

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

**ON THE APPLICATION SUBMITTED BY
MOTILAL OSWAL SECURITIES LIMITED**

**IN THE MATTER OF
IPO IRREGULARITIES DURING 2003-2005**

(CONSENT APPLICATION NO. 1748/2010)

1. Securities and Exchange Board of India (SEBI) had conducted investigations in to the alleged irregularities in the shares issued through Initial Public Offerings (IPO) during the period 2003 - 2005. The investigations, *prima facie*, revealed that, Motilal Oswal Securities Limited (hereinafter referred to as the 'applicant'), a SEBI Registered Depository Participant (DP) of CDSL and NSDL (Registration No. – IN-DP-CDSL-09-99 and IN-DP-NSDL-152-2000), having its registered office at Palm Spring Centre, 2nd Floor, Palm Court Complex, Link Road, Malad (West), Mumbai 400064, had failed to exercise due diligence and did not adhere to the 'Know Your Clients' norms while opening 697 demat accounts with common addresses. It is therefore, alleged that the applicant had violated Section 12A of the SEBI Act, 1992, Regulations 3, 4 and 6 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulations 3 and 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and Regulations 42, 43, 46, 52 and 20A of the SEBI (Depositories and Participants) Regulations, 1996 and provisions of SEBI Disclosure and Investor Protection Guidelines, 2000.
2. Pursuant to the investigations, SEBI initiated enquiry proceedings under Regulation 6 of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 and the Enquiry Officer (EO) issued a Show

Cause Notice dated February 9, 2007. The applicant, vide its reply dated April 3, 2007, replied to the said Show Cause Notice. Thereafter, the EO vide report dated October 23, 2009 has found that the charges levelled against the applicant stood established and recommended that the Certificate of Registration granted to the applicant as DP of CDSL be suspended for a period of seven days in terms of Regulation 27(i) of the SEBI (Intermediaries) Regulations, 2008. Pursuant thereto, vide Show Cause Notice dated November 3, 2009, the applicant was called upon to show cause as to why appropriate penalty including penalty as recommended by the EO should not be imposed.

3. While the above proceedings were in progress, the applicant vide letter dated January 5, 2010 proposed settlement of the said proceedings through a consent order in terms of SEBI circular No. EFD/ED/Cir-1/2007 dated April 20, 2007. It proposed revised consent terms vide letter dated February 4, 2010. The High Powered Advisory Committee (HPAC), constituted by SEBI, recommended the case for settlement on payment of Rs 5,00,000 (Rupees five lakhs only) towards settlement charges. SEBI accepted the said recommendations and communicated the same to the applicant vide letter dated April 19, 2010.
4. Accordingly, the applicant, without admitting or denying the charges, has remitted a sum of Rs 5,00,000 (Rupees five lakhs only) towards settlement charges vide demand draft (Paylink Check) No. 845743 dated 22/04/2010 drawn on Citi Bank and payable in Mumbai and also vide its letter dated 09/02/2010 forwarded an undertaking to comply with clauses 1, 3, 4, 11 and 22 of Code of Conduct of Depository Participants as specified in the Third Schedule of SEBI (Depositories and Participants) Regulations, 1996 in future.
5. In view of the above, it is hereby ordered that this consent order disposes of the pending enquiry proceedings against the applicant in the matter of IPO Irregularities during 2003 - 2005.

6. This order is without prejudice to the right of SEBI to initiate enforcement actions, including 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.
7. A copy of this order shall be sent to the NSDL and CDSL of which the applicant is a DP for their information.
8. This consent order is passed on this day, the 6th of May 2010 and shall come into force with immediate effect.

K. M. ABRAHAM
WHOLE TIME MEMBER

PRASHANT SARAN
WHOLE TIME MEMBER