

**BEFORE THE SECURITIES EXCHANGE BOARD OF INDIA
MUMBAI**

CONSENT ORDER

**ON THE APPLICATION SUBMITTED BY
M/s. M.G. CAPITAL SERVICES LTD.**

**IN THE MATTER OF
ENQUIRY PROCEEDINGS AGAINST M/s. M.G. CAPITAL SERVICES LTD.**

(CONSENT APPLICATION NO. 514 OF 2008)

1. Securities Exchange Board of India (SEBI) had conducted an inspection of the books of accounts and other records of M/s. M.G. Capital Services Limited (hereinafter referred to as the applicant), a broker of NSE, for the period August 26, 2004 to September 07, 2004. The inspection, prima facie, revealed several deficiencies in maintenance of books of accounts, issue of contract notes, maintenance of client registration/agreement form, pro account trading, segregation of clients' funds from its own funds, payment of funds and delivery of securities to clients, maintenance of the unique client code, etc.
2. In view of the above findings, SEBI initiated enquiry proceedings under the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, alleging violation of provisions of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and various circulars issued by SEBI. Based on the enquiry report, a show cause notice dated August 12, 2004 was issued to the applicant. The applicant failed to reply to the show cause notice. An opportunity of personal hearing was granted to the applicant on December 18, 2007. The applicant, however, sought an adjournment of the hearing.
3. While further proceedings in the matter were in progress, the applicant, vide letter dated January 29, 2008, requested for settlement of the proceedings through a consent order. He revised the terms of consent vide letter dated June 4, 2008. The

High Powered Advisory Committee, constituted by SEBI, considered the terms proposed by the applicant and recommended the case for settlement. As per the terms of settlement, the applicant shall pay Rs. 3,35,000/- (Rupees three lakh thirty five thousand only) as settlement charges. SEBI accepted the said terms of settlement and communicated the same to the applicant vide letter dated August 20, 2008.

4. For the purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant to the finding of fact or conclusion of law, the applicant has remitted a sum of Rs. 3,35,000/- (Rupees three lakh thirty five thousand only) vide demand draft No. 042391 dated October 22, 2008 drawn on HDFC Bank Ltd, Mumbai towards the settlement charges.
5. In view of the above, it is hereby ordered that this consent order disposes of the said enquiry proceedings pending before SEBI against the applicant for the violations mentioned above.
6. This order is without prejudice to the right of SEBI to take enforcement actions, including commencing or reopening pending proceedings against the applicant, if:
 - i. any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue;
 - ii. the applicant breaches any of the clauses/conditions of undertakings/ waivers filed during this consent proceeding.
7. This consent order is passed on the 31st day of October, 2008 and shall come into force with immediate effect.

T. C. Nair
Whole Time Member

M. S. Sahoo
Whole Time Member