

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGAINST M/s.MULTIPLEX CAPITAL LTD., MEMBER - NATIONAL STOCK EXCHANGE, SEBI REGISTRATION NO. INB230783732 UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

1.0 BACK GROUND

- 1.1 M/s Multiplex Capital Ltd (hereinafter referred to as the 'broker') is a member of National Stock 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 INB230783732 .
- 1.2 An Inspection of the Books of Accounts, Documents and other records maintained by the broker for the period April 1, 2001 to May 12, 2003, was carried out by M/s. Ravi Rajan & Co, Chartered Accountants appointed by SEBI vide letter no.SMD/DBA-1/Pre-Insp/AK/6206/2003 dated March 26, 2003. 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 June 30, 2003 an Enquiry Officer was appointed vide Order dated January 13, 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 August 18, 2004 was issued to the broker under Regulation 6 (1) of the said regulations. The broker submitted its replies vide letter dated September 11, 2004 and appeared for personal hearing before the Enquiry Officer on October 28, 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. After considering the reply and the submissions made at the time of personal hearing, the Enquiry officer submitted its report dated March 22, 2005 and recommended a minor penalty of 'censure' on the 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 March 29, 2005, in terms of Regulation 13(2) of the said Regulations calling upon it to show cause as to why appropriate penalty including the penalty as recommended by the Enquiry Officer should not be imposed on it.

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 significant points, as under :

4.2 a) **Non-maintenance of books of accounts and other records**

With regard to the above allegation, the broker submitted that the books of accounts were maintained in its central data module by keeping it in the hard disk of the computer as the same could be retrieved as and when required and further that the order book was maintained in soft copy everyday and the sauda book was maintained in electronic form for retrieval as and when required. The Enquiry Officer found the submission of the broker acceptable.

b) **Contract notes not bearing serial numbers**

As regards this charge, the broker submitted that the contract notes have been issued in the format prescribed by NSE and the discrepancy in serial number was due to error in generation of numbers during the last few days of settlement at year ending. The broker submitted that the deficiency was rectified after it was pointed out in the inspection report. The Enquiry Officer found that these lapses were technical in nature as they occurred due to disturbances in QRP software of the accounting package.

c) **Non segregation of client / own funds**

As per the inspection report, it is alleged that the broker has not segregated clients and its own funds. The broker submitted that the sum alleged was transferred from HDFC A/c. to M/s.Keshav Shares and Stocks Ltd and that the said transfer was an error on the part of HDFC Bank and the same appears to have happened due to year ending activities. The broker further submitted that it had vide fax instructed HDFC Bank to transfer funds from the settlement account to the

bank client account maintained by it. However, due to non-clarity of the fax, the bank had directly transferred the funds to the party account. The Enquiry Officer however found the broker guilty of not taking due care to keep the client money separately from its own money.

d) **Dealing with unregistered sub brokers**

With regard to the aforesaid charge, the broker submitted that NSE had already imposed the penalty of Rs.25000/- for the said violation. It further submitted that Garg Associates was client of sub-broker M/s.Keshav Shares and Stock Ltd and that it was dealing on its own and on behalf of its family members. However, the said client account had been closed by the sub-broker upon the broker's instructions. The Enquiry Officer found the violation noted by the inspection team a technical violation.

- 4.3 On a careful consideration of the above and the submissions made by the broker, I am inclined to agree with the findings and the recommendation of the Enquiry Officer.

5.0 ORDER

- 5.1 Now, therefore, in exercise of powers conferred upon me in terms of Section 19 of SEBI Act, 1992 read with Regulation 13(4) of the said Regulations, I hereby censure M/s. Multiplex Capital Ltd, (INB230783732), Member, National Stock Exchange.
- 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