

SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: G. ANANTHARAMAN, WHOLE TIME MEMBER.

ORDER AGAINST M/S BLUECHIP CAPITAL MARKET PRIVATE LIMITED, SUB-BROKER, UNDER REGULATION 16(5) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

- 1.1 M/s Bluechip Capital Market Private Limited (hereinafter referred to as BCML) is a sub broker registered with Securities and Exchange Board of India (hereinafter referred to as SEBI) affiliated through the stock broker, BPS Securities Pvt. Ltd. (for short, BPS), Member, National Stock Exchange of India Ltd.(for short, NSE). SEBI, vide order dated September 27, 2002 cancelled the certificate of registration of BPS as it ceased to be the member of NSE.
- 1.2 In terms of Rule 5 (1) (d) of Securities and Exchange Board of India (Stock Brokers and Sub- Brokers) Rules, 1992 (said Rules), for the grant of certificate of registration, a sub broker was required to be authorized in writing by a stock broker (being a member of a stock exchange) for affiliating himself in buying, selling or dealing in securities. The said Rules were rescinded with effect from September 7, 2006 and the provisions of the said Rules have been simultaneously incorporated in the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 (Regulations). As the certificate of registration of BPS was cancelled by SEBI, BCML failed to comply with the aforesaid condition for the grant of certificate of registration. In view

of the above, SEBI, vide order dated April 5, 2005 appointed an Officer to conduct summary procedure under the provisions of Chapter III read with regulation 15 (ca) of Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (for short, Enquiry Regulations) to enquire into the alleged violations of the provisions of said Rules and the Regulations.

1.3 The Officer thus appointed issued a notice dated January 10, 2006 to BCML to make its written submissions in respect of the said alleged violations. Though the said notice was acknowledged by BCML, it had failed to file any reply. As BCML failed to file the written submissions within the period specified in the said notice, the Officer, on the basis of the available materials on record, vide report dated February 21, 2006 recommended to cancel the certificate of registration of BCML.

2.1 I have perused the aforesaid report and the available materials on record. The sole issue for consideration is whether the facts and circumstances of the case warrant the cancellation of the certificate of registration of BCML, in terms of the provisions of the Enquiry Regulations.

2.2 I note that, in terms of Rule 5 (1) (d) of said Rules, a sub broker was required to be authorized in writing by a stock broker being a member of a stock exchange for affiliating himself in buying, selling or dealing in securities, for the grant of certificate of registration. Though the said Rules were rescinded with effect from September 7, 2006, the provisions of the said Rules were simultaneously incorporated in the Regulations. The aforesaid condition is a primary condition for the grant of certificate of registration and BCML has to comply with the same so long as the

certificate of registration continues. However, it failed to do so, as the certificate of registration of the stock broker (BPS) through which BCML was affiliated was cancelled by SEBI, vide order dated September 27, 2002.

2.3 Since BCML no longer fulfills the essential criteria as mentioned above, it is guilty of violation of the said condition (affiliation through a stock broker) of registration and therefore its certificate of registration is liable to be cancelled under Regulation 16(5) of the Enquiry Regulations.

3.1 In view of the above, I, in exercise of powers conferred under section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 16(5) of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, cancel the certificate of registration of sub broker, M/s Bluechip Capital Market Private Limited (Registration No. INS230408739).

3.2 This order shall come into force with immediate effect.

G. ANANTHARAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: January 17, 2008