

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: Dr. T.C.NAIR, WHOLE TIME MEMBER**

ORDER UNDER REGULATION 28(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 IN THE MATTER OF M/s. SUBECHA SECURITIES PVT LTD, SUB BROKER AFFILIATED TO M/s SVS SECURITIES PVT LTD, MEMBER, BOMBAY STOCK EXCHANGE LTD AND M/S BETALA STOCK BROKERS LTD, MEMBER, NATIONAL STOCK EXCHANGE OF INDIA LIMITED, SEBI REGISTRATION NO. INS010480536 & INS 231331336 RESPECTIVELY IN THE SCRIP OF FORTUNE INFORMATICS LTD.

- 1.1 Securities and Exchange Board of India (SEBI) had conducted investigations into the dealings in the scrip of Fortune Informatics Ltd (hereinafter referred as 'FIL') for the period from October 01,1999 to July 31, 2000. The shares of the company were listed on Hyderabad Stock Exchange (hereinafter referred to as "HSE") and Calcutta Stock Exchange (hereinafter referred to as "CSE").
- 1.2 During the investigations, it was observed that the price of FIL scrip was raised from Rs. 64 in October 1999 to Rs.106 in December 1999 and from December 06, 1999, it moved sharply and reached Rs. 654.92 on January 05, 2000 and went up to Rs 665 on February 11, 2000. Subsequently, it came down to Rs. 55.75 on July 31, 2000.
- 1.3 It was alleged that Subecha Securities Pvt. Ltd. (hereinafter referred to as "Subecha"), a sub broker, affiliated to M/s. SVS Securities Pvt Ltd Bombay Stock Exchange (hereinafter referred to as BSE) and M/s Betala Stock Broking Ltd, member, National Stock Exchange of India Ltd. (hereinafter referred to as NSE) traded on Hyderabad Stock Exchange (hereinafter referred to as HSE) in the scrip of FIL on behalf of its client through HSE broker namely, Vijay Growth Financial Services (hereinafter referred to as "VGF"). It was alleged that Subecha traded 61,600 shares of FIL in Hyderabad Stock Exchange for its client through VGF.
- 1.4 It was further alleged that Subecha did not have certificate of registration to act as sub broker to VGF for the aforesaid trades which is

in violation of SEBI Circular SMD/Policy/Cir-3/98 dated January 16, 1998 read with Section 12(1) of the SEBI Act, 1992, Rule 3 of SEBI (Stock Broker and Sub Broker) Regulations, 1992.

- 2.1 In view of the above findings of the investigation, an Enquiry Officer was appointed vide Order dated September 19, 2005 , to conduct enquiry in respect of the violations / contraventions alleged to have been committed by Subecha. The enquiry officer conducted enquiry in terms of the then SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as "Enquiry Regulations") and submitted his report dated December 27, 2005 recommending a minor penalty of 'Censure' to Subecha.
- 3.1 A copy of the enquiry report along with show cause notice dated January 4, 2006 was forwarded to Subecha in terms of Regulation 13 (2) of the Enquiry Regulations advising it to show cause as to why appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed on it.
- 3.2 Subecha replied to the show cause notice vide its letter dated January 27, 2006 reiterating that the transactions were carried in good faith and on behalf of their clients. Further they submitted that non registration as a sub broker was just a technical error and they were registered sub broker of SVS Securities Pvt. Ltd. with BSE since 1997 and Betala Stock Broking Ltd since 1998.
- 3.3 An opportunity of personal hearing was granted to Subecha before me on September 1, 2008, wherein Shri Bimal Shah, Director, Subecha attended the hearing and made submissions.
- 4.1 I have carefully considered the investigation report, the enquiry report, the show cause notice issued to Subecha and the submissions of Subecha. I note that though the Enquiry Regulations were repealed with effect from the notification of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, anything done and any action taken under the said Enquiry Regulations shall be deemed to have been done or taken or commenced under the corresponding provisions of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008. In view of the above, my findings are as under :

- 4.2 It is alleged that Subecha being a broker of BSE and NSE had traded on another exchange i.e. HSE on behalf of its clients through a member of HSE, namely Vijay Growth Financial Services Ltd. (VGF). Subecha has submitted that it is not a member of BSE, instead it is a sub broker of SVS Securities Pvt. Ltd. and Betala Stock Broking Ltd., member of BSE and NSE respectively. From, the careful perusal of the circular SMD/POLICY/CIR-3/98 dated January 16, 1998, I observe that this circular is applicable to Subecha only if it were a member of any stock exchange. However, from the submissions of Subecha it is seen that it is not a member of any stock exchange and hence the provisions of the cited circular are not applicable to it.
- 4.3 However, I note that Subecha has not denied the allegation that it traded on behalf of its clients in the aforesaid scrip on HSE through a broker of HSE. In this regard, reference is drawn to Section 12(1) of the SEBI Act, 1992 and Rule 3 of SEBI (Stock Brokers and Sub Brokers) Rules, 1992 which states as under:

Section 12(1) of SEBI Act:

"No stock broker, sub broker,and such other intermediary who may be associated with the securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act."

Rule 3 of SEBI (Stock Brokers and Sub Brokers) Rules, 1992

"Not to act as stock broker or sub broker without registration

3 .No stock broker or sub broker shall buy, sell deal in securities, unless he holds a certificate granted by the Board under the Regulations:

Provided that such person may continue to buy, sell or deal in securities if he has made an application for such registration till the disposal of such application."

- 4.4 From the above, I find that Subecha has indeed carried out the activities which are prohibited by the aforesaid provisions of law. It is not disputed that Subecha has traded 61600 shares of FIL for its clients at HSE through HSE member VGF without having registration as a sub broker. Therefore after considering the facts and circumstances of the case, I agree with the findings of the Enquiry Officer and direct Subecha to be cautious in its future dealings.

- 5.1 Therefore, in exercise of the powers conferred upon me by virtue of Section 19, read with Regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, I hereby 'Censure' M/s. Subecha Securities Pvt. Ltd., SEBI Registration No. INS 010480536 and M/s Betala Stock Brokers Ltd, Member, National Stock Exchange of India Limited, SEBI Registration No. INS 231331336 to the effect that it should be careful in future and exercise due care and diligence in the conduct of its affairs as a capital market intermediary. I also direct M/s Subecha Securities Pvt. Ltd and M/s Betala Stock Brokers Ltd to note that any instances of violation or non-compliance with the SEBI Act, Rules and Regulations in future shall be dealt with stringently.

DATE : 09.01.2009

MUMBAI

**T.C.NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**