

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
SETTLEMENT ORDER NO. MC/DPS/2018-19/61

SETTLEMENT ORDER

On the Application No. 3595 of 2018

Submitted by M/s Edelweiss Securities Limited

In the matter of M/s Edelweiss Securities Limited

1. Securities and Exchange Board of India (hereinafter be referred to as, the “**SEBI**”) initiated adjudication proceedings against M/s Edelweiss Securities Limited (hereinafter referred to as, “**the Applicant**” / “**Noticee**”) for the alleged violation of SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993 and clause 3 of SEBI circular No. Cir/ ISD/1/2011 dated March 23, 2011, read with Clauses A(2) and A(5) of the code of conduct specified under schedule II read with Regulation 9(f) of the SEBI (Stock Brokers & Sub brokers) Regulations, 1992 (hereinafter referred to as ‘**Stock Brokers Regulations**’).
2. Mr. Suresh Gupta was appointed as Adjudicating Officer (**AO**) under Section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the “**SEBI Act**”) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as, “**Adjudication Rules**”), *vide* order dated November 30, 2016 to inquire into and adjudge under Section 15HB of SEBI Act, Section 23D and 23H of the Securities Contracts (Regulations) Act, 1956 (hereinafter referred to as ‘**SCRA**’), read with Regulation 26(xiii), (xv), (xvi) and (xx) of Stock Brokers Regulations, the alleged violations by the Noticee.
3. Subsequent to superannuation of Mr. Suresh Gupta, the undersigned was appointed as the Adjudicating Officer on May 23, 2018.

4. A Show Cause Notice Reference No. EAO/MC/DPS/17392/2018 dated June 18, 2018 (hereinafter be referred to as, the “**SCN**”) was issued to the Noticee, wherein it was alleged that, Noticee made proprietary fund pay in obligation from the client bank accounts thereby failing to segregate Client funds and own funds; Noticee mapped Own bank account instead of client bank account in the demat accounts wherein client securities are kept; did not use the word “Client” in the name of client bank accounts; and there were alleged lapses in the internal Control Measures for access to the Institutional Trading Desk Dealing Room operation. Thus Noticee was alleged to be in violation of SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993 and clause 3 of SEBI circular No. Cir/ ISD/1/2011 dated March 23, 2011, read with Clauses A(2) and A(5) of the code of conduct specified under schedule II read with Regulation 9(f) of the Stock Brokers Regulations.
5. Vide letter dated July 3, 2018, Noticee submitted in its reply that i) Noticee has discontinued its own account transactions in CD segment since December 2015 and for all the transactions getting executed for the clients, the appropriate client account is being used for funds pay-in; ii) Post inspection, Noticee had mapped the client bank account in the demat accounts where client securities are kept. The Noticee was granted an opportunity of personal hearing on July 26, 2018 which was attended by the Authorised Representatives of the Noticee (AR) – Kashmira Mathew, Sania Surve and Atul Bapna. AR of the Noticee reiterated the submissions made in its reply dated July 3, 2018, and sought leave to make some additional submissions within a week’s time. Vide letter dated August 2, 2018, Noticee submitted that its intention to apply for Settlement proceedings for the alleged violations.
6. The Noticee filed settlement application (Application No. 3595/2018) in terms of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (hereinafter be referred to as, the “**Settlement Regulations**”), received by SEBI on August 20, 2018.

7. Thereafter, the Noticee had a meeting with the Internal Committee of the SEBI (hereinafter be referred to as, the “**IC**”) on November 1, 2018 and proposed settlement terms.
8. The settlement terms as proposed by the Noticee / Applicant were considered by the IC and were placed before the High Powered Advisory Committee (hereinafter be referred to as, the “**HPAC**”) on December 19, 2018. After considering the facts / circumstances of the case, material brought before it and taking note that the Applicant is agreeable to pay the settlement amount calculated as per Settlement Regulations, the HPAC recommended that the case may be settled on payment of ₹35,31,537/- (Rupees Thirty Five Lakh Thirty One Thousand Five Hundred and Thirty Seven only) towards settlement terms as proposed by the Applicant.
9. The recommendation of the HPAC was approved by a Panel of the Whole Time Members of the SEBI on February 8, 2019 and the same was communicated to the Applicant on February 21, 2019. Thereafter, the Applicant submitted a Demand Draft bearing No. 099285 dated February 27, 2019, drawn on ICICI Bank for ₹35,31,537/- (Rupees Thirty Five Lakh Thirty One Thousand Five Hundred and Thirty Seven only) towards settlement of actions in the instant matter.
10. Now, in view of the acceptance of the settlement terms as proposed by the Noticee / Applicant and upon receipt of the aforesaid Demand Draft by SEBI, pending adjudication proceedings initiated against the Noticee under the aforesaid SCN dated June 18, 2018 are hereby disposed of in terms of Regulation 15(1) of Settlement Regulations, 2014, read with Regulations 23(1) and 34 of the SEBI (Settlement Proceedings) Regulations, 2018
11. This order is without prejudice to the rights of SEBI to take enforcement actions including restoring or initiating the proceedings in respect to which this settlement order was passed against the Applicant, if :

- i. any representations made by the Applicant in the present settlement proceedings are subsequently found to be untrue; or
- ii. the Applicant breaches any of the clauses / conditions of undertakings / waivers filed during the present settlement proceedings.

12. This settlement order passed on this 13th day of March 2019 shall come into force with immediate effect.

13. In terms of Regulation 17 of Settlement Regulations, 2014 read with Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this order is being sent to the Applicant / Noticee and for publication on the website of SEBI.

Date: March 13, 2019

Place: Mumbai

**MANINDER CHEEMA
ADJUDICATING OFFICER**