

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. V.P. Securities and Investment Pvt. Ltd., sub-broker (Registration No: INS010765936), affiliated to M/s SKSE Securities Ltd., Member of BSE, SEBI Regn. No. INB011076032.

1.0 BACKGROUND

- 1.1 M/s. V.P. Securities And Investment Pvt. Ltd. is a sub broker having SEBI Registration No. INS010765936 (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 of year 2002-03 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 08, 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 22, 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 only one violation, as follows:
- 3.2 It was alleged that the sub-broker was unable to provide the agreements with the eight entities to whom terminals were provided.

The sub-broker before the Enquiry Officer submitted that they have allotted terminals to their clients only and they have also obtained client registration forms as per SEBI guidelines from such clients. They have further confirmed that they allotted terminals to their registered office/branch offices as per SEBI circular. The Enquiry Officer found that the allegation is merely procedural in as much as the sub-broker has not informed the exchange about the location of its branches and concluded that the sub-broker may be warned for not informing the exchange and should take necessary steps by informing the exchange at the earliest.

- 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, 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. V.P.

Securities And Investment Pvt. Ltd., sub-broker (Registration No: INS010765936), 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