

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

JHAVERI SECURITIES LIMITED

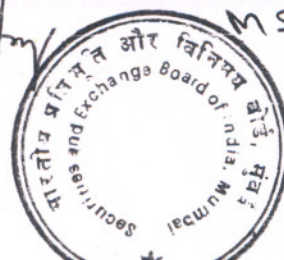
(FORMERLY KNOWN AS JHAVERI SECURITIES PVT. LTD.)

IN THE MATTER OF

IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

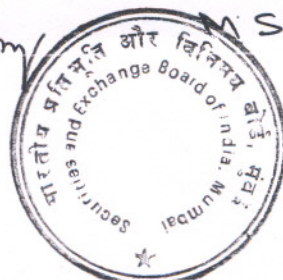
(CONSENT APPLICATION NO.868/2008)

1. As a part of its on going surveillance, SEBI had launched an investigation under Section 11C of the SEBI Act, 1992 into the 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 a large number of dematerialized accounts with common addresses were opened in benami or fictitious names with a view to cornering the shares meant for retail individual investors. A few entities, including Jhaveri Securities Limited (hereinafter referred to as 'applicant'), acted as a key operator to corner the shares in the IPO of Suzlon Energy Ltd. The applicant, who is a stock broker as well as a depository participant, also failed to exercise due skill, care and diligence in opening demat accounts. It was, therefore, alleged that the applicant violated section 12A of the SEBI Act, 1992, Regulation 3 of the SEBI (Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, the provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, Regulation 42(2), 42(3), 43, 46 and 52 of the SEBI (Depositories and Participants) Regulations, 1996 and Clauses 9, 12, 16,



19, 20 and 22 of the code of conduct specified in Regulation 20(a) 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 buy, sell or deal in securities market as a stock broker and not to open fresh demat accounts as a depository participant till further orders. After giving an opportunity of hearing to the applicant, SEBI vide order dated May 26, 2006, exonerated the applicant as a key operator and revoked the directions against the applicant in its capacity as a stock broker. It, however, initiated enquiry proceedings against the applicant in its capacity as a depository participant. Upon completion of enquiry proceedings, SEBI, vide Order November 3, 2006, restrained the applicant from opening fresh demat accounts for a period of nine months which it has already undergone. SEBI issued a show cause notice dated March 26, 2007 under section 11B of the SEBI Act, 1992 to the applicant to show cause as to why an order for disgorgement should not be passed. The applicant submitted its reply vide letter dated May 12, 2007.
3. While further proceedings in the matter were in progress, the applicant, vide letter dated July 29, 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 considering the fact that the applicant has already undergone the penalty of prohibition on opening fresh demat accounts and that it has been exonerated as a key operator, recommended the case for settlement. As per the terms of settlement, the applicant shall pay Rs. 1,00,000/- (Rupees one lakh only) towards settlement charges. SEBI accepted the recommendations of the Committee and communicated the same to the applicant vide letter dated November 28, 2008.



4. Accordingly, the applicant without admitting or denying the charges, has remitted a sum of Rs.1,00,000/- (Rupees one lakh only) vide demand draft No.949341 dated December 8, 2008 drawn on HDFC Bank, payable at Mumbai, towards settlement charges.
5. In view of the above, it is hereby ordered that this consent order disposes of the pending proceedings under Section 11B of the SEBI Act, 1992 initiated vide show cause notice dated March 26, 2007 against the applicant in the matter of IPO irregularities.
6. This order is without prejudice to the right of SEBI to take enforcement action, including 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 22 December, 2008 and shall come into force with immediate effect.



M. S. Sahoo
M. S. Sahoo
Whole Time Member

(Signature)
K. M. Abraham
Whole Time Member