

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI**

**CONSENT ORDER**

**ON THE APPLICATION SUBMITTED BY**

**M/s. SHILPA STOCK BROKER PVT LTD.**

**IN THE MATTER OF**

**DEALINGS IN FUTURES AND OPTIONS CONTRACTS  
(CONSENT APPLICATION No. 271/2007)**

1. Securities and Exchange Board of India (SEBI) had conducted investigations into the alleged irregularities in dealings in futures and options in the F&O segment of the National Stock Exchange of India Limited (NSE) for the period January - March 2007. The investigations, *prima facie*, revealed Shilpa Stock Broker Pvt. Ltd., trading member of NSE, (hereinafter referred to as 'applicant') had failed to exercise due skill, care and diligence and had executed large number of irregular trades. The applicant was buying and selling equal quantities of option contracts intra day in the futures and options segment which were synchronized with other trading members. It is, therefore, alleged that the applicant violated Regulation 3 and 4 (1),(2) (a) & (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade practices relating to Securities Market) Regulations, 2003 and Regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
2. Pursuant to the investigations, SEBI initiated proceedings under Section 11B, 11(4) and 11D of the SEBI Act, 1992 and adjudication under Chapter VI of SEBI Act, 1992 against the applicant and issued ad interim ex parte order dated June 18, 2007, directing the applicant to cease and desist from indulging in dealing in futures and options in the manner found irregular. The Adjudicating Officer issued a show cause notice to the applicant on October 05, 2007.
3. While further proceedings in the matter were in progress, the applicant, vide letter dated October 24, 2007, proposed settlement of the said proceedings through a consent order in terms of SEBI circular No. EFD/ED/Cir-1/2007 dated

April 20, 2007. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) appointed by SEBI and the HPAC, after deliberations, recommended the case for settlement on payment of Rs.4,00,000/- (Rupees four lakh only) towards settlement charges, keeping in view that the applicant has already undergone cease and desist order since June 18, 2007. SEBI accepted the said terms of settlement and communicated the same to the applicant vide letter dated August 1, 2008.

4. Accordingly, the applicant, without admitting or denying the charges, has remitted a sum of Rs.4,00,000/- (Rupees four lakh only) vide demand draft No. 488664 dated August 12, 2008 drawn on Axis Bank payable at Mumbai.
5. In view of the above, it is hereby ordered that this consent order disposes of the said 11B and 11D proceedings as well as adjudication proceedings against the applicant.
6. This order is without prejudice to the right of SEBI to take enforcement actions including commencing / reopening of the proceedings pending against the applicant, if:
  - a. any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue;
  - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
7. This consent order is passed on this day, the 23<sup>rd</sup> October, 2008 and shall come into force with immediate effect.

**Dr. T. C. Nair**  
**Whole Time Member**

**M. S. Sahoo**  
**Whole Time Member**



**CONSENT ORDER IN THE ADJUDICATION PROCEEDINGS AGAINST SHILPA STOCK BROKERS PVT. LTD. IN THE MATTER OF IRREGULARITIES RELATING TO DEALINGS IN THE FUTURES AND OPTIONS CONTRACTS.**

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") vide order dated August 03, 2007 initiated adjudication proceedings against Shilpa Stock Brokers Pvt. Ltd. (hereinafter referred to as "applicant"). I was appointed as the adjudicating officer to inquire into and adjudge under Section 15 I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act"), the violations of the Regulations 3 (a), (b) and (c) , 4(1), 4(2) (a) and (b) of the SEBI (prohibition of Fraudulent and Unfair Trade practices Relating to Securities Market) Regulations 2003 (hereinafter referred to as 'PFUTP Regulations') and Regulations 7A(1) , (2), (3) and (4) of the SEBI (Stock brokers and sub-brokers) Rules and regulations, 1992 alleged to have been committed by applicant.
2. SEBI conducted an examination into the dealings in the futures and options segment of NSE, during the period January to March 2007. It was alleged on the basis of the findings of the examination report that, during the said period, the applicant had executed non genuine transactions in collusion with certain clients and brokers in the futures and options segment of NSE.
3. A Show Cause Notice A&E/BS/105488/2007 dated October 05, 2007 was issued in the adjudication proceedings to the applicant. Subsequently, the applicant has made an application dated October 25, 2007 along with an affidavit of "undertakings / waivers" in the matter in terms of SEBI Circular no. EFD/Cir-1/2007 dated April 20, 2007.
4. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (hereinafter referred to as "HPAC") and the HPAC, after deliberation, recommended the case for settlement on payment of Rupees Four Lakh (Rs. 4,00,000/- ) towards settlement charges.
5. 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 the said sum towards the terms of consent in the matter of proceedings before SEBI under Section 11B, 11(4), 11D of the Securities

and Exchange Board of India Act, 1992, and also in respect of the present adjudication proceedings. SEBI vide order dated October 23, 2008 disposed of the proceedings before SEBI under Section 11B, 11(4), 11D of the Securities and Exchange Board of India Act, 1992 against the applicant. Pursuant to the same, this order is being issued in the adjudication proceedings initiated against the applicant vide show cause notice no A&E/BS/105488/2007 dated October 05, 2007.

6. 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 A&E/BS/105488/2007 dated October 05, 2007 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.
7. This consent order is passed on this 10<sup>th</sup> day of November, 2008 and shall come into force with immediate effect.

**Biju. S**

**Place: Mumbai**

**Adjudicating Officer**