

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER**

ORDER

**UNDER REGULATION 28(2) OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 AGAINST
AMRUT SECURITIES LIMITED IN THE MATTER OF AXEL POLYMERS
LIMITED**

Date of Hearing: October 13, 2010

Appearance:

For Amrut Securities Limited: Ms. Vasanti Nagda, authorized representative

For the Securities and Exchange Board of India: Mr. Suresh Gupta, Chief General Manager
Mr. Vijayakrishnan G, Deputy Legal Advisor
Mr. T. Vinay Rajneesh, Legal Officer
Mr. Nikhil Bhiwapurkar, Manager

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) had conducted an investigation into the trading in the shares of Axel Polymers Limited (hereinafter referred to as the Company), for the period between August 2, 2000 to August 31, 2000. On the basis of the findings of the said investigation, SEBI initiated an enquiry against the stock broker, Amrut Securities Limited (Member, erstwhile Saurashtra Kutch Stock Exchange Limited) in respect of the alleged violations of Regulation 4(a),(b),(c) and (d) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as the PFUTP Regulations), Clauses A(1) to A(5) of the Code of Conduct for stock brokers specified under Schedule II of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as the Broker Regulations) and Section 12 of the

Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the Act) read with Rule 3 of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992 (since rescinded). During the period of investigation, Amrut Securities Limited (hereinafter referred to as ASL) was also a sub broker affiliated to SKSE Securities Limited for trading in the Bombay Stock Exchange Limited. The Designated Authority (hereinafter referred to as the Enquiry Officer), vide report dated October 26, 2009, while recommending the suspension of the certificate of registration for a period of one month, found that ASL had violated Section 12 of the Act and Rule 3 of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992 (hereinafter referred to as the said Rules). The Enquiry Officer also observed that the allegation of violations of the PFUTP Regulations does not stand established.

2. Thereafter, a notice dated November 9, 2009 was sent to ASL by SEBI advising it to show cause as to why action should not be taken against it as recommended by the Enquiry Officer or a higher penalty as deemed fit by SEBI should not be imposed against it. As no reply was received from ASL, SEBI issued reminders dated August 18, 2010 and September 8, 2010. In reply, ASL, vide letter dated September 13, 2010 stated that it had applied for sub-brokership in the year 2000 and that it was under the impression that once the application was submitted it would necessarily be approved by SEBI. According to ASL, its application was rejected by SEBI due to deficiency in documents and that it finally obtained registration as a sub-broker in the year 2003. ASL submitted that it had no malafide intention of violating any Rules and Regulations of SEBI. It further stated “ *we are no more in the business of sub-broker or broker since January 2006. We have also lost our membership as a main broker with the Saurashtra Kutch Stock Exchange Ltd due to derecognition of small exchanges by SEBI.*” and requested SEBI to take a lenient view in the matter. Subsequently,

an opportunity of hearing was granted to ASL on October 13, 2010, wherein, Ms. Vasanti Nagda, as authorized by ASL represented it before me. She admitted that ASL had acted as an unregistered sub broker of Galaxy Broking Limited during the period of investigation and further submitted that ASL had volunteered to undergo suspension of its certificate of registration as a sub broker of SKSE Securities Limited. The representative also requested to conclude the present proceeding as ASL would withdraw its consent application pending disposal by SEBI. Accordingly, ASL, vide letter dated October 13, 2010 informed SEBI that it was willing to withdraw its consent application in the matter. In view of the same, I proceed to consider the present proceedings on merits treating the consent application as withdrawn.

3. I have considered the Enquiry Report, the submissions made on behalf of ASL and other available material on record. The finding of the Enquiry Officer is that ASL had violated Section 12 of the Act read with Rule 3 of the said Rules. ASL has not disputed the facts of the case or the findings of the Enquiry Officer. As a matter of fact, it was admitted that ASL acted as an unregistered sub broker during the relevant period. In the reply dated September 13, 2010, ASL submitted that it had made an application for registration as a sub-broker in the year 2000 and that registration was obtained only in the year 2003. The Enquiry Officer found that ASL had acted as unregistered sub-broker of Galaxy Broking Limited on August 16 & 17, 2000 (during the period of investigation), as per the details given below:

DATE	CLIENT	QUANTITY PURCHASED	QUANTITY SOLD
16.8.2000	Rohit D Shah	20,000	0
	Raghunath A Sankpal	70,600	39,000
	Sub-Total	90,600	39,000
17.8.2000	Rohit D Shah	0	20,000
	Raghunath A Sankpal	0	40,000
	Sub-Total	0	60,000
	Grand Total	90,600	99,000

4. It is mentioned in the Enquiry Report that the aforesaid transactions had been admitted by ASL, vide an electronic mail dated October 7, 2009. In terms of Section 12 of the Act, no sub-broker shall deal as such without the grant of certificate of registration. Rule 3 of the said Rules also demand the same. Further, SEBI, vide circular dated January 16, 1998 has mandated that the members of one stock exchange desirous of dealing through members of another stock exchange have to necessarily register themselves as sub-brokers before dealing with them. Admittedly, the said compliance was not made by ASL before dealing as a sub-broker and the same was clearly in contravention of the provisions of Section 12 of the Act and Rule 3 of the said Rules, as found of the Enquiry Officer. Such serious irregularities threaten the integrity and the orderly development of the securities market and call for regulatory intervention to protect the interest of investors. No one can be allowed to break the laws governing its activities in the securities market with impunity. The entity which violated the law in the present case is a securities market intermediary. It is all the more necessary for such intermediary to comply the norms relating to the securities market. SEBI is duty bound to penalize such erring intermediaries for maintaining the safety and integrity of the securities market. Thus, I concur with the findings and recommendation of the Enquiry Officer. I note that, SEBI, vide order dated July 5, 2007 withdrew the recognition granted to Saurashtra Kutch Stock Exchange Limited, as a stock exchange. ASL during the course of hearing had submitted that it is no longer engaged in the business of stock broking or sub-broking from 2006 and has volunteered itself to undergo suspension of its certificate of registration as a sub broker of SKSE Securities Limited, though SKSE itself has been derecognised. Accordingly, the enquiry proceedings initiated against ASL is disposed of as ordered herein below.

5. 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 suspend the certificate of registration of the sub-broker, Amrut Securities Limited, Registration No. INS 010581937 (Permanent Account Number-AABCA8006G) for a period of five days only, taking into account the conduct of the entity in recognizing its violation and expressing its willingness to make amends for the same .

6. This Order shall come into force with immediate effect.

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

**PLACE: MUMBAI
DATE: NOVEMBER 9, 2010**