

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CONSENT ORDER

On the Application submitted by
M/s. Transworld Securities Limited
(PAN: AAAC3668E)

CO/MIRSD-NRO/1830-2010/AO/SRP/DL /202 /2011

1. The Securities and Exchange Board of India (SEBI) had initiated adjudication proceedings against M/s. Transworld Securities Limited – (hereinafter referred to as ‘**Noticee**’), member of the National Stock Exchange of India Ltd. (NSE), the Bombay Stock Exchange Ltd. (BSE) and a Depository participant of the National Securities Depository Ltd. (NSDL) having SEBI Registration Nos. INB230824438, INB010824432 and IN-DP-NSDL 32-2000 respectively, to inquire into and adjudge under sections 15 F and 15 HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as ‘**SEBI Act**’) and under sections 19A and 19G of the Depositories Act, 1996 (hereinafter referred to as ‘**Depositories Act**’), the violations alleged to have been committed by the Noticee as observed during its inspections conducted by SEBI in the month December 2006.
2. In respect of the stock broking operations of the Noticee, the inspections, *prima facie*, observed that it had not maintained exception report to check the cases of non-delivery of contract notes; the contract notes issued by it were not in the prescribed format; it did not appoint NCFM certified persons in some of its branch offices; it failed to exercise adequate due diligence in entering the details of the clients in Know Your Client (KYC) forms; it did not take adequate proof of identity and address of its clients while opening beneficiary accounts and also that some of its directors were acting as its

sub-brokers; etc. Further, in respect of its DP operations the inspections alleged that there were various discrepancies/deficiencies in the KYC forms; delay in submission of annual accounts and Networth certificate to NSDL; the register of nomination was not maintained properly; etc.

3. Therefore, it was alleged that the Noticee has violated the following provisions of law:

A. With respect to stock broking operations:

- i. Regulation 16(H) (3) of the SEBI(Stock brokers and sub-brokers) Regulations, 1992;
- ii. Regulation 15(A) of the SEBI(Stock brokers and sub-brokers) Regulations, 1992;
- iii. Clauses A (2) and A (5) of the code of conduct specified under schedule II read with regulation 7 of the SEBI(Stock brokers and sub-brokers) Regulations, 1992 read with NSE circular No. NSE/MEM/7992 dated October 10, 2006;
- iv. SEBI circular No. MRD/DoP/SE/Cir-20/2005 dated September 08, 2005.

B. With respect to DP operations:

- i. SEBI circular No. SMDRP/Policy/Cir-36/2000 dated August 04, 2000;
- ii. SEBI circular No. SEBI/MRD/Policy/AT/Cir-19/2004 dated April 12, 2004;
- iii. Clause 4 of the code of conduct specified under regulation 20(A) of the SEBI (Depositories and Participants) Regulations, 1996;
- iv. Clause 2(b) of the code of conduct specified under regulation 20(A) of the SEBI (Depositories and Participants) Regulations, 1996;
- v. Clause 13 of the code of conduct specified under regulation 20(A) of the SEBI (Depositories and Participants) Regulations, 1996;

and also violation of the following Rules/Bye Laws/circulars of NSDL:

- NSDL Rules 12.6.3.6 and 12.6.3.4
- NSDL Bye Laws 10.2.1 and 6.3.6
- NSDL circular No. NSDL/PI/2004/1622 dated September 07, 2004
- NSDL circular No. NSDL/PI/2005/1/051 dated June 15, 2005
- NSDL circular No. NSDL/PI/2000/2295 dated December 20, 2000
- NSDL circular No. NSDL/PI/2002/1346 dated August 12, 2002
- NSDL circular No. NSDL/PI/2000/1394 dated August 09, 2000
- NSDL circular No. NSDL/PI/2003/1/979 dated December 11, 2003

4. In the matter, earlier Shri Sandeep Deore, was appointed as Adjudicating Officer (**AO**) under section 15I of the SEBI Act and 19 H of the Depositories Act to inquire into and adjudge under sections 15F & 15HB of the SEBI Act and 19A & 19G of the Depositories Act, the aforesaid alleged violations. Consequently, Show Cause Notice No. Adj./1//Trans/2009/NRO/152723 dated February 03, 2009 was issued by the AO to the Noticee under rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as “**the Rules**”). Consequent upon transfer of Shri Sandeep Deore, Smt. Jyoti Jindgar was appointed as Adjudicating Officer under section 15I of the SEBI Act. Thereafter, on proceeding of Smt. Jyoti Jindgar on deputation to Competition Commission of India, the undersigned has been appointed as AO vide order dated March 15, 2011.
5. While the adjudication proceedings were in progress, the Noticee made an application dated January 20, 2011 along with an affidavit of “undertakings and waivers” in terms of SEBI Circular No. EFD/ Cir.-1/2007 dated 20th April, 2007 for settlement of the proceedings through Consent Order. Subsequently, the Noticee proposed revised consent terms vide letter dated February 14, 2011, without admitting or denying the guilt and subject to clauses of the undertakings and waivers, submitting that they were willing to pay a sum of ₹ 2,50,000/- (Rupees two lakh fifty thousand only) towards settlement charges in the matter.
6. The revised consent terms as proposed by the Noticee were placed before the High Powered Advisory Committee (hereinafter referred to as ‘**HPAC**’) on April 06, 2011 and HPAC after deliberation recommended the case for settlement on the aforesaid revised consent terms proposed by the Noticee. The recommendations of HPAC were subsequently placed before the panel of Whole Time Members of SEBI.

7. The acceptance of consent proposal was communicated to the Noticee by SEBI vide letter dated May 09, 2011. In pursuance of the aforesaid consent terms, the Noticee has remitted a sum of ₹ 2,50,000/- (Rupees two lakh fifty thousand only) vide demand draft No. 205240 dated May 18, 2011 drawn on ICICI Bank, Mumbai, towards the terms of consent in the matter.
8. In view of above, it is hereby ordered that:
- i) this consent order disposes of the said proceedings pending against the Noticee under SEBI Act,
 - ii) passing of this order is without prejudice to the rights of SEBI to take enforcement actions including commencing/ reopening of the pending proceedings against the Noticee, if SEBI finds that:
 - a. any representation made by the Noticee in the consent proceedings is subsequently discovered to be untrue;
 - b. the Noticee has breached any of the clauses/ conditions of undertakings/waivers filed during the current consent proceedings.
9. This consent order is passed on the 30th day of May 2011 and shall come into force with immediate effect.

**SATYA RANJAN PRASAD
ADJUDICATING OFFICER**