

SECURITIES AND EXCHANGE BOARD OF INDIA

WTM/TCN/ /MIRSD/ /06

CORAM: Dr.T.C. NAIR, WHOLE TIME MEMBER

Against Shri Rajiv Bansal, Sub- broker, SEBI registration no. INS 231191219, affiliated to Bansal Sharevest Services Limited, (Member, National Stock Exchange of India Limited).

DATES OF HEARING: 27.04.2006 and 09.05.2006

Appearances:

For noticee: Shri Virenda Ganda, Advocate,

Shri P.K Bansal

Shri R K Mehrotra

For SEBI: Shri P K Kuriachan, General Manager

Shri Rajesh Gujjar, Assistant General Manager

Ms Sakkeena.P.V, Legal Officer.

ORDER

(Under Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002)

1.0 FACTS

- 1.1 Securities and Exchange Board of India (hereinafter referred to as SEBI) on receiving information regarding the illegal trading by M/s Bansal Sharevest Services Limited (hereinafter referred to as BSSL), Member, National Stock Exchange of India Limited (hereinafter referred to as NSE) ordered inspection of BSSL and its affiliated sub-brokers vide Order dated July 17, 2003. The Inspection of the books of accounts and other documents of BSSL and its affiliated sub-brokers was carried out during the period July 21-23, 2003 simultaneously at its different offices viz, two offices at Mumbai, and other offices at Bhuj, Kolkata, Mathura and Bangalore. The inspection brought out many instances of illegal trading and other irregularities conducted by BSSL and its sub-brokers.
- 1.2 Shri Rajiv Bansal, a registered sub-broker having SEBI registration no. INS 231191219, (hereinafter referred to as the sub-broker) affiliated to BSSL, was one among the sub-brokers covered under the said inspection.
- 1.3 The Inspection revealed that the sub-broker had executed various illegal trades with the main broker BSSL. The inspection further revealed that at many instances the sub-broker had executed single share trades on the exchange which were later used as a referral price for the illegal trading executed outside the Stock Exchange.

2.0 Appointment of the Enquiry Officer

- 2.1 Therefore, vide order dated November 24, 2003, an Enquiry Officer was appointed by SEBI 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 affairs of the sub-broker on the violations observed during the inspection. Subsequently the proceedings of the Enquiry were transferred from the then Enquiry Officer to another Enquiry Officer vide Chairman's Order dated September 30, 2004. The Enquiry was initiated to inquire into the alleged violations/contraventions, if any, of
 - a. Section 12(1) of the SEBI Act, 1992
 - b. Rule 3 of SEBI (Stock Brokers and Sub-Brokers) Rules, 1992;
 - c. Clause D(1) of Code of Conduct specified under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 read with NSE Circular No. 163 (Ref No.NSE/MEM/1591) dated April 20, 2000;
 - d. Clause B(1) of Code of Conduct prescribed under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992;
 - e. Clause B(2) of Code of Conduct specified under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992;

- f SEBI Circular No.SMD/DRP/POLICY/CIR-38/2001 dated July 18, 2001 read with SEBI Circular No. SMD/Policy/Circular-11/97 dated May 21, 1997.
- g SEBI Circular No. SMD/Policy/Cir 5-97 dated April 11, 1997 read with SEBI Circular No. SMD/Policy/Circular-11/97 dated May 21, 1997;
- h SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993 read with SEBI Circular No. SMD/Policy/Circular-11/97 dated May 21,1997;
- i Various Rules, Regulations and bye-laws of the Exchanges, by the said sub-broker.

2.2 The Enquiry Officer issued a Show Cause Notice in terms of Regulation 6 (1) of the Securities and Exchange Board of India (Procedure for holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations,2002 (hereinafter referred to as Enquiry regulations) vide letter dated July 27, 2004 communicating the charges or the allegations.

2.3 The sub-broker replied to the said Show Cause Notice vide letter dated August 18, 2004 and submitted inter alia the following:

- 1 that the trades executed on various days in various scrips as alleged were the trades executed on the trading terminal of the exchange in the normal exchange mechanism.
- 2 that trades given as orders for single/few shares on 21.07.2003 were trades related to the principal broker BSSL and purpose of these trades might be enquired from the main broker.
- 3 that all the documents and the papers were seized by the Income Tax Department on 26.07.2003 during the course of search and seizure operation undertaken by the Department and that the sub-broker is not in a position to submit the documents.

2.4 The Enquiry Officer granted a personal hearing to the sub-broker as per Regulation 9 of the Enquiry regulations on October 28, 2004 when Shri Rajiv Bansal attended the hearing and submitted that the transactions alleged were done on the trading terminal of the Stock Exchange and he would try to get a copy of the same from NSE. He further requested to refer the written submissions made by him to the show cause notice dated July 27, 2004.

2.5 The Enquiry Officer, having considered the findings of the investigation regarding the allegation of contravention of the regulations by the sub-broker and the oral and written submissions made before him, found the following:

- a) Regarding the allegation of illegal trades outside the Stock Exchange Mechanism the Enquiry Officer observed that the sub-broker could not submit any documentary proof to substantiate the claim that all the trades were done through the terminals of the Stock Exchange. The sub-broker has thereby violated provisions of Section 19 of the Securities Contracts (Regulation) Act, 1956 and also Clause A(1) of Code of Conduct specified under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.
- b) Regarding the allegation of single share trades, the Enquiry Officer observed that the sub-broker has executed these trades for apparently serving as a benchmark for balancing the illegal trades executed outside the Stock Exchange. The Enquiry Officer thus found that the sub-broker has violated Section 19 of the Securities Contracts (Regulation) Act, 1956 and also Clauses A(1) D(1) D(4) and D(5) of Code of Conduct specified under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and also SEBI Circular No.SMD/POLICY/CIR/32-99 dated 14.09.1999.
- c) Regarding the allegation of providing unauthorized trading terminal to one Shri Natwar Lal Saraf who was neither an approved user nor authorized to use the terminal without user ID, the Enquiry Officer observed that the explanation given by the sub-broker is not satisfactory and is in violation of Clause D (1) of Code of Conduct specified under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and NSE circular No.163 Ref No. NSE/MEM/1591 dated 20.04.2000.
- d) Regarding the allegation that the sub-broker has acted as an unregistered sub-broker on BSE through M/s Prem A Singhal, Regn No. INB010020312, Member BSE, the Enquiry Officer found that the explanation given by the sub-broker is not satisfactory and thus the sub-broker has violated provisions of Section 12(1) of the SEBI Act, 1992, Rule 3 of SEBI (Stock Brokers and Sub-Brokers) Rules, 1992 and SEBI Circular No. SMD/Policy/Circular-11/97 dated 21.05.1997.
- e) Regarding the allegation that the sub-broker has not maintained client registration forms and member client agreement for the clients, the Enquiry Officer observed that the explanation given by the sub-broker that the documents and records were seized by the Income Tax Authorities is not convincing and found that the sub-broker

has violated SEBI Circular No. SMD/Circular/Policy/ Cir/5-97 dated 11.04.1997 read with SMD/Policy/Circular-11/97 dated 21.05.1997.

- f) With regard to the allegation that the sub-broker has not issued confirmation memos to the clients, the Enquiry Officer observed that the submission of the sub-broker that the confirmation memos were seized by the Income Tax Authorities is not convincing and found that the sub-broker has violated the provisions of Clause B (2) of the Code of Conduct Specified in Regulation 15 of the SEBI (Stock Brokers and Sub- Brokers) Regulations, 1992.
- g) With regard to the allegation of non- segregation of clients funds from his own funds and all the transactions relating to the clients routed through the sub-broker, the Enquiry Officer observed that the sub-broker has not refuted the charge and merely stated that he had opened two bank accounts and thus found that the sub-broker has violated SEBI Circular No. SMD/Policy/Circular-11/97 dated 21.05.1997.
- h) With regard to the allegation of delay in making payments, the Enquiry Officer found that the submission of the sub-broker that he has not received any complaints from anybody regarding the delayed payments, will not dilute the duty to make payments in time to the clients and thus the sub-broker has violated SEBI Circular No. SMD/SED/CIR/93/23321 dated 18.11.1993 read with SMD/Policy/Circular-11/97 dated 21.05.1997.
- i) Regarding the allegation that the sub-broker had executed transactions for around 100 clients by using only two client codes i.e, 6401 for delivery based trades and 3002 for square off trades, the Enquiry Officer found that the said allegation was admitted by the sub-broker and the submission that there were no complaints from any client will not absolve the liability and thus the sub-broker has violated SEBI Circular No. SMD/POLICY/Cir-39/2001 dated 18.07.2001 read with SMD/Policy/Circular-11/97 dated 21.05.1997.

2.6 On the basis of the foregoing findings the Enquiry Officer recommended the major penalty of cancellation of the Certificate of registration of the sub-broker vide his Enquiry report dated December 22, 2004.

3.0 Show Cause Notice and Reply

3.1 A show cause notice dated January 11, 2005 along with a copy of the said Enquiry Report was issued to the sub-broker under Regulation 13(2) of the Enquiry Regulations informing about the Enquiry Officer's recommendation and advising the sub-broker to show cause as to why action as may be considered appropriate should not be taken against him.

3.2 The sub-broker submitted his reply dated February 07, 2005 and while reiterating most of the submissions made before the Enquiry Officer submitted interalia the following:

- 1) that the trades executed on various days in various scrips were executed on the trading terminal of the Exchange during the normal Exchange Mechanism;
- 2) that the allegations of single share trades appeared to have been made on a mere fact that the trades have effected in one share each of various scrips on the Stock Exchange. It was further submitted that the regulations per se do not prescribe any minimum and maximum quantity of shares which must be traded in a single transaction;
- 3) that an allegation of single share trades without referring to any proof for the same does not help to hold a member guilty of any charge;
- 4) that Shri Natwal Lal Saraf had been handling the office of the sub-broker and had been assisting him in the operation of the trading terminal;
- 5) that the sub-broker was a client of Shri Prem Singhal, who was a member of BSE and due to non regular trading of securities in NSE, some small value transactions had been executed in his account at BSE;
- 6) that all the documents and papers were seized by the Income Tax Department during the course of Search and Seizure operation undertaken by them;
- 7) that the confirmation memos were being issued to the clients and the documents were seized by the Income Tax Department during their search and seizure conducted in their office;
- 8) that bank account number 30612190 of Standard Chartered Grindlays Bank was opened for client funds while the account of HDFC Bank was opened for dealing with the principal broker. The sub-broker submitted that clients' money had not been used in any manner and further that care will be taken in future while dealing with the accounts of the clients;
- 9) that there was no delay in payments and the clients were at liberty to take their money back whenever they need money and the same is evident from the fact that the Board has not received any complaints from the clients;

10) that there were no disputes or complaints from the clients regarding the same and the trades executed by the sub-broker have not violated any of the rules or Regulations of the Regulator;

11) The sub-broker inter alia requested for a personal hearing.

3.3 A personal hearing was granted to the sub-broker by me on April 27, 2006 when the sub-broker was represented through his Advocate. Since the arguments could not be completed, hearing was adjourned to May 09, 2006 and on May 09, 2006 the Advocate representing the sub-broker concluded his oral submissions wherein he by and large reiterated the submissions already available on record. The copies of the relied upon judgments were also submitted. In the oral submission, it was submitted as under:

- 1) that the penalty recommended by the Enquiry Officer is not justifiable under the broad provisions of sections 11B, 11(1), 11(4) and 11(4) (d) of the SEBI Act. The factors on which the quantum of penalty to be determined as per section 15 J of SEBI Act do not even remotely justify the penalty of cancellation of sub-brokership as recommended by the Enquiry Officer.
- 2) that the period taken by SEBI to issue show cause notice after inspection i.e., one and a half years, is unreasonably long and it is still not certain that when the matter will be adjudicated upon finally.
- 3) that the principal broker BSSL has been prohibited from buying, selling or dealing in securities in the Stock Exchanges or outside the Stock Exchange with immediate effect till the completion of the inspection and determination of action on receipt of the report, since July 2003, and after that the business of the sub-broker has also been closed down.
- 4) there is no evidence to show that the sub-broker was running a parallel Stock Exchange and the allegation of single share trading and the fact that certain deals were not routed through the normal Stock Exchange mechanism is not sufficient for the charge of running a parallel Stock Exchange.

4.0 Consideration of the Issues and Findings

4.1 I have carefully considered the facts and circumstances of the case, Inspection Report, show cause notices, replies of the sub-broker, the Enquiry Report and other materials available on record. I have also considered the submissions made by the sub-broker during the personal hearings before me on April 27, 2006 and May 09, 2006.

4.2 Before considering the case on its merits I shall first deal with the legal issues raised by the sub-broker during the personal hearing before me.

- a) As regards the argument that the penalty recommended by the Enquiry Officer is not justifiable under the broad provisions of SEBI Act under sections 11B, 11 (1), 11(4), 11(4) (d) and 15J, I find that there is no merit in this submission as the procedure for taking action against the broker/sub-broker under the Enquiry Regulations is different and has no relation with the above sections of the SEBI Act. Further, Section 15J of the SEBI Act deals with the factors to be taken into consideration while imposing monetary penalty by the Adjudicating Officer in Adjudication Proceedings, and cannot be strictly relied upon under the present Enquiry Proceedings.
- b) Regarding the submission that the show cause notice has been issued after a long gap from the date of inspection, it may be stated that examination of such voluminous inspection reports is a time consuming process and therefore no specified time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market.

4.3 Now I shall deal with the factual issues raised by the sub-broker as under:

From the materials available on record I find that the following are the main allegations leveled against the sub-broker.

- Illegal trades outside the Stock Exchange Mechanism
- Executing single share trades for facilitating execution of the bulk orders in illegal trading outside the Exchange Mechanism
- Terminals operated by unauthorized users
- Acting as unregistered sub-broker
- Non-maintenance of client registration forms and agreements

- Failure to issue confirmation memos
- Non-segregation of client's and own accounts
- Delay in making payments to the clients
- Non-adherence to unique client codes.

Considering the magnitude of the violations, I believe that it would be proper to thrash out each allegation individually.

1) Illegal trades outside the Stock Exchange mechanism and single trade transaction for facilitating illegal trades outside the Stock Exchange.

I find from the inspection report that the sub-broker has carried out certain transactions outside the Stock Exchange mechanism (as is apparent from the soft copy of the sauda sheet obtained during the inspection). The explanation given by the sub-broker that those transactions had taken place at the Stock Exchange is not true because the transaction details such as order log, trade log, order time, quantity, price etc for these trades were not reflected in the NSE System during this period.

The transactions executed by the sub-broker outside the Stock Exchange mechanism during that period are as under.

Sl. No.	Date of Transaction	Scrip	Qty.	Price	Buyer	Seller
1.	22.05.2003	Indian Oil	200	300.00	Rajeev Bansal Hazar A/c	C. B. Sharma
2.	21.05.2003	ICICI Bank	100	138.70	Rajeev Bansal Hazar A/c	Kailash Kejriwal
3.	17.05.2003- 19.05.2003	Indian Oil	200	291.00	Rajeev Bansal Hazar A/c	Charan Singh
4.	16.05.2003	Essar Oil	300	6.25	Rajeev Bansal Hazar A/confirmation	Charan Singh
5.	16.05.2003	Indian Oil	100	281.50	Rajeev Bansal Hazar A/c	G. J. Gupta
6.	13.05.2003	Aptech Ltd.	100	101.14	Rajeev Bansal Hazar A/c	Shankar Lal Killa
7.	03.05.2003- 05.05.2003	Global Trust	5000	13.95	Rajeev Bansal Hazar A/c	Chandresh Matani
8.	03.05.2003- 05.05.2003	Tata Power	2000	122.70	Rajeev Bansal Share Trading A/c	Chandresh Matani
9.	03.05.2003- 05.05.2003	Tata Power	2000	122.75	Chandresh Matani	Rajeev Bansal Share Trading A/confirmation

I further note from the statement of the sub-broker recorded during the inspection that when asked about its Mumbai operations, he pleaded ignorance and had submitted these details were available with his father Shri R P Bansal.

From the records I find that even though the sub-broker has countered the allegation by stating that all these transactions were done in the Stock Exchange, he could not substantiate the same through any evidence and could not show these trades in the records of NSE. Moreover I could not find anything on record supporting the argument of the sub-broker. Hence I agree with the findings of the Enquiry Officer that the sub-broker had run a Stock Exchange parallel to the normal Stock Exchange mechanism and thereby violated Section 19 of the Securities Contract Regulation Act 1956, and Clause A (1) of the Code of Conduct Specified under the Regulation 15 of the SEBI (Stock Brokers and Sub- Brokers) Regulations, 1992.

2) Executing single share trades for facilitating execution of the bulk orders in illegal trading outside the Exchange Mechanism

I find from the inspection report that the sub-broker has executed single share trades and thereby facilitated execution of bulk orders outside the Stock Exchange. The details of these transactions are as under:

Name of scrip	Quantity	Price(Rs.)	Code	Trade No.
Union Bank	+1	38.85	Pro	200307215310140
-do-	+1	39.20	-do-	200307215279673
-do-	-1	38.85	-do-	200307215321796
-do-	-1	39.30	-do-	200307215273247
-do-	+1	38.85	-do-	200307215310140
-do-	+1	39.20	-do-	200307215279673
-do-	-1	38.85	-do-	200307215321796
-do-	-1	39.30	-do-	200307215273247
Reliance Industries	+1	337.95	-do-	200307215677956
-do-	-1	338.00	-do-	200307215678664
Essar Oil	+5	10.50	-do-	200307215726598
-do-	+2	10.55	-do-	200307215727823
-do-	+1	10.55	-do-	200307215724950
-do-	+1	10.55	-do-	200307215723549
-do-	+1	10.50	-do-	200307215635137
-do-	-10	10.55	-do-	200307215625702

From the above table it is seen that most of the trades were for single share only, apparently to serve as benchmark for the balance to be executed in the unofficial books. This apparently relates to dabba trading where such small quantities are traded to serve as reference point for dealing with clients. Further one share transactions, especially of low price shares, as in the instant case, are not feasible from the viewpoint of both the client and the broker. The client is usually required to pay minimum brokerage irrespective of value of the trade which implies that in such case, brokerage to be paid would be higher than the value of security purchased. A perusal of the bank statement of the sub-broker for his account number 000509 of Bank of Baroda, Ghia Mandi, Mathura shows numerous instances of receipt & payment of funds through cash. These cash transactions also indicate that the sub-broker was indulging in Dabba Trading, as the settlement in such trades are made in cash only. Thus it is very much evident that the sub-broker was indulging in illegal trading in shares.

The reply given by the sub-broker that the trades mentioned above were trades related to the main broker BSSL and the details and purposes of these trades might be enquired into from BSSL is not acceptable because from the bank accounts of the sub-broker certain cash transactions were seen and these cash transactions indicate that the sub-broker was indulging in Dabba Trading, as the settlement in such trades are made in cash only. Thus it is very much evident that the sub-broker was indulging in illegal trading in shares.

I find that the sub-broker has therefore violated the provisions of Section 19 of the Securities Contract Regulation Act 1956, and Clauses A (1) D (1) D (4) and D (5) of the Code of Conduct Specified under the Regulation 15 of the SEBI (Stock Brokers and Sub- Brokers) Regulations, 1992 and SEBI Circular No SMD/POLICY/CIR/32-99 dated 14.09.1999.

3) Terminals operated by unauthorized users

I find from the inspection report that, trading terminal (USER ID No. 11307) at Masjid Bunder office of the sub-broker was being operated by Mr. Natwar Lal Saraf, a person who is not an approved user as per records of NSE and is not authorized to operate the terminal. As per the records of NSE, the sub-broker is the approved user. I further find that the sub-broker in his statement recorded on July 22, 2003 had stated that Mr. Natwar Lal Saraf is in his employment for putting trades and handling accounts. However nothing was found on record to show that the said person is in employment of the sub-broker. As there is nothing on record to support the claim of the sub-broker I find that the sub-broker has violated Clause D (1) of Code of Conduct specified under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 read with NSE Circular No. 163 Ref. No. NSE/MEM/1591 dated April 20, 2000)

4) Acting as an unregistered sub-broker

I find from the inspection report that the sub-broker was dealing for its clients through M/s Prem A Singhal, Member BSE (SEBI Registration No INB 010020312) without seeking registration with SEBI as a sub-broker. It was further observed from the statement of the sub-broker that the delivery of shares to or from the clients in respect of transactions with this BSE member were routed through the sub-broker which clearly shows that the sub-broker had been acting as an unregistered sub-broker on BSE through the said broker.

Details of a few trades which had been executed through the above broker are given hereunder:

Sl. No.	Date	Scrip	Qty.	Rate	Client
---------	------	-------	------	------	--------

1.	20.06.2003	Videocon Leas	1000	16.35	V. R. maheshwari
2.	19.06.2003	Alpha Drug	1000	4.66	V. R. Maheshwari
3.	19.06.2003	Advent Comp.	2100	3.92	V. R. Maheshwari
4.	19.06.2003	Royal Cushion	5000	2.04	V. R. Maheshwari
5.	19.06.2003	Ambalal Sara	950	5.10	V. R. Maheshwari
6.	19.06.2003	Bhageria Dye	25	327.50	V. R. Maheshwari
7.	18.06.2003	Nirlon Ltd.	1952	2.91	V. R. Maheshwari
8.	06.06.2003	Jamshe. Metal	500	7.80	Shankar Lal Saraf

I do not find any merit in the submission made by the sub-broker in this regard. There I find that the sub-broker has violated *Section 12(1)* of the SEBI Act, 1992, Rule 3 of SEBI (Stock Brokers and Sub-brokers) Rules, 1992 and SEBI Circular No SMD/Policy/Circular-11/97 dated May 21, 1997.

5) **Non-maintenance of client registration forms and agreements**

I find that the sub-broker was having approximately 100 clients out of which around 10-15 clients were active at the time of inspection. The sub-broker had neither entered into any agreement with its clients nor he had obtained any client registration forms from them to establish the identity of the client. Thus I find that by not maintaining client database, the sub-broker has violated the provisions of SEBI Circular No. SMD/Policy/Cir/5-97 dated April 11, 1997 read with Circular No. SMD/Policy/Circular-11/97 dated May 21, 1997.

6) **Failure to issue confirmation memos**

I further find that the sub-broker has not issued any confirmation memos to his clients instead it was submitted by the sub-broker that he issued

bills on the request of the client. I observe that the sub-broker was not able to produce the acknowledged copy of the bills before the inspection team. Thus by not issuing confirmation memos to the clients the sub-broker has violated Clause B (2) of Code of Conduct specified under Regulation 15 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and of SEBI Circular No SMD/Policy/Circular-11/97 dated May 21, 1997.

7) **Non-segregation of client's and own accounts**

I further find from the inspection report that the sub-broker has not maintained separate accounts for the clients and all the transactions were routed through the following accounts:

Sl. No.	Name of the Bank	Account Number	Operative/ Non Operative
1.	Standard Chartered Grindlays Bank	30612190	Operative
2.	HDFC Bank	0601330006418	Operative

It is observed that the sub-broker had not opened separate bank account for clients' funds and all the transactions relating to clients are also routed through the said Account. Therefore there was no segregation between client funds and own funds. The mere statement of the sub-broker that he had opened two different bank accounts will not help him in absolving the liability. Therefore I find that by not maintaining separate bank account for keeping clients money, the sub-broker has violated the provisions of SEBI Circular No SMD/Policy/Circular-11/97 dated May 21, 1997

8) **Delay in making payments to the clients**

From the inspection report I find from the client ledger (soft copy) produced by the sub-broker that the sub-broker has delayed the payment to its clients in many cases beyond 48 hours of pay-out. In some cases, the payment was not effected till the date of inspection.

Few such instances are given as under:

Sl. No.	Sett. No. & Bill Date	Name of the Client	Amount Due	Actual Amount Paid	Date of Payment
------------	--------------------------	--------------------	------------	--------------------------	--------------------

1.	2003065 03/04/03	Chandrabhan Verma	55448.45	-	Not yet paid
2.	2003105 03.06.2003	Chandrabhan Verma	72578.00	-	Not yet paid
3.	2003121 25.06.2003	Chandrabhan Verma	91145.00	-	Not yet paid
4.	2003109 09.06.2003	Mauzpuria Finance	44434.90	-	Not yet paid
5.	2003110 10.06.2003	Mauzpuria Finance	9555.00	-	Not yet paid
6.	2003111 11.06.2003	Mauzpuria Finance	17611.00	-	Not yet paid
7.	2003092 15.05.2003	Radheshyam	53470.00	-	Not yet paid
8.	2003093 16.05.2003	G. J. Gupta	28150.00	-	Not yet paid

The records show that the sub-broker has replied by merely stating that there was no delay in payment to the clients and the clients were at liberty to demand the money whenever needed is not acceptable and I find that this is in violation of Clause B (1) of SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992, SEBI Circular No. SMD/SED/CIR/ 93/23321 dated November 18, 1993 read with SEBI Circular No. SMD/Policy/Circular-11/97 dated May 21, 1997.

9) Non-adherence to unique client codes

The sub-broker has around 100 clients and was effecting the trade only by using two client codes i.e, 6401 for delivery based trades and 3002 for square off trades. In this regard the reply of the sub-broker that there were no complaints from the clients and there was no intention to violate any of the rules and regulations and no gain and advantage has been made by the sub-broker is not acceptable and I find that the sub-broker has violated the provisions of SEBI Circular No. SMD/POLOICY/Cir-39/2001 dated 18.07.2001 read with SEBI Circular No. SMD/Policy/Circular-11/97 dated May 21, 1997.

4.4 I further note that the copies of following judgments have been submitted by the sub-broker during personal hearing before me.

- 1) Appeal Nos. 52, 53 and 54 of 2001 Anand Rathi and others Vs Securities and Exchange Board of India, [2002] 47 CLA 292 (SAT).
- 2) Appeal No 20/2001 Sterlite Industries (I) Limited Vs Securities and Exchange Board of India [2001] 45 CLA (SAT).
- 3) Appeal No 59/2003-Sumedha Fiscal Services Limited Vs Securities and Exchange Board of India. SAT Judgment dated 20.10.2004.
- 4) Appeal No 112/2003- Intec Shares & Stock Brokers Limited Vs Securities and Exchange Board of India, SAT judgment dated 13.12.2004.
- 5) Appeal No 399/2004- Atul Kanodia & Co Vs Securities and Exchange Board of India- SAT judgment dated 11.05.2005.
- 6) Appeal No 6/2006- M/s Bhupendra Meghji Bheda Vs Securities and Exchange Board of India- SAT Judgment dated 16.01.2006.
- 7) Appeal No 26/2006- Devichand Hansraj Oswal Vs Securities and Exchange Board of India –SAT judgment dated 8.2.2006.
- 8) Appeal No 25/2006- Joindre Capital Services Limited Vs Securities and Exchange Board of India- SAT judgment dated 8.2.2006.
- 9) Appeal No 44/2006- Bharati Thakkar India Securities Private Limited Vs. Securities and Exchange Board of India- SAT judgment dated 21.02.2006 .

10) Appeal No 46/2006- Rolex Finvest Private Limited Vs Securities and Exchange Board of India – SAT judgment dated 22.06.2006

11) Appeal No. 83/2004- Sameer C Arora vs Securities and Exchange Board of India- [2004] 63 CLA 38 (SAT).

I have carefully perused these judgments, and find that these judgments have no relevance with the instant case. The instant case is a unique one wherein the sub-broker in utter disregard to the mandatory requirements of law and without any justification or explanation, indulged in illegal/ dubba tradings in violation of s.19 of the Securities Contract (Regulation) Act, 1956, allowed his terminal to be used by unauthorized persons, acted as unregistered sub-broker, did not maintain client registration forms and agreements, failed to issue confirmation memos, did not segregate clients and own funds, delayed in making payment to the clients, did not adhere to the requirements of the maintenance of unique client code in violation of the provisions of SEBI Act, Securities Contract (Regulation) Act, 1956, Rules, Regulations and Circulars made there under. Further the sub-broker tried to disown the responsibility and exhibited a casual attitude, which is not expected from a registered intermediary in the securities market, by submitting that any explanation with respect to sauda sheet and other details in this regard can be obtained from his father. Therefore the sub-broker does not deserve to continue in the serious activities of a securities market intermediary.

4.5 Having considered the Inspection Report, the Enquiry Report, the Show Cause Notices, oral as well as written submissions made before me during the personal hearing and the voluminous copies of various judgments, I do not find any substance in the arguments of the sub-broker and am of the view that sub-broker has failed to put forth any plausible defence in its favor to enable me to differ with the findings as well as the recommendations of the Enquiry Officer.

5.0 ORDER

5.1 Now, therefore in exercise of the powers conferred upon me under Section 19 of SEBI Act, 1992 read with Regulation 13 (4) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and imposing penalty) Regulations, 2002, I hereby cancel the Certificate of Registration of Shri Rajiv Bansal, Sub- broker, SEBI registration no. INS 231191219, affiliated to Bansal Sharevest Services Limited.

5.2 This order shall come into force after 21 days form the date of this order.

DATE: 26.06.2006

PLACE: MUMBAI

T.C. NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA