

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGAINST M/S. GROWEVER INVESTMENTS PVT. LTD., MEMBER PUNE STOCK EXCHANGE, SEBI REGISTRATION NO. INB110780838 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 Growever Investments Pvt. Ltd (hereinafter referred to as the 'broker') is a member of the Pune Stock Exchange (hereinafter referred to as 'PSE') 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 INB110780838..
- 1.2 An Inspection of the Books of Accounts, Documents and other records maintained by the broker was carried out by M/s. Yardi Prabhu & Associates, Chartered Accountants appointed by SEBI for the period 1.4.2000 to 30.11.2002. During the Inspection, certain irregularities found to have been committed by the broker were observed.

2.0 APPOINTEMENT OF ENQUIRY OFFICER

- 2.1 Inspection Report was forwarded to the broker on completion of inspection. After considering his reply, an Enquiry Officer was appointed vide order dated 07.1.2004 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 25.5.2004 was issued to the broker under Regulation 6 (1) of the said regulations. The broker replied to the notice vide its letter dated 1.11.04 and sought a personal hearing. The broker was granted hearing before the enquiry officer on 05.11.04. 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 After considering the submissions of the broker, the Enquiry officer submitted his report dated 18.11.2004 recommending a minor penalty of 'warning on the said broker.

3.0 CONSIDERATION OF THE ENQUIRY REPORT

- 3.1 Based upon the Enquiry report and recommendation of the Enquiry Officer, a Show Cause notice dated 23.12.2004 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 25.1.2005.
- 3.2 I have carefully considered the findings of the Inspection, Enquiry and the submissions made by the broker, and note significant points, as under :
 - a) It has been alleged that the broker had deposited certain client's cheques in its own account. The broker admitted that it had deposited certain client cheques in its own account and submitted that from 1.4.02 it had strictly followed bifurcation of client's account and its own account. The enquiry officer has observed that the inspection report does not mention of any client's complaint regarding misuse of their money. Hence, he recommended for a benefit of doubt to the broker with a warning not to indulge in such practices in future and conduct their business in strict compliance with SEBI Regulations and guidelines.
 - b) With regard to other charges like deficiencies in the maintenance of books of accounts and other records, non-collection of margin money from all clients, deficiencies in maintenance of client database by the broker, deficiencies in payment of dividend to the clients by the broker, delay in payment of money and delivery of shares to clients by the broker, dealing with un-registered sub brokers, granting of trading terminals to its clients, indulging in off the floor transactions, not complied with the unique client code, dealt as an unregistered sub broker the enquiry officer after considering the material on record and the submissions of the broker found them as technical and procedural lapses on the part of the broker and did not find any substantive violation, which can be punished.
- 3.3 The following are considered as the mitigating factors :
 - a. The inspection report does not mention any client complaints alleging deficiency of service, misuse of clients money or assets.
 - b. There is no mention of repetitiveness of the discrepancies of lapses committed by the broker.

c. There is no mention in the inspection report of any instances of reported failure of payment of margins by the broker.

d. There is no mention of misuse of settlement system.

3.4 I find from the above that the violations committed by the brokers are minor procedural lapses, except that the broker did not maintain segregation of utilize the clients money and its money which is a violation of SEBI Circular dated 18.11.93. In view of the above, I have no substantive reason to differ with the findings of the enquiry officer.

4.0 **ORDER**

4.1 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 impose a minor penalty of warning on M/s Growever Investment Pvt.Ltd. (INB110780838), member Pune Stock Exchange.

4.2 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