

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 M/s. Shital Securities Pvt. Ltd., sub-broker (Registration No: INS010597131), affiliated to M/s SKSE Securities Ltd., Member of BSE, SEBI Regn. No. INB011076032

1.0 BACKGROUND

- 1.1 M/s. Shital Securities Pvt. Ltd. is a sub broker having SEBI Registration No. INS010597131 (hereinafter referred to as the sub-broker), affiliated to M/s SKSE Securities Ltd., Member of The Stock Exchange, Mumbai, having SEBI registration No. INB011076032.
- 1.2 Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an inspection of the books of accounts and other documents of sub-broker for the period from April 11, 2000 to February 17, 2003 and observed certain irregularities allegedly committed by sub-broker.

2.0 ENQUIRY PROCEEDINGS

- 2.1 In view of the above, SEBI vide order dated January 07, 2004 appointed an Enquiry Officer under Regulation 5 of SEBI (Procedure for holding Enquiry by Enquiry Officer and Imposing penalty) Regulations, 2002 (hereinafter referred to as Enquiry Regulations) to enquire into the irregularities observed during the inspection of books of accounts of the sub broker. The Enquiry Officer after conducting the Enquiry in terms of the Enquiry Regulations submitted his Enquiry Report dated November 18, 2004 and recommended a minor penalty of warning against the sub-broker.
- 2.2 A copy of the said Enquiry Report was forwarded to the sub-broker along with a Show Cause Notice dated December 23, 2004 advising it to show cause as to why appropriate penalty including the penalty as recommended by the Enquiry Officer should not be imposed on it.
- 2.3 The sub-broker however did not reply to the show cause notice and therefore I am proceeding in the matter on the basis of materials and records available.

3.0 CONSIDERATION OF ISSUES AND FINDINGS

- 3.1 I have carefully considered the findings of inspection, Enquiry report and the submissions made by the sub-broker. Though the inspection report lists a number of violations alleged to have been committed by the sub-broker, the Enquiry Officer noting that most of the deficiencies reported in the inspection report are procedural and technical lapses which are reported to have been rectified, has however found the sub-broker guilty of one violation, as follows:
- 3.2 It was alleged that the sub-broker dealt with M/s. Vruj Investment who in turn was having its own clientele thus acting as unregistered sub-broker.

The sub-broker before the Enquiry Officer submitted that M/s. Vruj Investment was trading on its own behalf and not on behalf of its clients. The sub-broker also submitted that it has stopped trading with M/s. Vruj Investment. The Enquiry Officer observed that one of the sub-broker's client, M/s. Vruj Investments was having its own clientele and the clients of M/s. Vruj Investment had delivered shares to the account of the sub-broker when M/s. Vruj Investment had executed the deals. Under these circumstances, the Enquiry Officer concluded that the client of sub-broker i.e. M/s. Vruj Investment was in turn dealing on behalf of several persons. However, the Enquiry Officer keeping in view that the sub-broker is reported to have traded with the entity, concluded that a warning may be issued to the sub-broker informing that any further dealing with such entity or entities in future would be viewed seriously and dealt with appropriate penal action.

- 3.3 With regard to the other charges like deficiency in issuance of confirmation memos, dealing with clients before entering into an agreement and irregularities in maintenance of client registration forms, dealing with unregistered sub-brokers, non opening of separate client accounts, delay in payment to clients receiving and paying cash to clients, transferring funds from one client to another without proper authorization and delay in delivery of securities to clients, the Enquiry Officer did not find the sub-broker guilty of violation of any Circular or Regulation.
- 3.4 On a careful perusal of the charges, findings of inspection and enquiry and the submissions made by the sub-broker, I have no substantial reason to defer with the findings of the Enquiry Officer. There may be a single instance of violation but the Rules, Regulations and Circulars are primarily to ensure integrity of the capital market, which calls for full understanding and commitment of all concerned towards total compliance of Regulations. Sub-brokers being the important intermediary, are expected to do so flawlessly.

4.0 ORDER

- 4.1 Now, therefore, in exercise of the powers conferred upon me under section 19 of SEBI Act, 1992 read with Regulation 13(4) of SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations, 2002, I warn M/s. Shital Securities Pvt. Ltd., sub-broker (Registration No: INS010597131), affiliated to M/s SKSE Securities Ltd., Member of BSE, SEBI Regn. No. INB011076032 and direct it to be more cautious in future in its dealings with Securities and adhere to the provisions of SEBI Act, 1992, Rules and Regulations made thereunder. Any future lapse on the part of the sub-broker in complying with the said provisions would invite stringent action.
- 5.2 This order shall come into force with immediate effect.

DATE: 13.01.2006

PLACE: MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA