

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 STEEL CITY SECURITIES LIMITED, MEMBER, NATIONAL STOCK EXCHANGE HAVING SEBI REGISTRATION NO. INB230806132.

1.0 BACKGROUND

- 1.1 M/s. Steel City Securities Ltd. (hereinafter referred to as "the broker") is a member of National Stock Exchange, ("NSE") registered with SEBI as a stock broker under section 12 of SEBI Act, 1992 with SEBI Registration No. INB230806132.
- 1.2 Inspection of the books of accounts, documents and other records of the broker was carried out by SEBI and certain irregularities found to have been committed by the broker were observed.

2.0 ENQUIRY PROCEEDINGS

- 2.1 In view of the above, an Enquiry Officer (EO) was appointed vide SEBI Order dated December 16, 2003 under Regulation 5(1) of SEBI (Procedure for Holding Enquiry) Regulations, 2002 (hereinafter referred to as the "said Regulations") to inquire into the irregularities observed during the inspection of books of accounts of the broker. The EO after conducting the enquiry in terms of the said regulations submitted his report on 29.04.05 recommending for imposition of a minor penalty of censure on the broker.
- 2.2 A copy of the Enquiry Report was sent to the broker on 18.05.05, in terms of Regulation 13(2) of the said Regulations, advising it to show cause as to why appropriate penalty including the penalty as recommended by the Enquiry Officer should not be imposed.
- 2.3 The broker replied vide letter dated 07.06.05 and submitted that in view of the EO having given the benefit of doubt and having accepted the submissions and explanations of the broker in respect of the alleged violations, there are no grounds for levying a penalty by way of "censure" on the broker.

3.0 CONSIDERATION OF ISSUES

- 3.1 I have carefully considered the findings of inspection, Enquiry and the submissions made by the broker and my observations are as follows :
- a) **Delay in making payment/delivery of securities to clients**
- It has been alleged that there was a delay in making payment as well as delivery of securities. The broker replied that it had verified all the cases and found that the delay in all the instances was due to a delay in completion of the pay-in obligation by the client concerned and the securities were delivered after completion of the due pay-in obligation by the client. The EO found that the broker itself has admitted that there was a delay and hence is guilty of the violation.
- b) **Violation of the bye-laws of the stock exchange**
- It has been alleged that the member failed to follow the bye-laws of the stock exchange with regard to issue of advertisement. The broker submitted that seven such instances were observed in the inspection report and out of these, three were for inserting telephone numbers. The other four cases were in the nature of donations for Souvenirs and not for soliciting business. The same were paid by the broker under compulsion because of some official pressures. The EO observed that a prudent broker has to follow the rules and regulations strictly. The EO found that the donations claimed to have been given by the broker were in return for publicity in the souvenir being published. It is clear from the bye-laws that no advertisement is permissible without prior approval of the exchange and hence the broker is guilty of violating the bye-laws of the stock exchange.
- c) As regards the other allegations like deficiencies in contract notes and dealing with unregistered sub-broker, the EO after considering the explanations of the broker, did not find the broker guilty.
- 4.0 On a careful perusal of the charges, findings of inspection and enquiry and the submissions made by the broker, I have no substantive reason to differ with the findings of the EO.

5.0 ORDER

5.1 Now, therefore, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 read with Regulation 13(4) of the said Regulations, I hereby censure M/s. Steel City Securities Ltd., Member, NSE bearing SEBI Registration No. INB230806132.

5.2 This order shall come into force with immediate effect.

PLACE: MUMBAI

DATE : 2.2.06

MADHUKAR

WHOLE TIME MEMBER

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