

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA  
CORAM: M. S. SAHOO, WHOLE TIME MEMBER**

**In the matter of Urmila Dhyawala, Stock broker and Sub-broker**

**Appearances:**

For Noticee: None

For SEBI: Shri Aman Jain, Asstt. General Manager, and  
Shri Amitesh Kumar, Asstt. Legal Advisor.

**ORDER**

**Under Regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008**

1. Vide the show cause notice dated July 29, 2010 (SCN), SEBI forwarded a copy of the enquiry report and called upon Urmila Dhyawala (Urmila), a stock broker of Uttar Pradesh Stock Exchange Ltd. (UPSE) with Registration No. INB100380411 and a sub-broker of UPSE Securities Ltd. (UPSESL) with Registration No. INS011017014, to show cause as to why its certificates of registration should not be suspended for a period of one year in view of the enquiry findings. The enquiry report contained the following findings:
  - (a) Urmila misled the inspection team by providing false information and failed to issue contract notes to the clients and thereby violated Clause A(1) and B(2) of Code of Conduct for stock brokers as laid down under Schedule II read with Regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (Broker Regulations).
  - (b) Urmila failed to maintain records pertaining to clients and their transactions and thereby violated Regulations 17 (1) (b), 17 (1) (g) and 17 (1) (i), 21 of the Broker Regulations, Clauses A (1) and B (2) of the Code of Conduct for stock brokers as laid down under Schedule II read with Regulation 7 of the Broker Regulations and the SEBI Circular No. SMD/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004.
  - (c) Urmila failed to dispatch the contract notes to its clients in time and thereby violated Clause A(1) and B(2) of Code of Conduct for sub-brokers as laid down under Schedule II read with Regulation 15 of the Broker Regulations.
  - (d) Urmila allowed some entities to act as its unregistered sub-brokers and thereby violated the SEBI Circular No. SMD/POLICY/CIRCULAR/3-97 dated March 31, 1997.
2. There was no reply to the SCN. Vide letter dated September 24, 2010, a personal hearing was granted to Urmila on October 6, 2010. It, however, vide e-mail dated October 5, 2010, sought an adjournment of the hearing. Accordingly, vide letter dated October 19, 2010, another opportunity of personal hearing was granted to Urmila on November 1, 2010. Vide

e-mail dated October 25, 2010, it stated that its reply dated December 19, 2009 furnished to the Designated Authority (DA) during the enquiry may be treated as its submission in response to the SCN. Urmila did not avail of the hearing.

3. I have carefully considered the enquiry report, the SCN, the reply dated October 25, 2010 and other materials available on record. In its reply, Urmila has not contested any of the allegations made in the SCN. It has, however, made the following submissions:
  - a. The violations were committed by one of its employees without its consent and knowledge and in breach of trust;
  - b. It has settled all the claims of investors; and
  - c. UPSE has already imposed a penalty on it for the alleged violations.
4. The above submissions, even if assumed to be correct, do not refute the enquiry findings. The submission that the violations were committed by one of its employees does not alter the finding. In fact, it is through the employees that an organization acts. The acts of the employees are the acts of the organisation. The organization is responsible for all acts, omissions and commissions done by its employees/agents/servants. This is the reason why Urmila has settled, as claimed by it, all the claims of investors. This is all the more important when the organisation is a SEBI registered intermediary which has the responsibility to comply with the relevant laws. An intermediary cannot escape the obligations under the law just because its facilities were misused by an employee to the detriment of the market or investors. It ought to have put systems in place to ensure that its facilities are not misused. Similarly, the submissions that it has settled all the claims of investors and UPSE has taken penal action for the alleged violations do not alter the findings. At best, these could be mitigating factors to be taken into account while determining the extent of penalty. In fact, DA has taken into account these submissions in its enquiry report while arriving at the findings or recommending penalties.
5. I note that in the pre-inspection information provided to SEBI, Urmila had stated that as a stock broker of UPSE, it didn't have any client. However, SEBI has received complaints from many clients of Urmila. There is evidence of movement of shares and funds of clients in the accounts of Urmila. The settlement of claims of the clients by Urmila is further testimony to the fact that Urmila had, in fact, transacted on behalf of its clients. Thus, Urmila provided false information and misled the inspection team of SEBI. As a stock broker, Urmila failed to issue the contract notes to its clients. This is corroborated by the allegation of non-receipt of contract notes raised by several of its clients in their complaints. As a stock

broker, Urmila was required to maintain several records. It did not maintain records pertaining to its clients such as client-ledgers, client registration forms, counterfoils of contract notes etc. It rather justified such non-maintenance of records or non-issue of contracts by arguing that it did not have any clients. As a sub-broker, Urmila didn't ensure delivery of contract notes to its clients in time as evident from the complaints of the clients. It allowed M/s. JLG Securities Ltd. and Mr. Sunil Kumar Gupta to act as its unregistered sub-brokers as evident from various demat statements. Thus, I find that all the allegations, as stated in Para 1 (a) to (d) above, stand substantiated and, therefore, I agree with the findings and the recommendations made by the DA.

6. I note that pursuant to the notification of the SEBI (Intermediaries) Regulations, 2008 (Intermediaries Regulations), the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (Enquiry Regulations) have been repealed and in terms of Regulation 38(2) of the Intermediaries Regulations, notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been commenced under the corresponding provisions of Intermediaries Regulations.
7. Taking into account the facts and circumstances of the case, I, therefore, in exercise of powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992, read with Regulation 28(2) of the SEBI (Intermediaries) Regulations, 2008, hereby suspend the certificates of registration of Urmila Dhyawala as a stock broker of UPSE (SEBI Registration No. INB100380411) and as a sub-broker of UPSE Securities Ltd. (SEBI Registration No. INS011017014), for a period of one year.
8. A copy of this Order shall be served upon Uttar Pradesh Stock Exchange of which Urmila is a stock broker, BSE of which Urmila is a sub-broker and UPSE Securities Ltd. to which Urmila is affiliated as a sub-broker for necessary action.
9. This Order shall come into force immediately on the expiry of 21 days from the date of this Order.

**DATE: November 25, 2010**  
**PLACE: MUMBAI**

**M. S. SAHOO**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**