

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

MUMBAI

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

M/s ARJ SHARES AND STOCK BROKERS PVT. LTD.

IN THE MATTER OF

IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

(CONSENT APPLICATION NO. 2065/2010)

1. The Securities and Exchange Board of India ('SEBI') had conducted investigations into the alleged irregular transactions in the shares issued through Initial Public Offerings (IPOs) of various companies during the years 2003-2005. Investigations prima facie revealed that the M/s Pratik Stock Vision Pvt .Ltd. (hereinafter referred to as "Pratik"), a depository participant (DP) registered with SEBI had facilitated opening of several demat accounts having common address without complying with the KYC norms. It was further observed that several such demat accounts opened by it were having same address as that of Mr. Purushottam Budhwani and Mr. Manojdev Seksaria who were the two key operators involved in the IPO irregularities. The said accounts were opened by the key operators for making applications for cornering the shares earmarked for the retail investors in the IPOs.
2. Vide an interim *ex-parte* order dated 12.1.2006 SEBI directed Pratik not to open new dematerialized accounts till the submission of verification report and obtaining a no-objection from SEBI. By another interim order dated 27.4.2006 SEBI directed Pratik not to carry on the business of DP till the completion of enquiry and passing of final order.
3. In view of the fact that an enquiry officer was already appointed under the erstwhile SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, to enquire into the irregularities observed against Pratik, by order dated 22.5.2007, SEBI lifted the ban imposed on Pratik by interim order dated 27.04.06.
4. It was alleged that Pratik had violated section 12A (a), (b) and (c) of the SEBI Act, Regulation 3 and 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and Regulation 46 , clause 3 of the code of Conduct enumerated under Schedule III read with Regulation 20A of SEBI (Depositories and

- Participants) Regulations, 1996. The enquiry officer , in his report dated 20.04.2009 recommended that Pratik may be prohibited from acting as DP for a period of one year and the period of prohibition already undergone by Pratik may be taken into account for the purpose of computing the prohibition of one year recommended by the enquiry officer.
5. Vide show cause notice no. ISD/SR/168304/2009 dated 30.06.2009, SEBI forwarded the copy of the enquiry report to Pratik and called upon to show cause why appropriate penalty including the action as recommended by the Enquiry Officer should not be imposed on it. Pratik filed his reply to this show cause notice on 10.08.2009.
 6. Subsequently, pursuant to a Scheme of Amalgamation approved by Hon'ble Bombay High Court vide order dated 14.08.2009 Pratik merged with ARJ Shares and Stock Brokers Pvt. Ltd., PAN- AAACJ7576M (hereinafter referred to as the 'applicant'). The applicant had undertaken to honor all liabilities of Pratik. The applicant had proposed to surrender DP registration of Pratik.
 7. Since the penalty recommended by the enquiry officer was rendered infructuous , SEBI issued another show cause notice dated 13.05.2010 under regulation 28(1) read with regulation 38(2) of SEBI (Intermediaries) Regulation, 2008 to the applicant calling upon it to show cause why its certificate of registration as stock broker should not be suspended for an appropriate period.
 8. While the proceedings pursuant to show cause notice dated 13.05.2010 were in progress, the applicant vide its letter dated July 20.07.2010, proposed settlement of the charges leveled in the show cause notices and possible actions of suspension of certificate of registration as DP or stock broker or any other action through a consent order in terms of SEBI circular no. EFD/ED/Cir-1/2007 dated April 20, 2007. The applicant also proposed to settle the possible prosecution that may be launched by SEBI against it in respect of the above mentioned violations.
 9. The High Powered Advisory Committee (HPAC), constituted by SEBI, considered the consent terms proposed by the applicant and recommended the disposal of the pending initiated pursuant to show cause notice dated 13.05.2010 and possible prosecution against the applicant through consent order on the payment of Rs.15,00,000/- (Rupees fifteen lakh only) as settlement terms.
 10. SEBI accepted these recommendations and communicated the same to the applicant vide letter dated 13.04.2011. The applicant has, vide its letter dated 18.04.2011 without admitting or denying the charges, remitted a sum of Rs.15,00,000/- (Rupees fifteen Lakh only) vide pay order numbered 165766 drawn on Union Bank payable at Mumbai.

11. In view of the above consent terms accepted by the applicant, it is hereby ordered that this consent order disposes of:-
 - a) the show cause notice dated 13.05.2010 issued under regulation 28(1) read with regulation 38(2) of SEBI(Intermediaries) Regulation, 2008 against the applicant
 - b) the possible prosecution proceedings against the applicant in respect of violations alleged in the show cause notice dated 13.05.10.
12. This order is without prejudice to the right of SEBI to initiate enforcement actions, including commencing or reopening of the proceedings pending against the applicant, if:
 - a) any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue; or
 - b) the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
13. This consent order is passed on this day, the 16th of May 2011 and shall come into force with immediate effect.

K. M. ABRAHAM

WHOLE TIME MEMBER

PRASHANT SARAN

WHOLE TIME MEMBER