

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGAINST M/s INSIGHT SHARE BROKERS PVT LTD., MEMBER NATIONAL STOCK EXCHANGE, SEBI REGISTRATION NO. INB230947033 UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

MO/83/MIRSD/01/06

1.0 **BACK GROUND**

- 1.1 M/s Insight Share Brokers Pvt Ltd (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 INB230947033.
- 1.2 SEBI conducted inspection of books of accounts, documents and other records of the said broker under section 19(1) of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 for the period 01.04.2000 to 25.11.2002. During the inspection, certain irregularities were found to have been committed by the broker.

2.0 **APPOINTEMENT OF ENQUIRY OFFICER**

- 2.1 Inspection Report was forwarded to the broker on completion of inspection. After considering its reply dated 24.01.2003 an Enquiry Officer was appointed vide order dated 13.11.2003 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 15.06.2004 was issued to the broker under Regulation 6 (1) of the said regulations by the Enquiry Officer. The broker submitted his reply dated 12.07.2004 and appeared for personal hearing on 01.09.2004. The enquiry officer conducted the enquiry in terms of the said Regulations and the broker was given a fair and reasonable opportunity to make its submissions.
- 2.3 After considering the reply and the submissions made at the time of Personal hearing the Enquiry officer submitted his report dated 29.09.2004. The Enquiry Officer has recommended for imposing a minor penalty of warning on the said broker.

3.0 **CONSIDERATION OF THE ENQUIRY REPORT**

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- 3.1 Based upon the Enquiry report and recommendation of the Enquiry Officer, a Show Cause notice dated 05.10.2004 under regulation 13(2) of the said Regulations was issued to the broker enclosing therewith a copy of the Enquiry Report. The broker submitted its reply vide letter dated 19.10.2004. The broker vide its reply dated 19.10.2005 stated that various allegations mentioned in Inspection Report have been properly explained by it in the enquiry proceedings and requested for a lenient view.
- 3.2 I have carefully considered the findings of the Inspection, Enquiry and the submissions made by the broker.

- 3.3 During the Inspection, irregularities such as default in maintaining the Order Book, non-segregation of client funds and own funds, delayed payments/securities to the clients, anomalies in the form and issue of Contract Notes, holding large number of shares on behalf of the constituents in its beneficiary account, non-maintenance of client's registration forms, failure to affix proper stamp duty on contract notes were observed.
- 3.4 The enquiry officer after considering the reply of the broker found that "there were few irregularities / lapses on the part of the broker in conducting its brokerage business in accordance with the Regulations of SEBI. However, considering the number of branches, turnover and huge number of clientele, the instances of irregularities does not warrant a serious action. I have noted that the broker submitted during the hearing that it has taken corrective measures pursuant to inspection. The broker also stated that there are no instances of arbitration awards against it and there were very few investor complaints, who were resolved promptly. In the facts and circumstances of the case, I am of the view that a minor penalty of warning on the broker would suffice."
- 3.5 On a careful perusal of each of the charges and the reply of the broker, I find that the irregularities alleged to have been committed by the broker are minor and technical breaches. In the facts and circumstances of the case and on considering the explanation of the broker, I am inclined to accept the finding and recommendation of the enquiry officer.
- 3.6 The following are considered as the mitigating factors
1. There are no complaints against the broker with regard to the delay in payment or delivery of securities to the clients.
 2. The broker has stated that he rectified the anomalies pointed out in the inspection report.
- 3.7 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 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 Insight Share Brokers Pvt. Ltd. (INB230947033), member National 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.
- 4.2 This order shall come into force with immediate effect.

Place: Mumbai

Date: 6.1.06

Madhukar

Whole Time Member

