CO/ID-5/ 1172 / 28 / 08

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA,
MUMBAI
CONSENT ORDER
IN C. A. No. 172 of 2007 OF
M/s SMC GLOBAL SECURITIES LIMITED
IN THE MATTER OF
TRADING ON MAY 17, 2004
AND
INSPECTION OF BOOKS OF ACCOUNTS

1. On May 17, 2004, BSE SENSEX recorded a steep intra-day fall of 842 points and closed around 564.71 points down. Similarly, NSE CNX Nifty also recorded an intra-day fall of 291.6 points and closed at 193.75 points down for the day. In view of the sharp fall, the trading on May 17, 2004 was suspended twice by these exchanges. SEBI initiated preliminary examination into the matter. During the preliminary examination, 15 scrips and their stock futures in which the fall was more significant were identified. In this connection, SEBI commenced investigation into the transactions by SMC Global Securities Ltd. (hereinafter referred to as the applicant) which is a trading member of NSE.

2. The investigation revealed that on May 17, 2004, the applicant and its associated entities, namely, SAM Global Securities Ltd (hereinafter referred to as SAM), and Globe Capital Market Ltd (hereinafter referred to as Globe) sold at prices much lower than the last traded price in various scrips in cash market and nifty futures. The sale transactions of the above group on the said day had significantly contributed to the fall in prices of the select 15 scrips and nifty futures.

3. It also revealed that the applicant had sent SMS and e-mails regarding bearish outlook about the market in its advice to the clients on May 13, 14 and 17, 2004 and advised them not to buy till recommendation was made by the group which added to the momentum of the market fall.

4. An inspection of applicant was also carried out at their registered/head-office at New Delhi on September 3, 4 and 8, 2004 by SEBI. A large number of irregularities were detected in the course of the inspection.

5. Subsequently, a Show Cause Notice No.IVD/MSR/RT/26361/2004 dated November 23, 2004 under Section 11 and 11B of the SEBI Act 1992 was issued to the applicant alleging the following violations

S. No.	Nature of Charges	Alleged Violations
1	Did not maintain high standards of integrity, promptitude and fairness in the conduct of its business and did not act with due skill, care and diligence.	Clause A (1), A (2) and A (5) of the Code of Conduct for Stock Brokers specified in Schedule II referred to in Regulation 7 of the SEBI (Stock brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as Code).
2	Sent messages (SMS) to its clients on May 13, 14 and 17, 2004 which portrayed a negative and bearish outlook of the market to its clients. Sent 'Daily Levels Sheet' to all its clients through e-mail on May 12, 13, 14 and 17, 2004 which projected a downward	Clause B (7) of the Code.

	trend for all the scrips / Nifty Futures covered in the reports.	
Irregularities detected in the course of Inspection of the Applicant.		
3	Large scale unauthorized distribution of terminals.	SEBI circular SMDRP/Policy/ Cir/49/2001 dated October 10, 2001 read with Clause A (1), A (2) and A (5) of the Code.
4	Trading through unregistered sub-brokers.	SEBI circulars SMD–I/3118 dated December 27, 1993, SMD/ MDP/CIR/043/96 dated August 5, 1996, SMD/Policy/Cir/3/97 dated March 31, 1997, Sub broker/Cir/02/2001 dated January 15, 2001 read with Clause A (1), A (2) and A (5) of the Code.
5	Did not exercise due caution while executing large orders on behalf of client, Ms. Mudasir Zahoor of Srinagar at the initial stage of her introduction.	Clause (b) (iii) of SEBI letter no. SMDI/23341 dated November 18, 1993 read with Clause A (1), A (2) and A (5) of the Code.
6	Proprietary trading from more than one location.	SEBI/MRD/SE/CIR – 32/2003/ 27/08 dated August 27, 2003 read with Clause A (1), A (2) and A (5) of the Code.
7	Unauthorized persons operating proprietary account activated terminals.	Clause A (1), A (2) and A (5) of the Code.
8	Unauthorized diversion of brokerage income.	Regulation 4(2) (p) of SEBI (PFUTP) Regulations, 2003 and Clause A (3) and A (4) of the Code.

9	Dealing through more than one broker and non-reporting of off-the-floor transactions to exchange.	Circular No. SMD/MDP/CIR/ 043/96 dated August 5, 1996 read with Clause A (1), A (2) and A (5) of the Code.
10	Non-collection of Margins from clients.	Circular SMD/RPD/Policy/Cir–6/ 2001 dated February 1, 2001 read with Clause A (1), A (2) and A (5) of the Code.
11	Discrepancies in Know Your Client Forms.	Circular No. SMD/Policy/ Circulars /5 – 97 dated April 11, 1997 read with Clause A (1), A (2) and A (5) of the Code.
12	Discrepancy in issuance of Contract Notes.	SEBI Circular No. SMD/MDP/ Cir/043/96 dated August 5, 1996, SMD/Policy/1 – 97 dated February 11, 1997 read with Clause A (1), A (2), A (5) and B (2) of the Code.
13	Non-segregation of client funds from brokers funds.	SEBI Circular No. SMD/ SED/ Cir/93/23321 dated November 18, 1993 read with Clause A (1), A (2) and A (5) of the Code.
14	Non-compliance of requirements of unique client code.	SEBI Circular No. SMDRP/ Policy/Cir – 39/2001 dated July 18, 2001 read with Clause A (1), A (2) and A (5) of the Code.
15	Placing advertisements in news papers soliciting business.	Clause C (4) of the Code.
16	Change of constitution without prior permission from SEBI.	Rule 4 (c) of SEBI (Stock Brokers and Sub Brokers) Rules, 1992.
17	Non-disclosure about proprietary trading to clients.	SEBI Circular No. SEBI/ MRD/ SE/Cir – 42/2003 dated November 19, 2003 read with Clause A (1), A (2) and A (5) of the Code.

18	Dealing with sub-brokers not having good financial standing.	Clause A (1), A (2) and A (5) of the Code.
19	Irregularities in issue of preference share capital.	Clause A (1), A (2) and A (5) of the Code.
20	Non-maintenance of general correspondence file.	Clause A (1), A (2) and A (5) of the Code.

6. Enquiry and Adjudication Proceedings were also instituted against the applicant vide SCN No. IVD/MSR/RT/27491/2004 dated December 6, 2004 and SCN No. A&E/BS/54/2006 dated November 17, 2006 respectively.

7. The applicant submitted an application dated September 18, 2007 for settlement of the charges arising out of the Show Cause Notices dated November 23, 2004, December 06, 2004 and November 17, 2006. These consent terms were examined in terms of SEBI Circular No. EFD/Cir.-1/2007 dated 20th April, 2007. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) and the HPAC, after deliberations, recommended that the matters may be settled on payment of a consolidated sum of Rs 15,00,000/- (Rupees Fifteen Lac only) towards settlement charges in the matter. The recommendation of the HPAC has been accepted by SEBI.

8. As per the recommendation of HPAC, the applicant, without admitting or denying the charges, has remitted a sum of Rs 15,00,000/- (Rupees Fifteen Lac only) to SEBI vide Demand Draft No. 641501 dated June 27, 2008 drawn on HDFC Bank, Fort, Mumbai, towards consent terms in the matter.

9. Accordingly, the Adjudicating Officer has been requested for passing suitable order in line with the consent terms recommended by HPAC in terms of Circular EFD/ED/Cir-1/2007 dated April 20, 2007.

10. In view of the above, it is hereby ordered that -

i) This consent order disposes of C.A. No. 172 of 2007 arising out of Show Cause Notice dated November 23, 2004 under section 11 and 11B of the SEBI Act 1992, and Show Cause Notice dated December 06, 2004 under SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing penalty) Regulations, 2002 pending before SEBI against the applicant in the matter of Trading on May 17, 2004 and Inspection of books of accounts thereto and

ii) Passing of this order by SEBI is without prejudice to the right of SEBI to initiate or continue its enforcement actions against the applicant, if

a. any representations made by the applicant in the consent proceedings are subsequently found to be false.

b. the applicant breaches any of the conditions of undertakings / waivers filed before SEBI in the current proceedings with SEBI.

This order is passed on this day, the _8th_____ August, 2008 and shall come into force with immediate effect.

T. C. Nair
Whole Time Member

M. S. Sahoo
Whole Time Member

CONSENT ORDER IN THE ADJUDICATION PROCEEDINGS AGAINST SMC GLOBAL SECURITIES LIMITED IN THE MATTER OF TRADING ON MAY 17,2004 AND INSPECTION OF BOOKS OF ACCOUNTS.

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") vide order dated November 19, 2004 initiated adjudication proceedings against SMC Global Securities Limited (hereinafter referred to as "applicant"). I was appointed as Adjudicating Officer to inquire into and adjudge under Section 15I read with Section 15 HA and 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act"), the violations alleged to have been committed by applicant.

2. On May 17, 2004, BSE SENSEX recorded a steep intra-day fall of 842 points and closed around 564.71 points down. Similarly, NSE CNX Nifty also recorded an intra-day fall of 291.6 points and closed at 193.75 points down for the day. In view of the sharp fall, the trading on May 17, 2004 was suspended twice by these exchanges. SEBI initiated preliminary examination into the matter. During the preliminary examination, 15 scrips and their stock futures in which the fall was more significant were identified. In this connection, SEBI commenced investigation into the transactions by applicant which is a trading member of NSE.

3. The investigation revealed that on May 17, 2004, the applicant and its associated entities, namely, SAM Global Securities Ltd (hereinafter referred to as SAM), and Globe Capital Market Ltd (hereinafter referred to as Globe) sold at prices much lower than the last traded price in various scrips in cash market and Nifty futures. The sale transactions of the above group on the said day had significantly contributed to the fall in prices of the select 15 scrips and Nifty futures.

4. It also revealed that the applicant had sent SMS and e-mails regarding bearish outlook about the market in its advice to the clients on May 13, 14 and 17, 2004 and advised them not to buy till recommendation was made by the group which added to the momentum of the market fall.

5. An inspection of applicant was also carried out at their registered/head-office at New Delhi on September 3, 4 and 8, 2004 by SEBI. A large number of irregularities were detected in the course of the inspection.

6. Subsequently, a Show Cause Notice No. A&E/BS/54/2006 dated November 17, 2006 under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing penalties by Adjudicating Officer) Rules 1995 was issued to the applicant alleging the following violations

S. No.	Nature of Charges	Alleged Violations
1	Failure to maintain high standards of integrity, promptitude and fairness in the conduct of its business and did not act with due skill, care and diligence.	Clause A (1), A (2) and A (5) of the Code of Conduct for Stock Brokers specified in Schedule II referred to in Regulation 7 of the SEBI (Stock brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as Code).
2	Informing its clients on May 13, 14 and 17, 2004 which portrayed a negative and bearish outlook of the market to its clients. Sent 'Daily Levels Sheet' to all its clients through e-mail on May 12, 13, 14	Clause B (7) of the Code.

	and 17, 2004 which projected a downward trend for all the scrips / Nifty Futures covered in the reports.	
Irregularities detected in the course of Inspection of the Applicant.		
3	Large scale unauthorized distribution of terminals.	SEBI circular SMDRP/Policy/ Cir/49/2001 dated October 10, 2001 read with Clause A (1), A (2) and A (5) of the Code.
4	Trading through unregistered sub-brokers.	SEBI circulars SMD–I/3118 dated December 27, 1993, SMD/ MDP/CIR/043/96 dated August 5, 1996, SMD/Policy/Cir/3/97 dated March 31, 1997, Sub broker/Cir/02/2001 dated January 15, 2001 read with Clause A (1), A (2) and A (5) of the Code.
5	Failure to exercise due caution while executing large orders on behalf of client, Ms. Mudasir Zahoor of Srinagar at the initial stage of her introduction.	Clause (b) (iii) of SEBI letter no. SMDI/23341 dated November 18, 1993 read with Clause A (1), A (2) and A (5) of the Code.
6	Proprietary trading from more than one location.	SEBI/MRD/SE/CIR – 32/2003/ 27/08 dated August 27, 2003 read with Clause A (1), A (2) and A (5) of the Code.
7	Unauthorized persons operating proprietary account activated terminals.	Clause A (1), A (2) and A (5) of the Code.
8	Unauthorized diversion of	Regulation 4(2) (p) of SEBI (PFUTP)

	brokerage income.	Regulations, 2003 and Clause A (3) and A (4) of the Code.
9	Dealing through more than one broker and non-reporting of off-the-floor transactions to exchange.	Circular No. SMD/MDP/CIR/ 043/96 dated August 5, 1996 read with Clause A (1), A (2) and A (5) of the Code.
10	Non-collection of Margins from clients.	Circular SMD/RPD/Policy/Cir–6/ 2001 dated February 1, 2001 read with Clause A (1), A (2) and A (5) of the Code.
11	Discrepancies in Know Your Client Forms.	Circular No. SMD/Policy/ Circulars /5 – 97 dated April 11, 1997 read with Clause A (1), A (2) and A (5) of the Code.
12	Discrepancy in issuance of Contract Notes.	SEBI Circular No. SMD/MDP/ Cir/043/96 dated August 5, 1996, SMD/Policy/1 – 97 dated February 11, 1997 read with Clause A (1), A (2), A (5) and B (2) of the Code.
13	Non-segregation of client funds from brokers funds.	SEBI Circular No. SMD/ SED/ Cir/93/23321 dated November 18, 1993 read with Clause A (1), A (2) and A (5) of the Code.
14	Non-compliance of requirements of unique client code.	SEBI Circular No. SMDRP/ Policy/Cir – 39/2001 dated July 18, 2001 read with Clause A (1), A (2) and A (5) of the Code.
15	Placing advertisements in news papers soliciting business.	Clause C (4) of the Code.
16	Change of constitution without prior permission from SEBI.	Rule 4 (c) of SEBI (Stock Brokers and Sub Brokers) Rules, 1992.
17	Non-disclosure about proprietary trading to	SEBI Circular No. SEBI/ MRD/ SE/Cir – 42/2003 dated November

	clients.	19, 2003 read with Clause A (1), A (2) and A (5) of the Code.
18	Dealing with sub-brokers not having good financial standing.	Clause A (1), A (2) and A (5) of the Code.
19	Irregularities in issue of preference share capital.	Clause A (1), A (2) and A (5) of the Code.
20	Non-maintenance of general correspondence file.	Clause A (1), A (2) and A (5) of the Code.

7. The applicant submitted an application dated September 18, 2007 for settlement of the charges arising out of the Show Cause Notices dated November 23, 2004, December 06, 2004 and November 17, 2006. These consent terms were examined in terms of SEBI Circular No. EFD/Cir.-1/2007 dated 20th April, 2007. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) and the HPAC, after deliberations, recommended that the matters may be settled on payment of a consolidated sum of Rupees Fifteen Lac only (Rs 15,00,000) towards settlement charges in the matter. The recommendation of the HPAC has been accepted by SEBI.

8. As per the recommendation of HPAC, the applicant, without admitting or denying the charges, has remitted a sum of Rupees Fifteen Lac only (Rs 15,00,000) to SEBI vide Demand Draft No. 641501 dated June 27, 2008 drawn on HDFC Bank, Fort, Mumbai, towards consent terms in the matter. In this regard it is noted that SEBI vide Order dated 8th August, 2008 disposed of the section 11B proceedings against applicant.

9. In terms of the applicant's proposal, for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant to any finding of fact or conclusion of law, the applicant has remitted

a sum of Rupees Fifteen Lac only (Rs. 15,00,000) vide Demand Draft No. 641501 dated June 27, 2008 drawn on HDFC Bank, Fort, Mumbai, towards the terms of consent in the matter of proceedings before in respect of the present adjudication proceedings. This order is being issued in the adjudication proceedings initiated against the applicant vide show cause notice no. A&E/BS/54/2006 dated November 17, 2006.

10. In view of the above, it is hereby ordered that:

(i) this consent order disposes of the present adjudication proceedings initiated vide show cause notice no. A&E/BS/54/2006 dated November 17, 2006 against the applicant.

(ii) passing of this order is without prejudice to the right of SEBI to take enforcement action including commencing/reopening of the pending proceedings against the applicant, if SEBI finds that:

a. any representations made by the applicant in the consent proceedings are subsequently discovered to be untrue.

b. the applicant has breached any of the clauses / conditions of undertakings/waivers filed during the current consent proceedings.

11. This consent order is passed on this 12th day of August, 2008 and shall come into force with immediate effect.

Biju. S

Place: Mumbai **Adjudicating Officer**