

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 28 (2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 AGAINST MR. PRABHAT KUMAR JHUNJHUNWALA IN THE MATTER OF GROB TEA LIMITED

1. On receipt of a complaint alleging non compliance of certain requirements under the provisions of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997 in the matter of Grob Tea Limited (hereinafter referred as company) during December 1997 and September 2000, Securities and Exchange Board of India (hereinafter referred to as SEBI) initiated an investigation into the dealing in the shares of the company which was listed at Calcutta Stock Exchange Limited (hereinafter referred to as CSE) for the period November 11, 1997 to December 30, 2000. The said investigation was conducted *inter alia* in respect of the buying, selling and dealing in the shares of the said company and the alleged contravention of the provisions of the Securities and Exchange Board of India Act, 1992 and the Rules/Regulations framed thereunder. The investigation conducted by SEBI *inter alia* revealed that the stock brokers viz. M/s Prabhat Kumar Jhunjhunwala (hereinafter referred to as the Broker) and M/s Arun Kumar Bhuwalka had entered into off the floor transactions and the same were not reported to CSE. It was *inter alia* alleged that the Broker had contravened Rule 4 (b) of the then existing Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992 and Clauses A (1), A (4) and A (5) of Code Conduct stipulated in Schedule II of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as the Broker Regulations). Thereafter, SEBI, vide order dated September 29, 2003 *inter alia* read with the subsequent order dated November 23, 2007 appointed an

Enquiry Officer under the provisions of Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (since repealed) to enquire into the alleged violations committed by the Broker. In the meanwhile, the said Regulations was repealed with effect from the notification of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, (hereinafter referred to as the Intermediaries Regulations) and the Designated Authority (hereinafter referred to as the Enquiry Officer), vide Report dated June 15, 2009 recommended to censure the Broker for not reporting the off the floor transactions to CSE and thereby violating Clause A(5) of the Code of Conduct specified under Schedule II of the Broker Regulations. Pursuant to the submission of the Enquiry Report, SEBI issued a notice dated June 23, 2009 to the Broker advising it to show cause as to why the penalty as recommended by the Enquiry Officer or as considered appropriate by SEBI should not be imposed against it. A copy of the Enquiry Report was also forwarded to the Broker with the said show cause notice. Though, the Broker was advised to indicate whether it required a personal hearing, no response was made by it, in that regard. As no reply was received from the Broker, SEBI sent a reminder to the Broker on August 20, 2009. Thereafter, the Broker, vide letter August 25, 2009 stated that it had already explained the facts regarding the charges and requested to consider the case sympathetically. In view of the above, I do not consider it necessary to provide an opportunity of hearing to the Broker and the present proceeding is being considered on the basis of the available material on record including the reply of the Broker dated August 25, 2009.

2. The allegations against the Broker is that it had not reported the off the floor transactions executed by it, to CSE. As the details of such off the floor transactions were given in detail in the Enquiry Report and that the Broker had not disputed the execution such transactions, the same are not reiterated in this Order. The reply of the Broker to the show cause notice issued by the Enquiry Officer, in this regard was that “....*non reporting of the transaction to CSE has*

been accidental and not intentional.” The said reply of the Broker cannot be accepted. As an intermediary functioning in the securities market, it should not have violated the norms governing the securities market. The Enquiry Officer observed that the off the floor transactions were not reported by the Broker as required under SEBI Circular March 14, 1995 and thus, it had violated Clause A (5) of code of conduct for Stock Brokers Specified in Schedule II of the Broker Regulations. The Broker had not controverted the findings of the Enquiry Officer. Considering the totality of the facts and circumstances, the present enquiry proceeding initiated against the Broker is disposed of, as ordered hereinunder.

3. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28 (2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby censure the stock broker viz. M/s Prabhat Kumar Jhunjhunwala [Registration No. INB 030066116], Member, Calcutta Stock Exchange Limited.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI

DATE: FEBRUARY 15, 2010