

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

**KIFS SECURITIES PRIVATE LIMITED (EARLIER KNOWN AS KHANDWALA
INTEGRATED FINANCIAL SERVICES PRIVATE LIMITED)**

IN THE MATTER OF

IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

(CONSENT APPLICATION NO.1112/2008)

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 demat accounts with common addresses were opened in benami or fictitious names with a view to corner the shares meant for retail individual investors. It also revealed that KIFS Securities Private Limited(earlier known as Khandwala Integrated Financial Services Private Limited), a SEBI registered Depository Participant (hereinafter referred to as the applicant) opened 1,153 afferent demat accounts and 1,399 demat accounts with common address and thereby violated section 12A of the SEBI Act, 1992, Regulations 42(2), 42(3) 43, 46 and 52 of SEBI (Depositories and Participants) Regulations, 1996, Clauses 3, 9, 12, 16, 20 and 22 of the Code of Conduct specified in Regulations 20(a) of the SEBI (Depositories and Participants) Regulations, 1996 and provisions of Depositories Act, 1996 and SEBI (Disclosure and Investor Protection) Guidelines, 2000.

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 till further orders. After giving an opportunity of hearing to the applicant, SEBI revoked its interim directions against the applicant vide Order dated January 22, 2007. SEBI also initiated enquiry proceedings against the applicant. The Enquiry Officer issued a show cause notice to the applicant on November 22, 2006. The applicant responded to the show cause notice vide letter dated December 26, 2006 and appeared for personal hearing on January 12, 2007.
3. While further proceedings in the matter were in progress, the applicant, vide letter dated December 1, 2008, proposed settlement of the pending proceedings through a consent order in terms of SEBI Circular No.EFD/ED/Cir-1/2007 dated April 20, 2007. The High Powered Advisory Committee, constituted by SEBI, considered the consent terms proposed by the applicant and after considering the period of prohibition on opening fresh demat accounts already undergone by the applicant till January 22, 2007, recommended the case for settlement. As per the terms of settlement, the applicant shall pay Rs.2,00,000(Rupees two lakh only) towards settlement charges. The said recommendations of HPAC were accepted by SEBI and communicated to the applicant vide letter dated July 7, 2009.
4. Accordingly, the applicant without admitting or denying the charges has remitted a sum of Rs.2,00,000(Rupees two lakh only) towards settlement charges vide pay order No.739007 dated July 13, 2009 drawn on HDFC Bank, payable at Mumbai.
5. In view of the above, it is hereby ordered that this consent order disposes of the enquiry proceedings 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 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 filed in this consent proceeding.

7. This consent order is passed on this day, the 29th. of July 2009 and shall come into force with immediate effect.

M. S. SAHOO
WHOLE TIME MEMBER

K. M. ABRAHAM
WHOLE TIME MEMBER