

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 LATIN MANHARLAL SECURITIES PVT. LTD., MEMBER, THE STOCK EXCHANGE, MUMBAI SEBI REGISTRATION NO. INB011072056.

1.0 BACKGROUND

- 1.1 M/s. Latin Manharlal Securities Pvt. 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. INB011072056.
- 1.2 Inspection of the books of accounts, documents and other records of the broker was carried out by SEBI for the period April 2000 to September 2002 and certain irregularities found to have been committed by the broker were observed.

2.0 ENQUIRY PROCEEDINGS

- 2.1 In view of the above, an Enquiry Officer (EO) was appointed vide SEBI Order dated December 16, 2003 under Regulation 5(1) of SEBI (Procedure for Holding Enquiry) Regulations, 2002 (hereinafter referred to as the "said Regulations") to inquire into the irregularities 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 15.02.05 recommending for imposition of a minor penalty of warning on the broker.
- 2.2 A copy of the Enquiry Report was sent to the broker on 23.02.05, 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.
- 2.3 The broker replied vide letter dated 04.03.05 and submitted that the penalty of warning has been recommended only for two lapses which are technical in nature. The broker submitted that they would strictly follow the Rules, Regulations and Bye-laws of the Stock Exchange as well as the provisions of the SEBI Act, Rules and Regulations framed thereunder including the Circulars issued by SEBI from time to time. The broker submitted that the penalty if imposed would cause a stigma upon their goodwill and reputation in the securities market and requested not to impose any penalty.

3.0 CONSIDERATION OF ISSUES

- 3.1 I have carefully considered the findings of inspection, Enquiry and the submissions made by the broker. Though the inspection report lists a number of violations alleged to have been committed by the broker, the EO has found the broker guilty of two violations, as under :

a) **The broker dealt with unregistered sub-brokers**

The broker submitted that it had stopped doing business with Kanyaka Shares w.e.f. 28.9.02 and for Tirthraj Securities Pvt. Ltd., it had sent an application for registration as sub-broker on 23.7.02 and on 9.8.02 but the same was received back. Subsequently, the application was granted and M/s. Tirthraj Securities is its registered sub-broker. The EO found that the broker had made hasty move to deal with unregistered broker and it should have waited till the concerned entity got proper registration certificate from SEBI. When asked by the EO as to why the broker could not wait till the allotment of proper registration, the broker accepted its lapse and submitted that the same had been done inadvertently without having any vicious intention. The EO found the broker guilty of the said charge.

b) **Granting of trading terminals to client**

The broker stated that it had stopped doing business with Kanyaka Shares w.e.f. 28.9.02. The terminals can only be located at the registered office/branch office and at registered sub-broker offices of the broker. The EO found that though the broker would have stopped dealing with Kanyaka Shares, his action of installing terminal at the office of unregistered sub-broker cannot be undermined. The EO, found the broker guilty of the said charge.

- 3.2 With regard to other charges like not maintaining the statutory books, delay in making payment and delivery of securities to clients, acknowledgement not obtained on few duplicate contract notes, non-maintenance and deficiencies in maintenance

of client database and non-collection of margins, the EO, after considering the submissions of the broker, did not find the broker guilty of violation of any Rules.

- 4.0 On a careful perusal of the charges, findings of inspection and enquiry and the submissions made by the broker, I have no substantive reason to differ with the findings of the EO. As regards the broker's submission at paragraph 2.3 supra that the two lapses for which penalty was recommended were technical in nature, I tend to agree with the EO's view. It should be understood that the concern behind the Regulations is primarily to ensure integrity of the capital market, which calls for full understanding and commitment of all concerned towards total compliance of Regulations. Brokers being the important intermediary, are expected to do so flawlessly.

5.0 ORDER

- 5.1 Now, therefore, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 read with Regulation 13(4) of the said Regulations, I hereby warn M/s. Latin Manharlal Securities Pvt. Ltd., member, BSE bearing SEBI Registration No. INB011072056 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 the part of the broker in complying with the said provisions would invite stringent action.

- 5.2 This order shall come into force with immediate effect.

PLACE: MUMBAI

DATE : 13.1.06

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA