

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGAINST M/s.SUBHKAM SECURITIES PVT LTD, MEMBER - THE STOCK EXCHANGE, MUMBAI, SEBI REGISTRATION NO. INB011059731 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 Subhkam Securities Pvt Ltd (hereinafter referred to as the 'broker') is a member of The Stock Exchange, Mumbai (hereinafter referred to as 'BSE') 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 INB011059731.
- 1.2 An Inspection of the Books of Accounts, Documents and other records maintained by the broker for the period April 1, 2000 to July 31, 2002, was carried out by M/s. Parekh Shah & Lodha, Chartered Accountants appointed by SEBI vide letter no.SMD/DBA-1/Pre-Insp/AK/14878/2002 dated August 6, 2002. During the inspection, certain irregularities found to have been committed by the broker were observed.

2.0 ENQUIRY PROCEEDINGS

- 2.1 The Inspection Report was forwarded to the broker on completion of inspection. After considering the broker's reply dated December 19, 2002 an Enquiry Officer was appointed vide Order dated March 10, 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 June 24, 2004 was issued to the broker under Regulation 6 (1) of the said regulations. The broker submitted its reply vide letter dated July 15, 2004 and appeared for a personal hearing on September 30, 2004 before the Enquiry Officer. The enquiry officer conducted the enquiry in terms of the said Regulations and the broker was given a fair and reasonable opportunity to make its submissions. After considering the reply and the submissions made at the time of personal hearing, the Enquiry officer submitted its report dated May 10, 2005 and recommended a minor penalty of censure and advised the broker to be more cautious in future while transacting in the securities market.

3.0 SHOW CAUSE NOTICE AND THE BROKER'S SUBMISSIONS

- 3.1 A copy of the Enquiry Report was sent to the broker along with a show cause notice dated June 13, 2005, in terms of Regulation 13(2) of the said Regulations calling upon it to show cause as to why appropriate penalty including the penalty as recommended by the Enquiry Officer should not be imposed on it.

4.0 CONSIDERATION OF ISSUES

- 4.1 I have carefully considered the findings of the Inspection, Enquiry and the submissions made by the broker, and noted significant points, as under :

a) Irregularities in contract notes

With regard to the above allegation, the broker submitted that the alleged irregularities pertain to contract note related to badla transactions where only trade nos. and trade time was available from the badla trade file downloaded from exchange which was appearing in the contract notes issued by it. The broker further submitted that only in two instances the badla was set off internally and shown only net position instead of gross position and there were no complaints from clients in this regard. The Enquiry Officer while observing that these were mere technical lapses recommended for a caution to the broker to refrain from such mistakes in future and to be more cautious while transacting in securities.

b) Non-collecting of required margin

With regard to the aforesaid charge, the broker submitted that it had taken securities as margin from the clients which were sufficient to cover the minimum margin prescribed. However, the Enquiry Officer observed that the member had failed to collect the margins from some of its clients as stated in the inspection report and hence held the broker guilty for this violation.

c) With regard to other charges like delay in delivery of shares and using of client fund, the Enquiry Officer after considering the material on record and the submissions made by the broker found violation of rules.

- 4.2 On a careful consideration of the above and the submissions made by the broker, I am inclined to agree with the findings and the recommendation of the Enquiry Officer.

5.0 **ORDER**

5.1 Now, therefore, in exercise of powers conferred upon me in terms of Section 19 of SEBI Act, 1992 read with Regulation 13(4) of the said Regulations, I hereby censure M/s Subhkam Securities Pvt Ltd (INB011059731), Member – The Stock Exchange, Mumbai and also advise it to be more cautious in future in its dealings with the securities market.

5.2 This order shall come into force with immediate effect.

Place: Mumbai

Date: 24.1.06

Madhukar

Whole Time Member

Securities and Exchange Board of India