukar

Whole Time Member

Securities and Exchange Board of India