

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CO/ID-6/2493/2012/AO/PG/AA/EAD-05/29/2013

CONSENT ORDER

In respect of

M/s Citigroup Global Markets Mauritius Pvt. Ltd. (PAN: AAFCS3274C)

In the matter of Satyam Computer Services Ltd.

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted investigation pertaining to the issues relating to insider trading and dealings of investors in the shares of Satyam Computer Services Ltd. (hereinafter referred to as '**SCSL**') during the financial year 2008-09. The investigation revealed that M/s Citigroup Global Markets Mauritius Pvt. Ltd. (hereinafter referred to as '**Applicant**') as a Foreign Institutional Investor (FII) was holding 8203186 shares of SCSL as on September 30, 2008 and the said holding dropped to nil shares as on January 24, 2009.

2. The investigation further revealed that the transactions executed by the Applicant against the off-shore derivative instruments (ODIs) viz., Participatory Notes (PNs) issued by it were not off-setting in nature. The transactions pertaining to the PNs issued and redeemed/ expired/ squared off by the Applicant during the period of December 1, 2008 to January 10, 2009 were examined based on the information submitted by the Applicant. The same data was also obtained from FII & C Department of SEBI for the months of December 2008 and January

Consent Order in respect of M/s Citigroup Global Markets Mauritius Pvt. Ltd. in the matter of Satyam Computer Services Ltd.

Page 1 of 5

April 09, 2013

2009. While comparing the two sets of data, it was observed that 12 transactions were made for PNs (4 equity, 8 F & O) by the Applicant and 6 transactions in F & O segment had resulted in profits, totaling \$4.13mn. It was also found that all these 6 PNs which made significant profits were issued by the Applicant to the same entity viz., Helios Capital Management Pte Ltd. (HCMPL) from Singapore on behalf of the fund Helios Strategic Fund (HSF) which were not reported by the Applicant to SEBI.

3. As per SEBI FII & C Department Circular no. FITTC/CUST/14/2001 dated October 31, 2001, FIIs who have been issuing off-shore derivative instruments (ODIs) against underlying Indian securities are mandated to report issuance/renewal/cancellation/redemption of the aforesaid instruments to SEBI as per the prescribed format, which has a column under the heading 'Quantity and Value information on ODI' and 'Quantity and Value information on underlying Indian securities' in which the FII should provide inter alia, the details of the redeemed/cancelled quantity and value in addition to the outstanding quantity and value of the ODIs. The latest format to be used for reporting was provided vide Circular No IMD/CUST/15/2004 dated April 02, 2004.
4. Therefore, as a PN issuing FII, the Applicant was mandated to submit the ODIs report to FII & C Division of SEBI on a monthly basis. The investigation revealed that the Applicant had not reported certain PN transactions in its monthly reports to FII & C Department of SEBI for the months of December 2008 and January 2009. During the investigation, when the Applicant was asked to clarify and mention the reasons for the mismatch of its data with SEBI data, the Applicant

replied that off-setting intra month trades were not reported in ODI monthly report to FII & C Department of SEBI. It was thus alleged that the Applicant has not submitted the complete details of transactions in the specified format and therefore failed to comply with the reporting standards prescribed by SEBI vide Circular no. IMD/CUST/15/2004 dated April 2, 2004 issued under Regulation 20A of the FII Regulations. During the investigation, it was further found from the clarifications provided by the Applicant that it has been following the same policy since long time and hence the magnitude of the violation is much more.

5. Consequently, the undersigned was appointed as the Adjudicating Officer, vide Orders dated January 07, 2011 and April 08, 2011 under Section 15 I of Securities and Exchange Board of India Act, 1992 (hereinafter 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 the '**Adjudicating Rules**') to inquire into and adjudge under Section 15A (a) of the SEBI Act for the alleged non-compliance by the Applicant with reporting standards prescribed by Circular no. IMD/CUST/15/2004 dated April 02, 2004 issued under Regulation 20A of SEBI (Foreign Institutional Investors) Regulations, 1995 (hereinafter referred to as the '**FII Regulations**'). A Show Cause notice no. EAD-5/PG/DT/26340/2011 dated August 17, 2011 was issued to the applicant alleging that the applicant has not complied with the reporting standards prescribed by SEBI vide Circular no. IMD/CUST/15/2004 dated April 2, 2004 issued under Regulation 20A of the FII Regulations. Vide the said notice, the applicant was called upon to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the Adjudicating Rules and

penalty be not imposed under Section 15A (a) of the SEBI Act for the alleged contravention of the aforementioned circulars issued under FII Regulations.

6. While the adjudication proceedings were in progress, an application for Consent Order dated January 04, 2012 in respect of the aforesaid proceedings before SEBI was submitted by the applicant along with the Undertaking / Waivers in terms of SEBI Circular No. EFD/ Cir.-1/2007 dated 20th April, 2007. The authorised representative of the applicant, vide letter dated February 07, 2013 proposed ₹ 1,00,00,000/- (Rupees One Crore only) as revised consent terms.
7. The revised consent terms as proposed by the applicant were placed before the High Powered Advisory Committee (hereinafter referred to as '**HPAC**') on March 08, 2013. The HPAC, after considering the facts and circumstances of the matters under consent, consent terms offered by the applicant and the materials brought before it by SEBI, recommended that the aforesaid adjudication proceedings may be settled on payment of ₹ 1,00,00,000/- (Rupees One Crore only) towards settlement charges as proposed by the applicant. The Panel of Whole Time Members of SEBI approved the said recommendations of the HPAC and the same was communicated to the applicant vide email dated March 26, 2013. Accordingly, the applicant has remitted a sum of ₹ 1,00,00,000/- (Rupees One Crore only), vide Banker's Cheque no. 205671 dated April 03, 2013 drawn on CITIBANK towards the terms of consent in the matter.

8. In view of above, it is hereby ordered that this consent order disposes of the aforesaid adjudication proceedings initiated against M/s Citigroup Global Markets Mauritius Pvt. Ltd. vide Show Cause Notice no. EAD-5/PG/DT/26340/2011 dated August 17, 2011.
9. This order is without prejudice to the right of SEBI to take enforcement actions including commencing or reopening of the proceedings pending against the applicant, if :
- a. any representation made by the applicant in the consent proceedings is subsequently discovered to be untrue; or
 - b. the applicant breaches any of the clauses / conditions of undertakings / waivers filed during the current consent proceedings.
10. This consent order is passed on April 09, 2013 and shall come into force with immediate effect.
11. In terms of rule 6 of the Adjudication Rules, copies of this order are being sent to the applicant and to Securities and Exchange Board of India.

Date : April 09, 2013
Place : Mumbai

Piyoosh Gupta
Adjudicating Officer