

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

**ORDER**

**Under section 12 (3) of SEBI Act, 1992 read with Regulation 28 (2) of SEBI (Intermediaries) Regulations 2008 in the matter of M/s India Infoline Limited [Member, BSE Ltd. and National Stock Exchange of India Ltd.- SEBI Registration nos. INB011097533, INF011097533 & INB231097537, INF231097537]**

**Date of Personal Hearing : March 20, 2013**

**Appearances:**

**For India Infoline Ltd.:**

Somashekhar Sundarajan (Advocate representing IIFL)  
R. Venkataraman (Director, IIFL)  
R. Mohan (Chief Compliance Officer, IIFL)  
Rajesh Ganu (Associate Vice President-Legal & Compliance, IIFL)  
Dinesh Tanwar (Sr. Manager-Legal & Compliance)  
Paras Parekh (Advocate representing IIFL)

**For SEBI:**

Aishee Sengupta (Presenting Officer)  
Biju S. (Joint Legal Advisor)  
A.S. Mithwani (Deputy General Manager)  
Vanya Singh (Assistant Legal Advisor)  
Balbir Singh (Assistant General Manager)

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted inspection of books of accounts, and records with respect to various aspects of operations of M/s India Infoline Ltd. (hereinafter referred to as "**Noticee**" / "**IIFL**"), a member of BSE Ltd. (hereinafter referred to as "**BSE**") and the National Stock Exchange of India Limited (hereinafter referred to as '**NSE**') with SEBI registration No. INB011097533, INF011097533 & INB231097537, INF231097537 respectively. The period covered under inspection was from April 1, 2007 to June 1, 2009.

2. During the inspection on sample random checking of the books of accounts, documents and records of IIFL, the following irregularities/deficiencies were observed in its functioning as a stock broker:-
  - Delay in providing certain inspection data to the inspection team
  - Non-delivery of Contract Notes
  - Deficiencies in the Trading Account Opening Forms
  - Execution of Unauthorized Trades
  - Deficiencies in the investor Grievance Handling Mechanism
  - Non-issuance of receipts
  - Lack of surveillance
  - Non-mentioning of order time

In view of the aforementioned irregularities and deficiencies observed during inspection, it was alleged that the IIFL violated the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act"), the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as the "**Broker Regulations**") and certain SEBI Circulars, and consequently enquiry was initiated by SEBI against IIFL.

3. Vide order dated February 16, 2010, under section 24 of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as '**Intermediaries Regulations**'), the Designated Authority (hereinafter referred to as "**DA**") was appointed to enquire into the aforesaid alleged violations of the Broker Regulations and SEBI Circulars. The DA issued a Show Cause Notice No. EAD-6/BM/JR/3006/2010 dated April 27, 2010 to IIFL to show cause as to why an enquiry should not be held against IIFL for the alleged violations specified in the SCN.
4. IIFL replied to the SCN issued by the DA vide letter dated June 16, 2010. IIFL also requested the DA for inspection of documents, and subsequently inspected the documents on August 2, 2010. Further submissions were also made by IIFL which were considered by the DA. A supplementary notice dated July 8, 2011 was issued to the Noticee and the same was replied to by IIFL vide letter dated July 15, 2011. The DA also granted personal hearings to IIFL. After considering the submissions made by IIFL, the DA submitted the Enquiry report on July 29, 2011 and recommended a penalty of warning in terms of Regulations 27(vi) of the Intermediaries Regulations.

5. Subsequently, a Post-Enquiry Show Cause Notice No. MIRSD-1/TV/30143/2011 dated September 22, 2011 (hereinafter referred to as "**Post Enquiry SCN**") was issued to IIFL to show cause why higher penalty should not be imposed against it as deemed fit by the competent authority. A copy of the DA's report dated July 29, 2011 was also forwarded to IIFL along with an advice to file reply within 21 days of receipt of the Post-Enquiry SCN.
6. I note that IIFL, subsequent to the issuance of the Post-Enquiry SCN, filed a consent application on October 17, 2011 under the SEBI Circulars on consent dated April 20, 2007 and May 25, 2012. However, said consent application of IIFL was rejected on August 29, 2012.
7. I have considered the report of the DA, the Post-Enquiry SCN issued to IIFL, submissions of IIFL and other material available on record. Before moving forward, it would be appropriate to refer to the relevant provisions of the Broker Regulations, which are reproduced below for reference:-

***"Conditions of registration***

**6A.** (1) Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely—

- a. The stock broker holds the membership of any stock exchange.
- b. He shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him.
- c. Where the stock broker proposes to change his status or constitution, he shall obtain prior approval of the Board for continuing to act as such after the change.
- d. He shall pay fees charged by the Board in the manner provided in these regulations.
- e. he shall take adequate steps for redressal of grievances, of the investors within one month of the date of receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received from such investors."

***"Stock-Brokers to abide by Code of Conduct.***

**7.** The stock-broker holding a certificate shall at all times abide by the Code of Conduct as specified at Schedule II."

***"SCHEDULE II***

*Code Of Conduct For Stock Brokers*

**A. GENERAL**

(1) *INTEGRITY*: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(2) *EXERCISE OF DUE SKILL AND CARE*: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business.

(5) *COMPLIANCE WITH STATUTORY REQUIREMENTS*: a stock broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

**B. DUTY TO INVESTOR**

(2) *ISSUE OF CONTRACT NOTE*: a stock broker shall issue without delay to his client or client of the sub-broker, as the case may be a contract note for all transactions in the form specified by the stock exchange."

**"Obligations of stock-broker on inspection by the Board.**

21. (1) *It shall be the duty of every director, proprietor, partner, officer and employee of the stock-broker, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to the transactions in securities market within such time as the said officer may require."*

8. I now proceed to discuss the charges vis-a-vis the Noticee, the findings of the DA, the submissions of the Noticee, and my findings thereon:-

**(I) Allegation 1 : Delay in submission, and non-submission of data to the inspection team**

- (i) The first charge vis-à-vis IIFL is that it allegedly violated regulation 21 (1) of the Broker Regulations when it failed to submit data sought by SEBI on time and also provided wrong/incomplete data to SEBI in certain instances, as detailed in the DA"s report dated July 29, 2011 and reproduced below:- :

Sl. No.	Details	Requested date/period	Provided date/period
1.	Client Master – Excel Format	May 25, 2009	During 27 <sup>th</sup> July to 29 <sup>th</sup> July
2.	List of SMS not delivered	During June 2, 2009 to June 3, 2009	Details not available with Noticee
3.	Visitor register of Bandra (w)	During June 2, 2009	Not provided

	for the year 2007	to June 3, 2009	
4.	Details of POD for statement of accounts for the period ended March 31, 2009	During June 2, 2009 to June 3, 2009 and July 27, 2009 to July 29, 2009	Provided only login id, date & quarter. But not provided email id & delivery status
5.	Pending complaints and Ledger and Transaction statement of the complainants and respective RM/ sub-broker	July 24, 2009	Complaint Database not captures respective RM/Sub-broker, hence, details sought are not provided
6.	Note of receipt book management	During June 2, 2009 to June 3, 2009	August 12, 2009

- (ii) The DA had found that IIFL had violated regulation 21 (1) of the Broker Regulations as during the course of the inspection carried out by SEBI it was found that that notes of receipt book management, details of undelivered SMSs and the visitor register of the Bandra (W) office of the Noticee for the year 2007 were not provided. In this regard, the Noticee submitted that most of the information was submitted to SEBI at the time of inspection. Further, certain information which could not be given earlier, was submitted to the inspection team at a later date. Some of the details sought such as visitor register etc. were admitted to not having been provided by the Noticee. In view of the foregoing, I find that IIFL has violated regulation 21(1) of Brokers Regulations.

**(II) Allegation 2: Non-Delivery of Contract Notes**

- (i) The second allegation pertains to alleged violation by the Noticee of Clause B(2) of the Code of Conduct for Stock Brokers in Schedule II read with regulation 7 of the Broker Regulations and the SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993, which require a broker to issue contract notes for purchase/sale of securities to clients within 24 hours of the execution of the contract. It is also noted that brokers are required to

maintain records of proof of delivery of contract notes in terms of para. 2.4.2 of the SEBI circular MRD/DoP/SE/Cir-20/2005. During inspection it was observed that no proof of delivery of contract notes to around 20,000 clients was available. It was observed that the contract notes in respect of transactions were sent to the clients in the form of an e-mail at the respective e-mail IDs provided by the clients and treated as e-mail ID 1 by the Noticee. The system also captured another e-mail ID i.e. e-mail ID 2 for clients whose e-mail IDs were not available. The said e-mail ID 2 is claimed by the Noticee to be that of its Relationship Managers/Sub-brokers/ Branch Managers, who were e-mailed electronic contract notes and were supposed to undertake delivery of the contract notes to the clients whose e-mail IDs were not available.

- (ii) The DA noted from sample checking of the documents submitted by the Noticee that it had indeed arranged to deliver contract notes in hard copy to clients and provisions were made for capturing the e-mail IDs of clients. However, around 6049 email ids duplicated under email id 1 had been rectified in the client master system in the month of July 2009. Further, the Noticee did not provide any explanation or document to show that they sent the hard copies of contract notes to those clients whose e-mail IDs were not available. The Noticee has not been able to rebut the charges made out against it. In view of the foregoing, I find that the Noticee violated SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause B(2) of Code of Conduct for Stock Brokers in Schedule II read with regulation 7 of the Broker Regulations.

### **(III) Allegation 3: Trading Account Opening Forms**

- (i) The third charge vis-a-vis the Noticee is that it has allegedly violated the requirement pertaining to identification of clients and their details by brokers stipulated in SEBI Circular No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004, and thus also violated Clause A (2) of the Code of Conduct for Stock Brokers in Schedule II read with regulation 7 of Brokers Regulations which require a broker to act with “due skill, care and diligence in the conduct of all his business”.

- (ii) With regard to the said allegation, inspection for the period April 1, 2007 to June 1, 2009 revealed that the information in the client registration forms/trading account opening forms (hereinafter referred to as “**KYC forms**”) maintained by the Noticee prior to April 2008 was in certain instances either incomplete or incorrect. There were instances of wrong e-mails, phone numbers and non-identification of risk profiles of the clients in such KYC forms. For instance, in the KYC form of Sh. A.B. Todakari of Khed, Distt. Ratnagiri, Maharashtra, the phone number was mentioned as 9422623117 but was found to belong to a person who was not associated with the securities market. This has not been denied by the Noticee during the enquiry proceedings. In its subsequent submissions, the Noticee has contended that the allegations pertain to clients registered in 2006-07 by M/s. Max Investments, a sub-broker based in Khed, Pune against who the Noticee has initiated disciplinary and legal action vis-a-vis the said sub-broker in 2008-9. I note from the findings of the DA that the Noticee has put in a system to ensure proper compliance with respect to the KYC forms from April 2008 onwards. The Noticee has also submitted that strict procedures are currently being followed by it before a client is registered. During the personal hearing, the Noticee had submitted samples of proof of delivery of quarterly statements to the clients. Subsequent corrective action stated to have been taken by the Noticee includes resolution of investor complaints pertaining to the said sub-broker, capturing of client data and risk-profiling of clients. The Noticee has also argued that the SEBI Circular dated August 26, 2004 casts an obligation on the client to furnish true and correct information at the time of registration, and there is no obligation imposed on the broker in this regard. I am unable to accept this contention of the Noticee, as the Circular very clearly states in para. 3 thereof that “it shall be the responsibility of the stock-broker to satisfactorily identify his clients.” As it is clear that the KYC forms were deficient in many respects, I am inclined to conclude that the Noticee had violated the provisions of the SEBI Circular dated August 26, 2004 read with Clause A (2) of the Code of Conduct for Stock Brokers in Schedule II read with regulation 7 of the Broker Regulations, in certain instances before April 2008.

**(IV) Allegation 4: Unauthorized Trades**

- (i) The fourth charge vis-à-vis the Noticee is that of alleged violation of Clause A(1) of Code of Conduct for Stock Brokers in Schedule II read with regulation 7 of the Broker Regulations, in respect of duties of stock brokers towards clients during execution of orders. Clause A (1) of the Code of Conduct for

Stock Brokers requires a stock broker to act with "integrity, promptitude and fairness in the conduct of all his business".

- (ii) SEBI had received complaints from clients of the Noticee that unauthorised trades were being carried out by certain sub-brokers of the Noticee. This appears to have been borne out by certain facts noticed during inspection. For instance, in the course of inspection, the Noticee was unable to provide proof of delivery of contract notes in respect of some clients, including log report generated by the system at the time of sending the contract notes in certain cases where clients had opted for electronic contract notes. In the case of certain clients such as Ms. Aarti Gunjekar, Mr. Satish Gunjekar, Mr. Vishwanadham and family who had trading accounts with the Noticee and had complained of unauthorised trades, the Noticee was unable to produce proof of order placement and proof of delivery of contract notes when the same were sought from him with regard to the abovementioned clients. It is noted that brokers are required to maintain records of proof of delivery of contract notes in terms of para. 2.4.2 of the SEBI circular MRD/DoP/SE/Cir-20/2005. It appears from the findings of the Enquiry Report that even where the e-logs were produced, the attached document which had been sent along with the e-mail was not produced. Thus, the evidence indicates that in certain cases the information about the trades done in a client's account was not known to the client.
- (iii) The Noticee has admitted in its submissions that certain instances of unauthorised trades by certain sub-brokers had taken place. From a "Status Report on Khed Matters" submitted by the representatives of the Noticee during the hearing held on March 15, 2013, I note that the status of four cases pertaining to allegations of unauthorised trades has not been reported by the Noticee. The Enquiry Report has also noted that the Noticee had admitted that there have been cases of unauthorized trades done by its relationship managers in various clients' accounts. In this regard, the Noticee has stated that it has filed FIRs against the responsible sub-brokers, and the clients have withdrawn their complaints. From the replies submitted by the Noticee it is noted that the Noticee has initiated action against its sub-brokers and relationship managers who were allegedly involved in instances of unauthorised trading. I also note that the Noticee has put in place certain control systems to prevent unauthorised trading.



- (iv) In view of the foregoing, I observe that while there is evidence of certain instances of unauthorised trading, these appear to be few in number and seem to originate from the transactions of M/s. Max Investments. The Noticee has taken action to deal with the same and prevent recurrence, as detailed above. Considering this mitigating circumstance as cited by the Noticee, I am inclined to take a lenient view.

**(V) Allegation 5: Investor Grievance Handling Mechanism**

- (i) The fifth charge vis-à-vis the Noticee is that it allegedly violated Regulation 6A and Clauses A (2) and A (5) of the Code of Conduct for Stock Brokers in Schedule II read with regulation 7 of the Broker Regulations. Regulation 6A requires the broker to "*take adequate steps for redressal of grievances of the investors within one month of the date of receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received from such investors*". The allegation is based on certain instances revealed during inspection which showed that the Noticee did not maintain complete details in the investor grievances record, such as the Unique Client Code, details of sub-broker/branch to which the complaint pertains, disputed amount, description of grievance etc. It was also observed that the Noticee was not taking prompt action on receipt of requests or complaints from the clients. For instance, in the case of one client Mr. Ravi Kumar, the Noticee took more than two months to redress his complaint regarding unauthorised trading. It has also been observed by the DA that the Noticee took more than one month's time in dealing with some of the investor complaints. It was also alleged that the Noticee did not take any action against the relationship manager and others who were involved in the execution of unauthorised trades, including one Mr. A. Samiullah.
- (ii) The complaints vis-à-vis the Noticee included the case of certain clients such as Ms. Aarti Gunjekar, Mr. Satish Gunjekar and Mr. Vishwanadham and family who had trading accounts with the Noticee and had complained of unauthorised trades. Complaints about non-credit of the clients' account with money accepted by the sub-broker in cash on behalf of the Noticee, were also received vis-à-vis the Noticee from a group of investors in Khed, Maharashtra. The sub-broker involved in these transactions pertaining to

investors in Khed was M/s. Max Investments. The DA found that the Noticee was not able to provide proof of order placement, issuance or system of reconciliation of receipt books, or proof of delivery of contract notes in several cases.

- (iii) From the Noticee's submissions it is observed that the complaints of the clients are stated to have been addressed and resolved in most of the cases. The services of Mr. A. Samiullah, an erstwhile relationship manager of the Noticee, who was allegedly involved in instances of unauthorised trading, were terminated in 2009. The Noticee has also stated that legal action been taken against the sub-broker M/s. Max Investments operating in Khed, Maharashtra. The Noticee has also submitted to the DA that the irregularities noted by the inspection team have been corrected with effect from July 2009. It has been stated by the Noticee that delays in resolution of complaints in certain instances have been due to arbitration procedure and copies of arbitration orders of the National Stock Exchange of India Ltd. in some cases have been submitted. The DA has noted that the Noticee has now put in place a system for maintaining a grievance redressal mechanism. In addition, the Noticee did not inform SEBI about the "number, nature and other particulars of the complaints received from such investors", as required by Regulation 6A of the Broker Regulations. In view of the material on record, I find that some of the complaints appear to have been resolved by the Noticee. There is no evidence before me to indicate that the Noticee did not take any steps for resolution of investor complaints within thirty days of receipt of the complaint.
- (iv) In view of the foregoing, I find that though there have been instances where the Noticee failed to resolve investor grievances within the stipulated period of thirty days, the Noticee appears to have taken remedial action and put in place an investor grievance redressal system subsequently. Thus, though violation of the provisions of Regulation 6A and Clauses A (2) & (5) of Code of Conduct for Stock Brokers mentioned under Schedule II read with regulation 7 of the Broker Regulations are noted, I take into account the observation of the DA that the Noticee has subsequently put in place a grievance redressal mechanism.

**(VI) Allegation 6: Issuance of receipts**

- (i) The sixth charge vis-à-vis the Noticee is that it allegedly violated Clause A (2) of the Code of Conduct for Stock Brokers mentioned in Schedule II read with Regulation 7 of the Broker Regulations when it failed to exercise due skill, care and diligence in conduct of its business and in the proper maintenance of its receipt book records. This charge is based on complaints received by SEBI from a group of investors from Khed in Ratnagiri District, Maharashtra, against the Noticee and its sub-broker M/s Max Investments. The allegations of the complainants included non-credit of money accepted by the sub-broker in cash on behalf of the Noticee to the client's account. It has been alleged by the complainants that the sub-broker used to accept cash and issue receipts of the Noticee prior to 2008-09. Some of the findings of inspection as noted from the Enquiry Report were that receipt books of IIFL were issued by one of its authorized staff. Records in respect of the receipt book issued earlier were not sought or checked or counter-checked by any of its staff. Although the system of physical issuance of receipt books is stated to have discontinued by the Noticee from 2009 onwards, the Noticee has not been able to provide any system of reconciliation of receipt books. On seeking information about the receipt books issued in the past, the Noticee could not provide any proof of reconciliation of the same.
- (ii) The Enquiry Report also states that it was submitted by the Noticee that it used to issue receipt books to its branch offices, and that the receipts used to have "CASH/CHEQUE RECEIPT" printed on them. The receipts were stated to have been used to accept cash and cheques for its various business activities such as broking, insurance, mutual fund distribution etc.
- (iii) In this regard, the DA has found that although maintenance of physical receipts had been done away with and electronic mode had been implemented by the Noticee, reconciliation of the old receipts was not done. The Noticee could not produce the reconciled data for receipt of cheques. The DA has also noted that the same receipt books were used for issuing broking, insurance, mutual funds receipts. There was no segregation and no proper records could be produced. Cases of non-reconciliation have mainly taken place in Khed, Maharashtra. The DA noted that if the Noticee would have maintained a proper system and ensured timely reconciliation of receipt books such complaints of unauthorized trading could have been avoided.

- (iv) The DA has noted that the inspection report did not cite any specific instance to show that cash had been accepted by the Noticee. The Noticee has also stated that legal action has been taken by it against M/s. Max Investments, which operated in Khed and which is stated to have been involved in forging receipt book documents of the Noticee. It has also been submitted by the Noticee that complaints pertaining to non-reconciliation were due to an isolated instance of forgery committed by M/s. Max Investments, against which it had initiated legal action.
- (v) In its replies the Noticee has stated that the receipt books were used for non-securities market related uses. This submission appears to contradict the earlier submissions made by the Noticee that receipts were stated to have been used to accept cash and cheques for its various business activities such as broking, insurance, mutual fund distribution etc.
- (vi) Non-reconciliation of receipt books and inability to produce the relevant records pertaining to the receipt books indicates lack of due skill, care and diligence on the part of the Noticee. In view of the foregoing, it is concluded that the Noticee did not exercise due skill and care and thus, violated Clause A(2) of the Code of Conduct for Brokers mentioned under Schedule II read with regulation 7 of the Broker Regulations.

**(VII) Allegation 7: Lack of surveillance**

- (i) The seventh charge vis-a-vis the Noticee is that of alleged violation of SEBI Circular No. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 Comprehensive Risk Management Framework for the Cash Market, directing stock brokers to put in place comprehensive risk management systems. The charge is based on observations during inspection that the Noticee did not have the facility to monitor unusual trades, sudden F & O trades, sudden high volume trades, large volume trades in Z group securities etc in any client accounts, which is important for spotting irregular trades in client accounts where there are fewer transactions. Hence, the Noticee did not have an appropriate risk management system. For instance, inspection revealed that in case of accounts of certain clients like Mr. Viswanadham and family, the turnover in the account increased suddenly during November 2008 as

compared to previous month but the same did not raise any suspicion at the end of the Noticee.

- (ii) The DA has noted that the Noticee has put in place an online surveillance system which throws alerts on various occasions, and that the issue pertaining to allegations by Mr. Vishwanadham and family with respect to unauthorised trades by the Noticee was resolved and the parties agreed to settle the dispute. In the absence of evidence of actual instances to show lack of surveillance on the part of the Noticee, I agree with the findings of the DA.

**(VIII) Allegation 8: Order Time**

- (i) The eighth charge vis-à-vis the Noticee pertains to violation of SEBI Circular SMD/POLICY/IECG/ 1 – 97 dated February 11, 1997, and Clause B(2) of the Code of Conduct for Stock Brokers in Schedule II read with Regulation 7 of the Broker Regulations. The said Circular requires time stamping of orders placed by clients, and stipulates that "the broker member should maintain record of time when the client has placed the order and reflect the same in contract note along with the time of execution of the order." Since the order details were not mentioned in the contract note, the contract note is allegedly deemed to be incomplete. The Noticee has contended that SEBI's Circular dated June 10, 2004 (DNPD/Cir-25/04) provides that "The order time was prescribed as a mandatory field in the contract note. The order time shall now be included in the optional fields." , and that in the light of the said Circular, the Noticee was not legally obliged to record the order time on the contract note. I note that since the abovementioned Circular dated June 10, 2004 was issued in the context of Straight Through Processing, which is applicable to institutional trades and institutional investors only, the contention of the Noticee that it is not legally obliged to record the order time in the contract note cannot be accepted.
- (ii) The Noticee has also stated in its submissions that the order time was captured as trade time, and that pursuant to inputs received during inspection, the same was rectified. I am unable to accept the contentions raised by the Noticee. Recording order time on contract notes issued to retail investors is mandatory as per the SEBI Circular dated February 11, 1997. On account of failure to mention it, the Noticee has violated SEBI Circular SMD/POLICY/IECG/ 1 – 97 dated

February 11, 1997, and clause B(2) of the Code of Conduct for Stock Brokers in Schedule II read with Regulation 7 of the Broker Regulations.

9. I note that the non-compliances by the Noticee with the Broker Regulations pertain to the period prior to April 2008. Some violations have been observed to be have been committed by the Noticee. All the alleged violations are stated to have been rectified by the Noticee. There is evidence to indicate that the Noticee has taken steps to resolve most of the non-compliances. In this regard it would be pertinent to refer to the ruling of the Hon'ble Securities Appellate Tribunal in several instances including in the case of Religare Securities Ltd. v. SEBI (SAT Appeal No. 23 of 2011 decided on 16.06.2011) that "the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to maintenance of records." In my view, therefore, in the facts and circumstances of the case as found by the DA, the lapses by the Noticee as found by the DA warrant only the penalty recommended by the DA. In view of the same, and also taking into account the fact that violations were observed in the inspection carried out by SEBI, I do not find any compelling reason to differ with the penalty recommended by the DA. However, the Noticee, being a stock broker and supposedly having professional competence, should take due care and be more vigilant while executing trades on behalf of its clients in future.
10. In view of the foregoing, I, in exercise of the powers conferred upon me under section 11B and section 19 of the Securities and Exchange Board of India Act, 1992, hereby warn the Noticee to be careful and cautious in the conduct of its stock broking activity and to adhere to and comply with all the statutory provisions while carrying out its activities in the securities market. Any such lapses in future will be viewed seriously.

**DATE: 13<sup>TH</sup> MAY 2013**  
**PLACE: MUMBAI**

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