

SECURITIES AND EXCHANGE BOARD OF INDIA

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

IN THE MATTER OF

M/S MITRA OPTIONS AND SHARE BROKERS LTD.

MEMBER , NATIONAL STOCK EXCHANGE

SEBI REGISTRATION NO. INB 230950637

WTM/TCN/MIRSD/56/11/06

DATE OF HEARING : October 12, 2004 and April 7, 2006

APPEARANCES :

FOR NOTICEES : Bharat Merchant
Neerav Merchant
Ramesh Gala
Kishan V Nand

FOR SEBI : Shri P.K.Kuriachen, General Manager

ORDER

UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

- 1.1 Mitra Options and Share Brokers Ltd. (hereinafter referred to as 'broker ') is a corporate entity and is a broker of National Stock Exchange Ltd. (NSE) bearing SEBI Registration No (INB 230950637). The broker is also a sub-broker on BSE (INS 010609837) affiliated to Mitra Equities Pvt. Ltd. SEBI conducted inspection under Regulation 19 (1) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter called the said Regulations).
- 1.2 An examination of the books of accounts of the broker was carried out during the period from December 26, 2000 to March 22, 2001. The period taken for coverage of inspection was from April 01, 1999 and till the date of inspection. During the inspection, several irregularities / violations were found to have been committed by the broker.
- 1.3 Upon considering the findings of inspection, an Enquiry Officer (hereinafter referred to as EO) was appointed under Regulation 5 of SEBI (Procedure for Holding Enquiry by EO and Imposing Penalty) Regulations, 2002 (hereinafter referred to as Enquiry Regulations) vide Order dated January 28, 2003.
- 1.4 A Show Cause Notice dated March 28, 2003 was issued to the broker under Regulation 6 (1) of the said regulations. The broker submitted its reply vide letter dated May 5, 2003. The broker appeared before the EO on June 26, 2003 and made submissions. After considering the reply and the submissions made by the broker during the hearing before him, the EO proceeded with the enquiry and submitted his report dated February 24, 2004 recommending a major penalty of suspension of certificate of registration of the broker for a period of nine months.
- 1.5 A copy of the Enquiry Report was issued to the broker along with a show cause notice dated March 31, 2004, 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 EO should not be imposed on it. The broker vide letter dated April 07, 2004 sought extension of time of 3 months for submitting a reply. However, the broker was granted time upto May 15, 2004 to reply to the Show Cause Notice. The broker furnished his replies vide letters dated May 20, 2004, May 21, 2004, May 24, 2004 June 17, 2004, June 30, 2004 and July 03, 2004.
- 1.6 The broker was given an opportunity of personal hearing on October 12, 2004. Shri Bharat Merchant and Shri.Neerav Merchant of M/s Thakordas & Madgavkar, Advocate & Solicitors and Shri Ramesh Gala & Shri Kishan V Nanda, Director and Employee respectively of the broker appeared and made submissions. During the course of the hearing the broker submitted a chart showing the status of charges against it and page numbers on which the reply to the charge is given vide its letters dated May 24, 2004. The broker further sought 10 days time to file its written submission which was granted. The broker filed its written submissions vide letter dated October 26, 2004 and submitted therein that out of 100 charges which were originally levelled against it, 48 charges were dropped by the EO. Out of the remaining 52 charges, 50 were repetitive and required to be dropped leaving only two charges, which required consideration. With regard to these two charges, the broker submitted that the explanation was given to the EO but were not recorded by the EO. The broker further submitted that penalty of suspension as recommended by the EO for a period of 9 months was grossly disproportionate to the charges

levelled against it. Due to change in the Competent Authority, the broker was once again granted an opportunity of personal hearing before me on 17.3.06. However, the broker sought for rescheduling the date of hearing. Hence, another opportunity was given on April 7, 2006. The broker was represented at the hearing by Shri Bharat Merchant, Advocate and Mr. Kishan V Nanda who made submissions on its behalf.

- 2.1 I have carefully considered the Inspection Report, Enquiry Report, Show Cause Notice to the broker and its replies dated May 20, 2004, May 21, 2004, May 24, 2004 June 17, 2004, June 30, 2004 and July 03, 2004, oral submissions made during personal hearing dt. October 12, 2004 and its written submissions dated October 26, 2004. My findings are as under :
- 2.1.1 As regards the allegation that the register maintained by the broker did not distinguish clearly between broker's own transactions and transactions on behalf of its clients, the broker stated that there was an inspection conducted by NSE during January 2001. Similarly, it was stated that the Statutory Audit and Tax Audit for the year ending 31.03.2000 was also conducted during August 2000 and September 2000 respectively, wherein all the documents were provided to the concerned and no query was raised by them in this regard. I agree with the views of the EO that the documents as required by SEBI are different from documents required for Statutory Audit and Tax Audit. The main thrust of SEBI requirements is on disclosures and investor protection. Therefore, it is necessary for the broker to satisfy the inspection team as to the requirement of maintaining registers as per the SEBI requirements / Regulations. In light of this, I agree with the findings of the EO and hold the broker guilty on this count.
- 2.1.2 With regard to the charge that the broker failed to enter transactions which were executed on other stock exchanges in the sauda book, the broker stated that the transactions at other exchanges cannot be entered in the sauda book of NSE. The EO found that Sauda Book is one of the very important basic records which each broker is required to maintain regularly, on day-to-day basis. I note that transactions on stock exchanges are routed through their own trading system/mechanism and hence would be duly recorded in their own respective sauda books. For membership and trading on different exchanges, the broker would automatically be maintaining a separate sauda book. The sauda book would contain only those trades/transactions that are executed through the trading mechanism of NSE and would not contain the trades done by the member on other exchanges. The broker cannot co-mingle the trades on various exchanges as he is required to maintain separate books of accounts in respect of different memberships which was mandated vide SEBI Circular No.SMD/SED/9012/93 dated May 14, 1993.
- 2.1.3 With regard to the allegation that there was a large volume of transactions at Bombay Stock Exchange carried out by the broker through Dharamshi Broking Ltd. for which the broker did not issue contract notes, the EO came to the conclusion that being a broker of NSE, the broker cannot execute any transaction on BSE through a member of BSE unless it registers itself as a sub broker. The broker stated that the charge pertains to non-issuance of contract notes and hence the finding of unregistered sub-broker is not relevant. The broker further submitted copies of the contract notes issued in respect of the above transactions. Though there is sufficient compliance by the broker as regards issuance of contract notes, the charge regarding acting as unregistered sub-broker still holds and therefore the broker is guilty of violating SEBI Circular No.SMD/POLICY/CIR-3/98 dated 16.01.98.
- 2.1.4 With regard to the charge that the acknowledgements on the contract notes did not contain date and that the signature of the client were not matching, after considering the reply of broker and finding of EO, I agree with the findings of EO who has recorded the admission of the broker that date was not mentioned by the client while acknowledging. The broker also stated that due to usage of big sized continuous computer stationery, the clients did not properly put signatures. Further broker in its reply to the show cause notice dated March 31, 2004 submitted letters from the clients stating timely receipt of the contract notes. After perusal of these letters it is observed that all the letters except a few, are having same date i.e July 12, 2003. It is, therefore, inferred that these letters were obtained by the broker after receipt of the show cause notice dated March 31, 2004. The period covered under inspection was 1999-2001 whereas the letters submitted by the broker are of 2003. Further, the contention of the broker that such cases contribute only 0.0001% of the total contract notes and therefore substantial compliance is carried out, cannot be accepted as the inspection was conducted on sample basis during which such irregularities were noted. If a thorough inspection had been conducted, perhaps, more such instances would have come to light. In view of this I agree with the finding of EO that the broker is guilty of not properly maintaining the contract notes as per requirements. It is difficult to accept the contention of the broker that the contract notes were handed over to the authorized persons only, since the same can be proved only by the signature of acknowledgement on the duplicate. Without the date of receipt having been put on the contract note it is not possible to infer that the contract notes were delivered within 24 hours of the trade.
- 2.1.5 With regard to the allegation that there were some contract notes which were unsigned and delivered after 24 hours of the transactions and that they were not acknowledged by the clients, I agree with the findings of EO, on the basis of admission recorded by the EO that there might be some instances where clients omitted to sign the contract notes. As the broker did not reply to the charge that they were not signed by the broker and that they were delivered after 24 hours, I hold him guilty on this account.

- 2.1.6 With regard to the allegation that the broker was charging from his clients unauthorized levies like stamp duty etc., the broker contended that they were entitled to collect the said charges. The broker had not disputed collection of these amounts and hence the EO held the broker guilty of collecting unauthorized amounts from the clients. I note that the broker had collected amounts towards stamp charges and other levies which are in the nature of service charges. I find that brokers normally do collect such charges and as such there is no bar by SEBI against such collections.
- 2.1.7 With regard to the allegation that the contract notes issued by the broker did not contain PAN numbers, the EO found that there were 54 cases of such type illustrated in Annexure 14 of the inspection report and as the broker had not disputed the same, the EO found the broker guilty of issuing improper contract notes. I note that the broker contended that some of the clients had applied for PAN No. but were not allotted the same. The broker further argued that out of 17425 contract notes only 54 notes which did not contain PAN No. is negligible. This explanation of the broker is not acceptable. I, therefore, agree with the findings of EO and hold the broker guilty of issuing contract notes without PAN numbers.
- 2.1.8 With regard to the allegation that the broker failed to maintain proper records of Inward Memos in such a way as to ensure the name of the persons actually delivering the securities, details of delivery of securities, the broker submitted that the inward memos were generated by software package in respect of physical securities. The broker further contended that these inward memos need not contain signature of clients delivering the securities. It was stated that the inward memo is generated in duplicate and is signed by the broker's authorized signatory and other copy is reserved for records. The EO found that without the signature, it is not possible to have an audit trail and chances of misuse would be greater. I note that there are no specific guidelines stipulating the procedure of delivery and records maintenance. Securities delivered by the clients in physical form are required to be accompanied by the transfer deed which evidences the name of the client, ownership etc. and is signed by the client. In case of market delivery, the transfer deed would be containing the details of the ownership of the shares and a trail is maintained by distinctive numbers and the broker's stamp. Inward memos being prepared by the brokers after clients deliver the securities need not bear the signature of the clients nor is there a requirement to this effect.
- 2.1.9 With regard to the allegation that outward memos are not serially numbered, the broker replied that the said memos were generated from the accounting software in respect of physical securities. He stated that the numbering on the outward memos is as per the system package. There were 6 such instances mentioned in the show cause notice. The broker stated that they were maintaining scripwise, clientwise records of the securities for every settlement. The broker further stated that they obtained the signature of the clients after giving delivery of securities and that delivery is given within the stipulated time. Broker has contended that there may be following reasons for delay in delivery:

1. Non receipt of payment from the client.
2. At the request of the client to hold the securities since they sold the same in the subsequent settlement.
3. Clients not having demat accounts and requesting to hold.

The broker stated that these securities were in physical form and not applicable for demat securities.

The 6 instances mentioned in the show cause notice were said to have been generated when the broker was holding APEX Soft Cell. The broker submitted that they changed the software package to COMTEK. The EO found that the broker had not explained clearly the reasons for discrepancy in the numbering of delivery challans and did not find the explanation on the software package satisfactory. The EO found that certain delivery challans were missing and hence held that the same is not properly explained by the member and accordingly found it guilty. I note that the broker in its reply to the show cause notice dated March 31, 2004 submitted that out of thousand outward memos only 6 such instances were identified. Hence the broker submitted that it is a very negligible violation. With regard to the finding that the delivery memos were not containing the date, broker contended that the clients might have forgotten to put the date but the deliveries were in fact done on time. Broker in its reply to the show cause notice dated March 31, 2004 submitted the proof of delivery. However it is observed that the same was not produced by the broker before the EO. I note that there is no report of any misuse. Further there are no specific guidelines on how the outward memos are to be numbered etc. Hence, I am inclined to give benefit of doubt to the broker.

- 2.1.10 With regard to the allegation that in some cases delivery memos were kept unsigned by the authorized signatory of the company, the EO found that the broker has admitted the same. I note that the broker submitted that the absence of signature was on the broker's copy of delivery memo and since the broker is aware that these securities have been delivered, it was not necessary to be signed by the broker. Further, the broker, in its reply to the show cause notice, submitted that these were domestic documents and hence need not be signed. In Annexure 17 of the inspection report, there were 17 cases of delivery challans where broker had not signed. In view of the explanation of the broker, a lenient view may be taken.

Further with regard to the charges that outward memos were not serially numbered hence the broker misused the delivery challans missing in between, the delivery memos were not acknowledged by the clients, the outward delivery memos had

no dates and the delivery memos were kept unsigned by the authorized signatory of the company, the EO found that the records maintained by the broker did not reveal the exact position of the securities received for sale, and kept pending for delivery as also securities which were fully paid for, pending delivery in the market. They do not indicate securities received or sent for transfer and securities fully paid for and held by the broker as margin. They also do not indicate securities registered in the name of the broker and those given in *vyaj badla*. Therefore, the very purpose of maintaining the securities register is defeated. I note that the broker has not given any separate explanation to this charge but simply stated that there has been no misuse of delivery challans. I, therefore, hold that the broker is guilty of not maintaining the securities register as stipulated under SEBI Circular No.SMD/SED/CIR/93/23321 dated November 18, 1993.

2.1.11 With regard to the charge that the broker failed to make physical deliveries of the securities within 48 hours of the pay out date, the broker stated that the reason for such delay was non receipt of payments from the clients and there were specific requests from the clients to hold securities. In Annexure 18 of the Inspection Report there were 75 incidents of delay in delivery. The delay was ranging from one (1) day to seventy nine (79) days. The broker vide Annexure 5 of its reply dated April 25, 2002 explained in detail each of the 75 incidents. There were 53 incidents of debit balance in the account and 11 incidents of mandate from the clients to hold securities and other incidents pertaining to adjustment of shares against sale positions in the subsequent settlement were noticed in the said explanation in Annexure 5 of the broker's reply. Consent letters received from Vinod Bambani, Suresh Khanse, Piyush Gala, Subham Share Broking were filed along with the reply. It is observed that in very few cases consent from the clients to adjust the accounts was obtained. I have noted that in the other instances of debit balances mentioned, the broker has failed to bring on record the proof of debits mentioned in each of the account enabling them to adjust the same. Hence, the EO held the broker guilty of failing to deliver the securities physically within 48 hours of payout. I note that the broker submitted ledger accounts and delivery positions and a sample of a few ledger accounts of Krishna Investment, Nimmi Shah and Nikhil Gala showed that these accounts did carry a debit balance on the said dates which justify the broker's holding back the securities of their clients.

2.1.12 With regard to the charge that the broker had transferred funds from settlement accounts to expense account and to client account and that the broker mixed up clients funds and borrowed funds, the EO found that the broker did not furnish any proof of having transferred funds from Expenses Account to Client Account that preceded the transfer from Client Account to Expense Account. The broker, however, contended that the aggregate of funds transferred from Settlement Account to Expenses Account was much less than the Funds transferred from Expenses Account to Settlement Account. I note from the Inspection and Enquiry Report that the aggregate of such transfers to own Account was to the tune of Rs.38.63 crores. However, the transfers from own account to client/settlement account was to the tune of Rs.124.72 crores during the relevant period. Thus, I note that though this amount is in excess of what has been transferred from clients' a/c to own a/c for the period, the broker has not maintained a clear segregation of accounts which has been mandated to prevent misuse. In view of this, such transfers between accounts should not be encouraged.

2.1.13 With regard to the charge that there were transfer of funds from the Account of one Exchange to other Exchange, I have considered the submissions of the broker who stated that they had not utilized the funds of Clients of one Exchange to meet the obligations of the other Exchange. I however, note that there were 130 such incidents recorded in the Annexure 24 to the Inspection Report. Broker admitted that in Annexure 24 there were few instances of payments made from their Client account to meet their obligations in other Exchanges. Broker further explained that many instances in Annexure 24 payments made to and received from Mitra Equities Pvt. Ltd. and Mitra Stock Option Pvt. Ltd. were classified as 'wrong utilisation'. Broker stated that this was not correct and that these two entities were their clients. It was further explained that they entered into transaction for self with Mitra Equities on BSE and Mitra Stock Option on Pune Stock Exchange (PSE). Broker in its reply to the show cause notice submitted that the transfers were with the consents of the clients, who were dealing on both the exchanges through the Broker. Broker in its reply to the show cause notice submitted consent letter given by the client to the Broker for transferring the said funds. However, it is observed that the said consent letters were not produced by the broker to the EO. It can be construed from this that this is an afterthought of broker to obtain consent letter from client. I also note that Broker has given assurance to the EO that henceforth it would ensure that funds were always routed through their own account and payments are made to parties other than their clients from their account. I therefore agree with the findings of EO that it is imperative to maintain the sanctity of segregation of Accounts of One Exchange from the other. Any intermingling of accounts at any stage would result in great chaos and the same will be detrimental to the market mechanism. When broker does not have membership on other exchange, it will be more complicated. I, therefore, agree with the findings of the EO and hold the broker guilty.

2.1.14 With regard to the findings that broker had withdrawn monies unauthorizedly from client a/c and deposited cash in the accounts unauthorizedly, the EO found that there were several instances of cash having been withdrawn or deposited which is against all accounting norms and directives of the Income Tax Department. The broker stated that amounts shown as withdrawn in Annexure 25 of the inspection report are related to amounts shown as deposited in Annexure 26 of the inspection report. I have noted that there are 13 instances from August 2, 1999 to June 14, 2000 of withdrawal of an aggregated amount of Rs.51,65,000/-. Likewise there were 16 instances of cash deposited in Clients' A/c aggregating to Rs.51,79,000/-. The broker, in its reply to the show cause notice dated March 31, 2004 submitted that the object of

deposit was to fund the withdrawal and to meet obligation in case of dishonored cheques of clients and to honor the cheques to clients. I do not agree with the explanation of the broker that cash could be withdrawn from the Client A/c sometimes to the tune of Rs.24 lakhs for the above excuse. I therefore agree with the findings of EO and hold the broker guilty of misutilizing the clients funds and of accounting impropriety. I also agree with the EO that this kind of high value cash transactions should be discouraged.

2.1.15 With regard to the charge that payments were made to clients from own account of the broker as mentioned in Annexure 27 of the Inspection Report, I have noted that the broker stated that these payments were made for the purposes other than security transactions. I have noted that out of 17 instances mentioned in Annexure 27 one debit pertaining to Bharat Dedhia was incorrect and one debit was directly made by the bank for bank charges. In Annexure 11 to the reply dated April 25, 2002 the broker explained that each transaction of debit from GTB a/c as amount paid for purchase of office premises. However, broker has not offered any explanation to the EO as to the nature of payment of Rs.8 crores made to Mitra Equity, the EO held that this is a payment made to client since admittedly Mitra Equities was acting as the broker's client without any underlying securities transactions. The broker in its reply to the show cause notice submitted that it was a mistake on account of GTB and it had not issued any cheque for such payment. The broker further submitted that by fax dated March 3, 2000 it had instructed to debit its own account No.1430, however the bank instead debited the account No.1369 being another account of the broker. It is observed that the broker had not given any explanation to the EO with regard to the transactions. Although the broker furnished a copy of the letter dated March 3, 2000 addressed to GTB which it claimed to have faxed to GTB, no proof of such faxing or fax report has been furnished by the broker. It appears to be an after thought of the broker and therefore I hold the broker guilty on this charge.

2.1.16 With regard to the allegation that the broker deposited the money received from clients in other than Clients A/c, the broker stated that these were very few instances and hence can be ignored. The broker explained that there were two instances where bank credited other account by mistake and the remaining were due to their own mistake. The EO, therefore, held the broker guilty on this charge. I note that the broker in its reply to the show cause notice furnished copies of bank book/statements in support of its claim that these were monies received towards share application, property transactions, dividend on own investments, wrong credits by the bank etc. Though there certainly is some inconsistency in the submissions of the broker before the EO and the show cause notice, I note that the evidence provided by him cannot be discarded.

2.1.17 With regard to the allegation that the broker credited and debited respectively the clients accounts, amounts received from or paid to the persons other than the clients, the EO held the broker guilty of accepting 3rd party payments and paid to 3rd parties from clients' accounts. The broker stated that a few of the names appearing in Annexure 29 of the Inspection Report were in default and in order to avoid them from becoming bad debts, the dues were settled by Suvira Securities. Though the broker did recover the dues from its defaulting clients, the practice of accepting cheques from 3rd party is highly irregular. Further, the broker failed to bring on record any proof to support that such receipts were authorized by its defaulting clients. Hence I am inclined to agree with the findings of the EO.

2.1.18 With regard to the finding that the broker failed to maintain the client agreement forms as prescribed by SEBI, the EO found that out of 1500 clients as stated by the broker, 356 clients were without registration or with improper registration which is around 25% of the total clientele. The EO, therefore, held that the broker had not properly obtained the client registration forms from the clients. The broker stated that they obtained client registration forms from all the clients and there was not a single case of client without registration. The broker also contended that out of 1,500 clients, inspection team verified all the registration forms and out of 155 cases mentioned in Annexure 34 of the Inspection Report, 70 belonged to their Bhuj branch which was destroyed in the earthquake. Out of the remaining 85 clients belonging to Mumbai branch, the broker furnished copies of the client registration forms in respect of 52 clients and in respect of four clients it stated that they were not clients of the broker and furnished copies of the ledger statements evidencing certain purchases. In respect of the balance 29 clients, the broker has merely stated that they were not its clients and that their names were merely reflected in the database and the client master of the broker. The broker has not furnished any documentary evidence in support of its contention and hence the averments of the broker cannot be accepted and hence I hold the broker guilty of not maintaining client registration forms in respect of 29 clients.

As regards the deficiencies noted in 201 cases of client registration forms and broker client agreements the broker has merely stated that in 128 cases, the parties concerned did not fulfil the deficiencies as also that no trades were executed during the period of inspection on their behalf. The contention of the broker cannot be accepted as he cannot shift responsibility on the clients for not maintaining records properly. I, therefore, agree with the findings of the EO and hold the broker guilty of not maintaining the client registration forms properly.

2.1.19 With regard to the allegation that broker was maintaining running accounts of the clients, the EO found that the broker did not bring on record the proof that these accounts were kept running because of the default on the part of the clients. The EO, therefore, found the broker guilty. The broker stated that certain accounts were not settled, due to their inability in making regular payments against their obligations. The broker explained that the payments to the clients were held back if

there were debits in subsequent vallon, margin requirements and mark to mark losses. The broker stated that these were not running accounts. During the course of proceedings, the broker explained that the accounts were kept running in cases where there were defaults from the clients side in meeting the payment obligations. I have noted from the Annexure 35 of the Inspection Report that there were 24 instances of running accounts of 22 clients. The broker explained the accounts of the said clients and brought on record the copies of ledger statements of accounts of the clients. However, I note that the broker took risk by allowing the clients to maintain open debit positions. In the event of default by the clients, the broker would face huge financial losses and hence such practices of maintaining running accounts should be discouraged.

2.1.20 With regard to the charge in respect of the transactions of 200 shares of Lupin in settlement No.38/99, the EO found that the shares received on payout were transferred to broker's beneficiary account on November 4, 1999. They were pledged on November 5, 1999 and later released on January 28, 2000. The EO found that the broker failed to bring on record proof of request of the client and the proof of having debit balances at the relevant time in the account of the clients. The broker explained that SK Enterprises had purchased shares of Lupin and since the account of SK Enterprises had debit balance the said shares were not transferred to the client but were transferred to the broker's beneficiary account. The broker stated that RK Consultancy also purchased 100 shares of Lupin but had a debit balance and therefore were transferred to the broker's account. The broker stated that at the request of the client 100 shares were transferred to Kirit Kothari, Proprietor of RK Consultancy. I note that the broker has submitted copies of the ledger accounts showing debit balances of the clients and hence the broker's explanation may be accepted.

With regard to the charge in respect of 100 shares of Jindal in settlement No. 49/99, the broker stated that Suvidhi Securities had sold 100 shares and transferred the same to broker's pool a/c. The broker stated that due to non-intimation by the client, these shares were not used for pay-in and were ultimately auctioned and the auction proceeds were debited to the account of Suvidhi. The EO found that the broker had not disputed the fact that the shares of Suvidhi were lying in their a/c. The EO further found that the broker had not produced any proof of having auctioned the shares and having debited to the account of the client the said auctioned amount. However, I note that the broker has subsequently submitted copy of the Settlement Obligation Statement of NSCCL and also copy of bill raised to Suvidhi and copy of ledger reflecting debit of auction bill and hence I am inclined to accept the explanation of the broker.

With regard to transaction in Jindal Steel in Settlement Nos. 36/99 and 49/99, by Nipra Investment, the broker explained that Nipra Investment had delivered by mistake shares both in physical as well as demat forms on September 20, 1999. The broker stated that physical shares were used for pay-in and demat shares were returned to the client. The EO noted that the demat shares received on March 20, 1999 were transferred to beneficiary account on October 7, 1999 and October 18, 1999. These shares were transferred to CM Pool A/c and on November 16, 1999 and they were further transferred to demat a/c with Kapol Co-op. Bank with ID 10046602. The EO found that the broker had failed to explain the delay in transferring the securities back to the client and had not brought on record the details of physical securities and found the transaction to be a non-genuine one. The broker stated that the correct date of receipt was September 20, 1999 and not March 20, 1999. The settlement dates were September 8, 1999 to September 14, 1999 for settlement No.36/99 and the pay-in was on September 20, 1999. The broker stated that the physical shares were delivered to the Exchange on September 20, 1999 and the demat shares remained with the broker and were ultimately returned to the client on November 16, 1999. I note that in support of his contention, the broker submitted copies of the delivery note, letter dated September 21, 1999 from Nipra Investment asking them to hold back the shares and letter dated 14.11.99 from Nipra to transfer the said shares to the demat a/c. of Mr. Gada Nitin Harakhchand. In view of this, the broker's explanation is accepted.

With regard to transaction of shares of Jyoti Structure in settlement No. 36 by Nipra Investments, the EO found that the broker had not brought on record any proof of having debit balance and had failed to explain the rationale behind the delay in transferring the shares to their beneficiary a/c and found the transaction to be non-genuine. I note that the broker has submitted a copy of the extract of the ledger showing debit balance, delivery position reflecting the above purchase on the floor of the exchange and copy of letter dated October 26, 1999 from Nipra Investment instructing transfer of the above said shares to Dilip Gala and hence the same is treated as sufficient compliance.

With regard to the transactions of 6000 shares of SBI in settlement No. 41/99, the broker explained that they had purchased 6000 shares in Pune Stock Exchange through Mitra Stock Options Ltd. The broker further stated that they had received 7000 shares from Mitra Equities Pvt. Ltd. as short term deposit on October 15, 1999 and out of these shares 4000 shares were returned at the request of Mitra Equities. The EO found that if the purchase transaction was in the proprietary account it is not clear as to why the same should be received in the CM Pool a/c maintained at GTB. The EO further found that it was also not clear as to how the broker could accept 'short term deposit' of 7000 shares of SBI from Mitra Equities. In the absence of proof the EO found that the transaction was not genuine. The broker stated that it had requested Mitra Stock Options Pvt. Ltd. to credit its pool a/c with 6000 shares of SBI. Out of the above 6000 shares, the broker utilized 2000 shares for its own obligation for pay-in. Mitra Equities Pvt. Ltd. had transferred 7000 SBI shares for their margin obligation on October 15, 1999. Hence the balance 4000 shares were returned back on November 6, 1999 as requested by them. The broker produced copies of letter from Mitra Equities dated October 15, 1999 transferring the shares to

beneficiary a/c and November 6, 1999 requesting for release of 4000 shares. The broker's explanation cannot be accepted as he has made varying statements before the EO stating that the shares were received as short term deposit whereas he is now contending that the shares were received as margin obligation. Further, though the broker has explained the transactions of 6000 shares purchased by it, it has failed to submit proof of the transfer of 4000 shares to the account of Mitra Equities as claimed by it and also it has not accounted for the 7000 shares transferred by Mitra Equities.

With regard to the transaction of 5400 shares of Shipping Corporation in settlement No. 50/99, the EO found that the broker cannot use CM Pool a/c as a current account and transferred the securities to a person other than his client. The EO found that in the transaction given in the notice, Krishna Investment was the purchaser as per the broker and transferred to RK Consultancy which is not correct though the proprietor is same. Hence, the EO found the transaction improper. The broker stated that Kirti Kothari, sole proprietor of Krishna Investment purchased 5400 shares of Shipping Corporation in settlement No.50 on NSE. Hence the shares were transferred to Kirti Kothari having client ID No.10748064 on December 28, 1999. In support of his contention, the broker submitted a copy of the member client agreement indicating that Kirti Kothari is the sole proprietor of Krishna Investments. In view of the above, benefit of doubt may be given to the broker.

With regard to the transactions in the shares of Tata Infotech in settlement No. 06/2000, considering the quantity of shares involved, the EO found that a lenient view could be taken and hence no further finding is recorded in this regard.

With regard to the transaction of 550 shares of Zee Tele in settlement no. N/2/2000, the broker stated that the clients were having purchase transaction on one exchange and sale transaction in another exchange. The EO observed that it is not understood how the broker's clients could transact on another exchange through the broker. The broker further stated that RK Consultancy purchased 550 shares of Zee Tele in settlement prior to N/2/2000 and the same was not delivered to RK Consultancy because of debit in the account. The broker stated that the same were delivered to the client after receiving from Mitra Equities Pvt. Ltd. The EO observed that it was not understood as to how the broker had to resort to receive the securities from Mitra Equities for making pay-out to RK Consultancy. The EO found this to be an irregularity. The EO noted that the broker had purchased 26,693 shares of Zee for various clients in settlement No.N/02/2000 and sold 8093 shares and used 18600 shares for NSE pay out. The broker stated that the clients purchased shares in one vallon in one Exchange and selling the same in subsequent vallon or the same vallon in other exchanges. The EO found that the shares purchased on one exchange by the broker for their client cannot be used for pay out obligation of the other exchange especially when the broker is not a member of the other exchange. The broker has not disputed the fact that 18,000 shares received in pay out were transferred to the beneficiary account of the broker which were later pledged for margin purposes. The EO further found that the broker has not explained the release of the pledge of 7500 shares and subsequent transaction on 22.2.2000, 5000 shares on February 24, 2000 and 5000 shares on March 9, 2000. I note that the broker has not submitted any documentary evidence and hence I am inclined to agree with the findings of the EO.

With regard to the transaction of 100 shares of ITC Ltd in settlement No. N/02/2000, the EO found that non-segregation of clients' account should be discouraged and hence held the transaction improper. The broker stated that Prashant Kusumgar purchased 100 shares of ITC and since he had not made the payment there was outstanding debit balance and hence the shares remained in the beneficiary account of the broker. The broker further stated that it had purchased 100 shares of ITC in its own account in settlement no.N-03/2000. Suvidhi Securities had sold 200 shares but could not deliver the same. Suvidhi Securities requested the broker and Prashant Kusumgar to deliver 200 shares as loan and realize the proceeds. Hence there was a loan of 100 shares by Prashant Kusumgar and the broker. The broker further stated that Prashant Kusumgar sold 100 shares in N-7 and Suvidhi Securities purchased 200 shares in N-7. Therefore, the question of delivery of 100 shares to Kusumgar did not arise and the broker received back the remaining 100 shares. Thus all the transactions stand accounted. I note that the broker has submitted copies of ledger copy of Prashant Kusumgar showing debit balance, consent letter from Kusumgar requesting utilization of 100 shares for pay-in obligation of Suvidhi Securities, request letter from Suvidhi Securities to the broker. However, I note that though the broker has submitted scrip wise delivery position reflecting sale of 100 shares by Kusumgar, the broker has not given any proof as to when the shares were delivered back to Kusumgar. In view of this, I agree with the EO that the transaction is improper. I further note that the broker is not maintaining proper segregation of clients' accounts which is not a desirable practice.

With regard to transaction in the shares of Global Trust Bank in settlement No. 45/99, the broker stated that they had huge delivery volumes of own and that of client in the scrip of Global Trust Bank. The broker stated that the shares were purchased by various clients and since the broker had debit balance, the shares were transferred to its beneficiary account. These clients sold the shares in subsequent vallans. The broker stated that they were having their own shares/shares belonging to the group companies in stock exceeding 50,000 shares at that time. The broker also stated that Prabodh Arth Vardhini had purchased shares at Bombay Stock Exchange through Mitra Equities Pvt. Ltd. The pay out of these shares was made out of shares lying in pool account of Mitra Options & Stock Brokers Ltd. The broker further contended that one of their clients M/s Aishwarya Credit & Capital had purchased 28724 shares in this settlement. The broker stated that this client had also made further purchases in the scrip of Global Trust Bank in subsequent vallon. Aishwarya Credit & Capital had sold the shares of Global Trust Bank in the following vallans.

Vallan No.3 10000

Vallan No.A/44 (BSE) 20000

The broker further stated that apart from Aishwarya Credit & Capital, other clients have also sold the shares in subsequent vallans and that majority of shares purchased in Vallan No.N/45 were sold by clients, before their transferring the shares to Prabodh Arth Vardhini. The broker contended that since their own stock including that of the group company was more than 50,000 shares, the payout to the clients was given from such shares. The broker therefore stated that there was no question of misutilisation of shares belonging to clients.

The broker further explained that since the transactions for the purchase of shares of Prabodh Arth Vardhini was executed at BSE through Mitra Equities Pvt. Ltd. the same could not be reflected in sauda book of NSE.

The EO noted that the reply of the broker that the pay out of the shares was made from their personal holding of 50,000 shares. The broker had not explained the details of purchase transaction of Prabodh Arth Vardhini through the broker. It was simply stated that the said Prabodh had transacted on BSE through Mitra Equities and pay out was made from broker's Pool A/c. Hence, the EO found the transaction irregular. I note that the broker has not given any documentary evidence but simply pleaded that the charge may be dropped. In the absence of proper documentary proof to explain the transactions, I agree with the EO that the transactions were irregular.

With regard to the transaction of 300 shares of Kotak Mahindra in settlement No. 2000014, the EO found the broker guilty of accepting shares from an unknown client on April 4, 2000 and held that this was an off the floor transaction unreported to the exchange. The broker stated that MIT Stock Broking is a registered sub-broker of the broker. A client of the said sub-broker had transferred 300 shares of Kotak Mahindra into the account of the broker. The said shares were sold on December 18, 2000 in Settlement No.241 of 2000 by MIT Stock Broking. I note that in support of its contention, the broker has submitted copies of the bill of MIT Stock Broking reflecting sale of 300 shares and demat transaction statement reflecting the pay-in of the said shares to the exchange. The above explanation of the broker is accepted.

With regard to the transaction of shares of L&T in settlement No. 1999 037, the EO found that the broker failed to explain why the said shares were lying in the beneficiary a/c instead of the pool a/c. The EO further found that the broker failed to bring on record the proof of Dinesh Gupta having purchased 200 shares in prior settlement. The broker stated that Bhim Bohra constituent of the broker purchased 200 shares in settlement no.30/99. Bhim Bohra had debit balance in his account and hence shares purchased by him were not transferred. In settlement no.34/99, Bhim Bohra sold 200 shares. In the same settlement Dinesh Gupta purchased 200 shares which were not transferred on account of debit balance. In settlement no.37/99 Dinesh Gupta sold 200 shares. Since the shares purchased earlier were not transferred to his account, the same were adjusted for pay-in obligation and the shares were transferred from beneficiary account for pay-in. I note that the broker has submitted copies of ledger accounts showing debit balances of Bhim Bohra and Dinesh Gupta and delivery positions of Bhim Bohra and Dinesh Gupta duly certified by Chartered Accountants. As the EO found the broker guilty for want of proof and since the broker has furnished the requisite proofs subsequently, I am inclined to give the benefit of doubt to the broker.

With regard to the shares of Lupin Laboratory in settlement No. 6/2000, the EO held that the broker admitted the fact that the transactions from the pool a/c. were not on the floor of NSE where he is a member. The EO further held that the broker admitted that they indulged in stock lending by accepting shares from Deepak Bheda and transferred them to Subham Share Broking. The EO therefore found this to be an irregular transaction. The broker stated that Shubam Share Broking, a constituent of the broker purchased 500 shares in settlement no.2/2000. On the pay-out date, Shubam was having a debit balance of Rs.5,08,683.32. Hence delivery was not given to Shubam. In the same settlement, another constituent of the broker viz. Mitra Equities Pvt. Ltd. sold 400 shares but delivery was not given. Therefore, on a square of the exchange, 100 shares were receivable by the broker on a/c of Shubam. On February 8, 2000, Shubam gave a payment of Rs.8,50,000/- and demanded 500 shares which it had purchased since its account was in credit. Accordingly, 100 shares receivable in settlement No.2/2000 from the exchange was transferred to Shubam on February 9, 2000. The 400 shares held by Mitra Equities Pvt. Ltd were already pledged in Global Trust Bank. Since release of the pledge would take time, Mitra Equities requested its Director Deepak Bheda to transfer 400 shares which in turn were transferred to Shubam on February 9, 2000. The broker stated that these transactions were recorded in the sauda book and hence cannot be called as off the floor transactions. I note that the broker has borrowed securities from Deepak Bheda to pay Shubam. I further note that the broker cannot act as approved intermediary without registration.

2.1.21 With regard to the allegation that there were unauthorized transfers of certain amounts between two clients or between a client and a broker of other exchange with whom they are dealing as set out in Para 9.16 of the Enquiry Report, the EO accepted the explanation of the broker except with regard to auction of 5500 shares of Siemens and found that the transfer

of Rs.24,62,625/- to Mitra Equities Pvt. Ltd. (MEPL) was an irregular transaction. The broker stated that it was under the impression that it had 5500 shares of Siemens and hence offered to sell the said shares in auction. The offer was accepted at the auction and since the broker could not deliver the said shares, it requested MEPL who had sufficient shares of Siemens to tender the shares. Since the offer was registered in the name of the broker, the proceeds were realized in the name of the broker. Upon receipt of the entire proceeds by the broker from the exchange, the same was paid over by crediting the account of MEPL. The broker's explanation is highly unconvincing as it is beyond comprehension how the broker could auction shares which he did not possess in the first place. Further, it is not clear how the broker could borrow shares to fulfil his pay-in obligations without being registered as an Approved Intermediary.

2.1.22 With regard to the finding of transaction through Dharmshi Broking Pvt. Ltd. and Mitra Equities Pvt. Ltd. (MEPL), the EO held that the broker acted as an unregistered sub-broker of Dharmshi and MEPL at BSE in violation of Sec. 12 of SEBI Act. The broker replied that it had dealt with Dharamshi Broking Pvt. Ltd. only for 6 vallans during April to June 1999 during which it had very low turn over, a portion of which was proprietary. I note that as per the inspection report, transactions worth Rs.2,77,39,485/- were undertaken and the broker has admitted to having dealt for clients through Dharamshi as unregistered sub-broker which is in violation of Section 12 of SEBI Act and SEBI Circular No.SMD/POLICY/CIR/98 dated January 16,1998.

2.1.23 With regard to Mitra Equities Pvt. Ltd., the EO found the broker guilty of acting as unregistered sub-broker. The broker submitted that application was made to SEBI for registration as sub-broker on March 27, 2000 and registration was granted on May 24, 2000. During this period, the broker entered into the said transactions under the impression that registration would be granted shortly. I note that the broker has admitted the violation. In view of this and as the broker has entered into transactions worth Rs.26.51 crores and also issued contract notes in this regard without being registered as a sub-broker on BSE, I agree with the EO and hold the broker guilty of acting as unregistered sub-broker.

2.1.24 With regard to the findings of 79 accounts in the name of Mitra Options and Stock Brokers Ltd. maintained by the broker, taking into account the explanation of the broker, the EO found that by opening several proprietary accounts, the broker has facilitated transactions of securities in inter-se accounts. The broker stated that these 79 accounts were the accounts of the employees of the broker with whom specific independent limits were given and therefore they cannot indulge in unfair trade practices. I note that the explanation of the broker is not satisfactory as the monitoring of the limits on each of the dealing employee could have been achieved by the broker even without opening 79 accounts. If such practice is allowed, it may lead to market manipulations. Without changing the beneficial ownership of the shares, such transactions would unnecessary result in creation of artificial volumes and therefore this could be considered an unfair trade practice by the broker.

2.1.25 With regard to the transactions with Nootan Associates, the EO found that the broker had dealt with unregistered entity. I have noted that the broker has not replied to the specific charge with respect to the status of Nootan Associates. Similarly, I find from the findings of EO that the broker has admitted to having dealt with unregistered sub-brokers and hence I hold him guilty on this count.

2.1.26 Regarding the charge that there was no segregation of client securities in Pool A/c, the EO having considered the reply of the broker and other material on record found the broker guilty of improper use of CM pool A/c and non segregation of clients' securities. The broker stated that they were having huge volume in some of the shares for delivery transaction on behalf of clients as well as on own account. The shares purchased by clients were not transferred to them because of various reasons. The broker further submitted that in almost every scrip mentioned in Annexure 50 of the inspection report various transactions were there in the name of the entity. The same were lying in the stock of the company and were utilised as and when necessary for meeting the obligations. The broker also stated that there was no need to use clients' securities. I note that the broker instead of explaining each of the transaction had merely stated that there was no need to use clients' securities.

2.1.27 The EO further found that the securities received on behalf of the clients were transferred to beneficiary account of Mitra Equities, Member, BSE and were subsequently sold on BSE. Though the broker said that the same was done on the instructions of the clients, he however, could not produce any evidence for the same to EO. However, the broker has now produced evidence in the nature of letter from clients but the same appear to be an afterthought as otherwise it could have produced the same before the EO, which it has failed to do. I, therefore, agree with the EO that this was an irregular transaction.

2.1.28 With regard to the charge that transactions of different clients which appear in the sauda book resulted in squaring off without routing through Pool A/c, the EO found that with regard to the transaction of Hemant Shah and Kirit Desai the broker had not brought any proof that the transaction was routed through pool a/c. The broker stated that Kirti Desai purchased 500 shares in Settlement No.47/99 and sold 200 & 300 shares in Settlement Nos.48/99 and 49/99 respectively. Therefore his position was squared off in settlement no.49/99. Hemant Shah purchased 200 shares out of the 300 shares sold by Kirti Desai in Settlement No.49/99. Therefore there was a net obligation of 100 shares which was reflected in the pool a/c.

With regard to the transaction with Uttam Patel and Hemant Shah, the broker stated that in settlement No.7/2000 Uttamchand Patel purchased 500 shares of Alok Textiles. Also 300 shares were sold by one of the client of Hemant Shah. The net obligation for the settlement remained 200 for which the pay out was received by the broker on February 23, 2000. These shares were duly transferred to the account of Uttam Patel on February 25, 2000. Hemant Shah who had sold 300 shares delivered them to the broker in physical form. These physical securities were delivered to Uttam Patel by the broker on behalf of his purchase in the above settlement. In support of its contention, the broker submitted copies of the demat transaction reflecting transfer of 200 shares to Uttam Patel and outward memo for 300 shares.

With regard to the transaction with Mitra Options and Stock Brokers Ltd. (MOSBL) the broker contended that it is a squaring off by the same client. The EO noted that this is an incident where out of 79 accounts, one account of the broker was dealing with another account of the broker and the findings for the same are detailed in para 2.1.24 above.

With regard to the transaction of PD Mehta and KK Investments, the EO found that the broker had not submitted any proof that there were debit balances in respective accounts and the EO did not find the reason behind not reflecting the transaction in Pool A/c satisfactory. The broker stated that KK Investments purchased shares of Indal but the same were transferred to the beneficiary account of the broker as KK Investments had debit balance. Further in settlement No.9 of 2000 KK Investments had sold 2500 shares of Indal. In this settlement, shares were purchased by AR Gala and PD Mehta. A total of 4700 shares were to be received from the Exchange which were transferred to the beneficiary of the broker at the request of AR Gala. The shares purchased by PD Mehta were not transferred to her since there was debit balance in her ledger account.

With regard to transaction between Krishna Investment and Dimpy Finance, the EO found that it was not informed by the broker as to how the squaring up between the two clients resulted in non reflection in Pool A/c. The broker stated that there was debit balance of Dimpy Finance and hence the shares purchased by them were transferred to the beneficiary a/c. of the broker at the request of Dimpy Finance. When the shares were sold, they were transferred to the pool a/c. Krishna Investment purchased 800 shares and 600 of these shares were received from the exchange in the demat pool a/c. which were transferred to Krishna Investment. The remaining 200 shares were transferred to them in auction 50 of 1999.

I note that in all the above instances, though the broker claims to have submitted copies of the demat transaction statements reflecting the transactions, the same does not carry the logo of the issuing depository and hence cannot be treated as authenticated statements of the issuing depository and therefore cannot be considered as sufficient evidence or compliance.

With regard to the transaction between MOSBL and 14 other clients, the broker stated that his clients purchased the securities in E-32 and on intimation from them, the said shares were withheld with the broker and the same were adjusted against their sale in settlement No.E-35. The broker stated that whenever a constituent is in debit, there is no restriction on the number of settlement over which the position is allowed to continue and that is entirely an arrangement between the broker and the client concerned. The EO did not find the explanation of the broker satisfactory and held that if the transactions are not reflected in the Pool A/c and the broker held them in their Proprietary A/c. the broker has to comply with the due process of law under SC(R) Act. I agree with the EO that by allowing the clients to park the securities for three settlements and then allowing them to sell will amount to carry forward transaction. This also tantamounts to the broker funding the trades of the clients which is an undesirable practice.

With regard to transactions by Galaxy Securities and Ors the broker stated that the clients had a debit balance and hence the shares were not transferred and annexed ledger accounts in support of its contention. Hence benefit of doubt may be given to the broker.

2.1.29 Regarding transactions in Pool A/c which were not appearing in the sauda book, I note that as regards the transaction in DSQ Software, the broker stated that Krishna Investments had previously purchased DSQ Software, which were withheld by them due to debit balance in the account. These shares were further transferred to their beneficiary account. However afterwards these shares were transferred to Settlement 3/2000 in Pool a/c and transferred to client ID of Kirti Kothari who is the Proprietor of Krishna Investments. I agree with the observations of the EO that the broker has not explained why the shares were transferred to Beneficiary a/c and from there to Pool a/c. and why there was a further transfer from Pool a/c to Kirti Kothari of Krishna Investments. The transfer of securities to Krishna Investments should have reflected in the Suda book. I have noted that the broker has not given any reply nor has he submitted any evidence to show that there was a debit balance in Krishna Investment a/c and that the said debit balance was subsequently cleared by the client. Instead, the broker has simply stated that the charge needs to be dropped. I, therefore, agree with findings of EO and hold the transaction irregular.

2.1.30 With regard to the transaction in Godrej Soaps, I having considered the submissions made by the broker and observations of EO agree with him that a lenient view may be taken on the ground that there were only two such transactions.

- 2.1.31 With regard to the charge that securities were lying in Pool A/c for more than 15 days, the EO found that the broker failed to bring on record the proof of debit balances and hence held the broker guilty of holding securities in pool a/c. I note that the broker has submitted only ledger extracts proof in respect of all the clients and not the authenticated demat statement as claimed. Hence, I agree with the findings of the EO.
- 2.1.32 Regarding the charge IX(a) of the show cause notice, dealt with under paragraph 17.83 of the Enquiry Report, in respect to off the floor transactions, the broker stated that the same have already been dealt with under charges 10.1 to 10.15 by the EO in paragraphs 17.59 to 17.71 of the Enquiry Report. I note that except for paras 17.62, 17.64 and 17.66, the EO has either accepted the explanation of the broker or given him the benefit of doubt. As regards charges 10.4 & 10.5, 10.7 and 10.10 dealt with by the EO in paragraphs 17.62, 17.64 and 17.66, the EO has found the broker guilty of dealing with unregistered entities. I agree with the EO. In view of this, the charge of executing off-the-floor transactions is not relevant.
- 2.1.33 As regards the findings that the broker is yet to pay the turnover fees, I note that the broker has cleared his dues in NSE under the SEBI (Interest Liability Regularisation) Scheme, 2004.
- 2.1.34 Regarding other charges, such as failure to maintain transaction register and books of accounts, discrepancies in client IDs as appearing in document register from stock exchange report; failure to issue contract notes for the transactions accounted for in different accounts opened in the name of broker themselves; failure to maintain contract notes serially and also that some contract notes were missing; failure to obtain acknowledgements on 22 contract notes; non signing of duplicate contract notes by authorized signatory of broker; failure to maintain record of dispatch of contract notes; non mentioning of order time on contract notes; failure to maintain document register; non acknowledgement of delivery memos by clients; failure to maintain an account designated as "client account"; utilizing clients' money for other purposes, having debit balances in the client account, making miscellaneous payments other than those relating to clients from clients accounts; making unauthorized credits into clients accounts; depositing dividend belonging to clients in expenses accounts instead of client account; non reflection of money received and paid to clients in client ledger account; failure to produce original bank books for inspection, improper maintenance of clients ledger account; failure to make payment to clients within 48 hours of pay out date; non availability of transactions with respect to the shares transferred to P.S.Subramaniam in Sauda book and other financial records; failure to maintain appropriate record in Sauda book with respect to the 500 shares of Arvind Mills and other charges as mentioned in the show cause notice at paras 9.15; 10.1; 10.2; 10.3; 10.6; 10.11- 10.15; 11; 11.1 (b) & (c); 11 (a)-(e); IX (b)-(d); X, I agree with the findings of the EO as mentioned in the corresponding paragraphs of Enquiry Report.
- 3.1 On a careful consideration of the findings of the EO and the submissions made by M/s Mitra Options and Share Brokers Ltd. and in the facts and circumstances of the case, a minor penalty of suspension of certificate of registration of M/s. Mitra Options and Share Brokers Ltd. for a period of three months would be adequate.
- 4.0 **ORDER**
- 4.1 Now, therefore, in exercise of powers conferred upon me in terms of Section 19 of SEBI Act, 1992 read with Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulation 2002, I hereby impose a minor penalty of suspension of certificate of registration on M/s Mitra Options and Share Brokers Ltd bearing SEBI Regn No.INB 230950637 for a period of three months.
- 4.2 This order will come into force on the expiry of 21 days from the date of this order.

Place: Mumbai

Date: 02.11.2006

T.C.NAIR

Whole Time Member

Securities and Exchange Board of India