

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 SUNIDHI CONSULTANCY SERVICES PVT. LTD., MEMBER, NATIONAL STOCK EXCHANGE, SEBI REGISTRATION NO. INB230676436.

1.0 BACKGROUND

- 1.1 M/s. Sunidhi Consultancy Services Pvt. Ltd. (hereinafter referred to as "the broker") is a member of National Stock Exchange, ("NSE") registered with SEBI as a stock broker under section 12 of SEBI Act, 1992 with SEBI Registration No. INB230676436.
- 1.2 Inspection of the books of accounts, documents and other records of the broker was carried out by SEBI for the period April 2002 to March 2003 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 November 21, 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 24.03.05 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 04.04.05, 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 21.04.05 and reiterated the submissions made before the EO at the time of personal hearing and requested to consider the said lapses as technical omissions only. The broker further submitted that the said lapses would not recur in future and requested not to recommend minor penalty of warning against it.

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) **Not-maintaining/obtaining of statutory forms/records**

It was alleged that the broker had failed in maintaining statutory records. The broker submitted that only in the case of Merry Jacob due to inadvertence, financial details were not filled in the Know Your Client Form. The broker stated that the said client was from Cochin and the lapse was on account of laxity of its Branch Manager. The broker further stated that on being brought to its notice, it has obtained the details thereof and the same has been incorporated. The EO found that the Know Your Client Form is a basic document by which the broker comes to know the exact standing of his client and therefore it is mandatory on the part of the broker to fill all the requisite columns of the KYC form. The EO further observed that though the lapse was of the Branch Manager, as far as responsibility was concerned, the onus lay on the broker. Since the broker had accepted its mistake the EO held the broker guilty of the said charge.

b) **Contract notes not in order**

It was alleged that the contract notes were not maintained properly by the broker. The broker submitted that the contract notes issued by it were computer generated and it had installed a computer software which ensures that the numbers are printed serially. The software could not be tampered or interfered with manually and hence it was a foolproof system. This in effect, achieved the same objective and purpose as physical pre-printing and in fact was more efficient and secure as all the contract notes were issued within 24 hours and were duly acknowledged and the copies kept with it. The EO did not find the explanation of the broker acceptable since issuing contract notes in proper manner is mandatory. The EO found that the serial numbers, dates, signatures, acknowledgements etc were the basic features which had to be observed and any lapse on this account would vitiate the whole purpose of issuing contract notes.

- 3.2 With regard to other charges like dealing in off the floor transactions, failure to collect margin money/upfront margin, delay/irregularities in payment of funds/securities and dealing with unregistered sub-broker, the EO, after considering the submissions of the broker, did not find the broker guilty of violation of any Rules/Regulations.
- 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.

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. Sunidhi Consultancy Services Pvt. Ltd., member, NSE bearing SEBI Registration No. INB230676436 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

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