

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF JINDAL STEEL AND POWER LTD.

In respect of Integrated Master Securities Pvt. Ltd.

(SEBI Registration Nos. INB 010838332)

Date of hearing: November 20, 2009

Appearances

**For Noticee : Mr. S.C. Khaneja, Director
Mr. Ashish Goyal, Company Secretary**

**For SEBI : Mr. A.S. Mithwani, Deputy General Manager
Mr. Marc Lalrohlan, Manager
Mr. Pradeep Kumar, Legal Officer**

ORDER

Under Regulation 28(2) read with Regulations 38 (2) of Securities and Exchange Board of India (Intermediaries Regulations), 2008

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigations into the buying, selling or dealing in the shares of Jindal Steel and Power Ltd. (hereinafter referred to as 'Jindal') to ascertain any violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulation, 1995 (hereinafter referred to as 'PFUTP Regulations'). The investigation was conducted for the period of August 23, 2000 to October 10, 2000, *inter-alia*, on the reports of market manipulation and irregularities in the trading of the shares of Jindal.
2. During this period, the opening price of the scrip as on August 23, 2000 at National Stock Exchange (hereinafter referred to as 'NSE') was Rs.159.50 and the closing as on October 10, 2000 was Rs.155.10. The scrip touched a high of Rs.174.45 on October 05, 2000 and a low of Rs.137 on September 22, 2000. The volumes traded in the scrip, touched a high of 86,897 shares on October 03, 2000 and further, touched a low of 812 shares on September 14, 2000. At Bombay Stock Exchange (hereinafter referred to as 'BSE') the opening price of the scrip as on August 23, 2000 was Rs.158.00 and the closing price on

October 10, 2000 was Rs.153.15. On BSE, the scrip touched a high of Rs.170 on October 05, 2000 and a low of Rs.135.05 on September 25, 2000. The volumes traded in the scrip on BSE touched a high of 1,741 shares on September 29, 2000 and a low of 116 shares on August 30, 2000.

3. During the course of investigation, it was revealed that broker Integrated Master Securities Pvt. Ltd. (hereinafter referred to as 'noticee'), registered with SEBI as stock broker bearing registration no. INB 010838332 at BSE, executed transactions on behalf of its unregistered sub-broker viz. Parmatma Investments Pvt. Ltd. (hereinafter referred to as 'Parmatma') on NSE. It was found that Parmatma, a registered sub-broker of noticee at BSE through noticee but not at NSE. Further, the investigations have found that Parmatma had traded on behalf of its sub-client M/s. Merwanjee Securities Ltd. on NSE. The investigations revealed that Parmatma had bought 5,500 shares of Jindal on September 20, 2000 and sold the same on September 25, 2000 on behalf of Parmatma on NSE.

4. Based on the findings of the investigations, SEBI initiated enquiry proceedings against the noticee in terms of SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations') by appointing an Enquiry Officer under Regulation 5(1) vide order November 19, 2003 read with subsequent orders dated December 28, 2004, December 20, 2005 and November 23, 2007. SEBI appointed the Enquiry Officer, to enquire into the alleged violations of the provisions of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as 'Broker Regulations'). As the Enquiry Regulations were repealed with effect from the notification of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 (hereinafter referred to as 'Intermediaries Regulations'), the Enquiry Officer/ Designated Authority (hereinafter referred to as the Enquiry Officer) submitted his Report dated July 15, 2009 in terms of Regulations 13 (1) of Enquiry Regulations read with Regulation 27 and 38(2) of Intermediaries Regulations, recommending thereby a penalty of suspension of certificate of registration for a period of one week to

noticee for violating the provisions of Regulation 7 read with Clause A (5) of the Code of Conduct specified under Schedule II of the Broker Regulations.

5. Subsequently, a Show Cause Notice dated July 22, 2009 (hereinafter referred to as 'SCN'), under Regulation 28(1) of Intermediaries Regulations was issued by SEBI to the noticee, asking it to show cause as to why the appropriate penalty including the penalty recommended by the Enquiry Officer, should not be imposed. The noticee was advised to reply to the SCN, together with the documents that it may choose to rely upon in support of his reply within twenty one days of the receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer and SEBI shall be free to take such action in the manner as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the said SCN.

6. The noticee replied to the SCN vide its letter dated August 19, 2009 and sought a personal hearing. Accordingly, Mr. S.C. Khaneja, Director of noticee along with Mr. Ashish Goyal, Company Secretary appeared before me on November 20, 2009 in Regional Office, Delhi, and reiterated the submissions made vide letter dated August 19, 2009, along with other submissions. Noticee also filed written submissions dated November 19, 2009, which was taken on record. The submissions of noticee *inter alia* are as under:
 - Parmatma had done trades with it on NSE as a direct client and not in the capacity of sub-broker.
 - Parmatma is a sub-broker registered with SEBI for BSE.
 - Even if, Parmatma had dealt for its client in NSE, it was without its knowledge or any understanding.
 - The unique client code while placing the buy as well as sell order was punched that of Parmatma.
 - Parmatma had not disclosed the fact that they were placing order on behalf of any client.
 - Had earned a brokerage of Rs.7700/- on these transactions.
 - No complaint against it and its sub-brokers till date.
 - Acted in transparent manner during investigations.

7. I have carefully considered the Enquiry Report, the SCN issued to the noticee, reply dated August 19, 2009 and written submissions dated November 19, 2009. It is an admitted fact that Parmatma was a registered sub-broker of noticee at BSE. The noticee has contended that Parmatma had done trades with it on NSE as a direct client and Parmatma had not disclosed to it the fact of placing orders on behalf of a client.
8. I note from the Enquiry Report that Parmatma had accepted before the Investigating Authority that it used to trade regularly through noticee on both exchanges viz. BSE and NSE. I observe that the noticee had not countered this admission of Parmatma and has only pleaded ignorance on this fact.
9. I note that while recording of statement before SEBI, noticee had submitted that the order was placed by Mr. S.S. Kilachand and the employee of noticee operating the terminal, being not aware of the code of Parmatma had inadvertently entered the client code of S.S. Kilachand. Further, while replying to the hearing notice vide letter dated November 19, 2009, the noticee has admitted that the client code while placing buy as well as sell order was punched that of Parmatma. I note that these two statements are contradictory in nature and points to the culpability of noticee in the trades entered for Parmatma from its terminal. I note that this is serious lapse on the part of noticee as it was expected to exercise due care and diligence while acting in the capacity of broker.
10. In view of the foregoing, I agree with the findings of the Enquiry Officer that the noticee has acted for an unregistered sub-broker on its terminal. I find the noticee guilty of violating the provisions of Regulation 7 read with Clause A (5) of the Code of Conduct specified under Schedule II of the Broker Regulations.
11. As regards penalty, noticee has requested for a lenient and similar treatment as given by SEBI in other cases. Considering this and the violation found to have been committed by the noticee in the present proceedings, I do not consider

this a fit case to impose the penalty of suspension of the certificate of registration for a period of one week as recommended by the Enquiry Officer. In the interest of justice and equity, I dispose of the present Enquiry proceedings as ordered herein below.

12. I note that pursuant to the notification of the Intermediaries Regulations, the 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.
13. Taking into consideration, the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby warn the noticee, Integrated Master Securities Pvt. Ltd. (SEBI Registration Nos. INB 010838332 at BSE (PAN: AAACI 2074F), to be careful and cautious in the conduct of its business and to adhere to and comply with all the statutory provisions while carrying out its activities in the securities market.

DATE : 21-DEC-2009
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA