

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 Shri Mukesh K. Mehta, sub-broker (Registration No: INS010728819), affiliated to M/s ASE Capital Market Ltd., Member of BSE, SEBI Regn. No. INB011107431.

1.0 BACKGROUND

- 1.1 Shri Mukesh K. Mehta is a sub broker having SEBI Registration No. INS010728819 (hereinafter referred to as the sub-broker), affiliated to M/s ASE Capital Market Ltd., Member of The Stock Exchange, Mumbai, having SEBI registration No. INB011107431.
- 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 and observed certain irregularities allegedly committed by sub-broker.

2.0 ENQUIRY PROCEEDINGS

- 2.1 In view of the above, SEBI vide order dated March 10, 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 October 28, 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 November 04, 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 has found the sub-broker guilty of violations, as follows:

(a) It was alleged that the sub-broker has not maintained segregation of own account and client accounts.

The sub-broker before the Enquiry Officer submitted that he has opened a separate bank account and all office expenditure would be met out of this account. The Enquiry Officer finding that the amount of Rs. 68,981 due to the

non-segregation is not very large as compared to the scale of operations of the sub-broker and there is no reported case of complaint of misutilisation of client money took the view that the sub-broker should be warned to strictly segregate own money and client money in future.

- (b) The sub-broker was alleged to have been engaged in certain transactions with two broking entities viz. M/s. Anagram Securities Ltd. and M/s. Rosy Blue Securities Ltd. without having SEBI registration as sub-broker with them.

The sub-broker submitted before the Enquiry Officer that he has obtained registration with M/s. Anagram Securities Ltd and has stopped dealing with M/s. Rosy Blue Securities Ltd. The Enquiry Officer after taking into account the reply of the sub-broker concluded that the sub-broker may be warned not to indulge in such activities in future.

- (c) The sub-broker was alleged to have been dealing with certain unregistered entities.

The sub-broker submitted before the Enquiry Officer that he has stopped dealing with unregistered entities. The Enquiry Officer after taking into consideration his submissions and also noting that inspection report neither indicated any loss to any of the investors on account of these transactions nor it could bring out any investor complaint on the transactions concluded that the sub-broker may be warned not to indulge in such activities in future.

- 3.2 With regard to the other charges like deficiency in issuance of confirmation memos, non maintenance of clients database 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.
- 3.3 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. Regulations, Rules 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 Shri Mukesh K. Mehta, sub-broker (Registration No: INS010728819), affiliated to M/s ASE Capital Market Ltd., Member of BSE, SEBI Regn. No. INB011107431 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.
- 4.2 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