

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

ING VYSYA BANK LIMITED

IN THE MATTER OF

IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

(CONSENT APPLICATION NO.920/2008)

1. As a part of its on going surveillance, SEBI had launched an investigation under section 11C of the SEBI Act, 1992 into the alleged irregular dealings in the shares issued through Initial Public Offerings (IPOs) during 2003-05 before these were listed on the Stock Exchanges. The preliminary investigations, *prima facie*, revealed that ING Vysya Bank Limited (hereinafter referred to as 'applicant'), a Depository Participant, allegedly failed to exercise due skill, care and diligence while opening 1075 demat accounts with common addresses and 544 afferent accounts and thereby facilitated cornering of shares meant for retail individual investors. The applicant was, therefore, alleged to have violated section 12A of the SEBI Act, 1992, regulation 3 and 4 of the SEBI (Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and the provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and regulation 20A, 42(2), 42(3), 43, 46 and 52 of SEBI (Depositories and Participants) Regulations, 1996.
2. Based on these findings, SEBI passed an ad interim *ex parte* Order dated April 27, 2006, under sections 11 and 11B of the SEBI Act, 1992 directing

the applicant not to open fresh demat accounts as a depository participant till further directions. After hearing the applicant, SEBI, vide order dated July 28, 2006, revoked the directions against the applicant and initiated enquiry proceedings under the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002. The Enquiry Officer issued a show cause notice dated November 22, 2006. The applicant furnished reply to the show cause notice vide letter dated December 19, 2006 and attended personal hearing before the Enquiry Officer on January 15, 2007. SEBI issued another interim order dated November 21, 2006, under section 11 and 11B of the SEBI Act, 1992 directing the applicant, among others, to disgorge a certain amount. This order was challenged by the applicant before the Hon'ble SAT in Appeal No.9/2007. Vide Order dated November 22, 2007, Hon'ble SAT set aside the impugned order *qua* the applicant leaving it open to SEBI to initiate appropriate proceedings in accordance with law.

3. While further proceedings in the matter were in progress, the applicant, vide letter dated August 12, 2008, proposed settlement of the pending proceedings through a consent order. The High Powered Advisory Committee, constituted by SEBI, considered the consent terms proposed by the applicant and, after noting that the applicant has already undergone prohibition on opening fresh demat accounts from April 27, 2006 to July 28, 2006, recommended the case for settlement. As per the terms of settlement, the applicant shall pay Rs. 4,00,000/-(Rupees four lakh only) towards settlement charges for settlement of: (i) proceeding pending under sections 11 and 11B of the SEBI Act, 1992 (ii) enquiry proceedings initiated under SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002. The recommendations of the HPAC was accepted by SEBI and communicated to the applicant vide letter dated January 06, 2009.

4. Accordingly, the applicant without admitting or denying the charges, has remitted a total sum of Rs.4,00,000/- (Rupees four lakh only) towards settlement charges vide demand draft No.757138 dated January 29, 2009 drawn on ING Vysya Bank, payable at Mumbai.
5. In view of the above, it is hereby ordered that this consent order disposes of the pending proceedings under sections 11 and 11B of the SEBI Act, 1992 and enquiry proceedings arising out of show cause notice dated November 22, 2006 in the matter of IPO irregularities against the applicant.
6. This order is without prejudice to the right of SEBI to take enforcement action, including commencing/reopening of the pending proceedings against the applicant, if:
 - a. any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue;
 - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
7. This consent order is passed on this day, the 16th of February 2009 and shall come into force with immediate effect.

M. S. Sahoo
Whole Time Member

K. M. Abraham
Whole Time Member