

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

CONSENT ORDER

**ON THE APPLICATION SUBMITTED BY
M/s. PKC STOCK BROKING PVT LTD**

**IN THE MATTER OF
PKC STOCK BROKING PVT LTD**

CO/MIRSD-DPS 1/1453/AO/SD/03/2008

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had initiated adjudication proceedings against PKC Stock Broking Pvt Ltd (hereinafter referred to as 'noticee') to inquire into and adjudge under Section 15F(a) and 15HB of the SEBI Act, 1992 (hereinafter referred to as 'the said Act'), read with the provisions of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as the 'said Regulations'), their alleged violation of provisions viz., Regulations 26 (v), (xiii), (xiv), (xv), (xvi), (xix) of the said regulations read with SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993; SEBI Circular No. SMD/MDP/CIR/043/96 dated August 05, 1996; SEBI Circular No. SMD/Policy/IECG/1-97 dated February 11, 1997; SEBI Circular No. SMDRP/Policy/Cir-6/2001 dated February 1, 2001; SEBI Circular No. SMD/Policy/Cir-12/2002 dated May 17, 2002; SEBI Circular No. SMDRP/Policy/Cir-32/99 dated September 14, 1999; SEBI Circular No. SUBBROK/CIR/02/2001 dated January 15, 2001 and SEBI Circular No. SMDRP/Policy/Cir-49/2001 dated October 22, 2001, in the matter of having found certain deficiencies in issuance of contract notes under regulations 26 (v), (xv) and (xvi) of the said regulations read with SEBI Circulars No. SMD/SED/CIR/93/23321 dated November 18, 1993, SMD/MDP/CIR/043/96 dated August 05, 1996 and SMD/Policy/IECG/1-97 dated February 11, 1997, failure to segregate the clients' funds from own funds under regulation 26 (xiii) of the said regulations read with SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993, failure to collect upfront margin from the clients under regulations 26 (xv) and (xvi) of the said regulations read with SEBI Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993, SMDRP/Policy/Cir-6/2001 dated February 1, 2001 and SMD/Policy/Cir-12/2002 dated May 17, 2002, having indulged in off market transactions under regulations 26 (xv) and (xvi) of the

said regulations read with SEBI Circular No. SMDRP/Policy/Cir-32/99 dated September 14, 1999, having dealt with unregistered sub-brokers under regulation 26 (xiv) of the said regulations read with SEBI Circular No. SUBBROK/CIR/02/2001 dated January 15, 2001, granting 38 trading terminals to clients at unauthorized locations or unauthorized users, allotment of trading terminals at the office of other Calcutta Stock exchange brokers and also using of the brokers' own trading terminals by unauthorized persons under regulation 26 (xix) of the said regulations read with SEBI Circular No. SMDRP/Policy/Cir-49/2001 dated October 22, 2001, failure to frame an internal code of procedure and code for prevention of insider trading under regulations 26 (xv) and (xvi) of the said regulations and lastly, failure to exercise due diligence, skill and care under regulations 26 (xv) and (xvi) of the said regulations. The inspection of the books of accounts and other records maintained by the noticee was conducted by M/s. Patni & Co, Chartered Accountants on behalf of the SEBI during May 22, 2003 to July 10, 2003 for the period from April 1, 2001 to April 30, 2003 (hereinafter referred to as the 'said period'). On receipt of the inspection report the same has been communicated to the noticee for its comments vide letter dated July 23, 2003 to which the noticee replied vide its letter dated September 2, 2003. After considering the findings of the inspection report and the reply of the noticee, a show cause notice bearing no. A & E/GBR/60196/2006 dated February 14, 2006 was issued under Rule 4 of the SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 to the noticee, for the alleged violation of the abovementioned provisions of law by the noticee, noted at the time of inspection of the noticee's office carried out by SEBI for the said period.

2. Pending the adjudication proceedings, the noticee made an application dated January 14, 2008 and an affidavit of "Undertakings and Waivers" in the matter in terms of SEBI Circular No. EFD/ED/Cir-1/2007 dated 20th April, 2007 by proposing to pay Rs. 1, 00,000/- (Rupees One Lac only) towards consent terms in the present matter. However, the noticee vide its letter dated May 19, 2008 had offered to pay a sum of Rs.3,00,000/- (Rupees Three Lac only) towards settlement of the said adjudication proceedings. The terms as proposed by the noticee were placed before the High Powered Advisory Committee (HPAC) meeting held on July 15, 2008 and after considering the facts and circumstances of the case, consent terms offered by the noticee and material put forth before the HPAC by SEBI, the HPAC recommended that the case may be settled on payment of Rs. 3,00,000/- (Rupees Three Lac only).

3. In terms of the noticee's proposal for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the noticee to the finding of fact or conclusion of law, the noticee has remitted a sum of Rs. 3,00,000/- (Rupees Three Lac only), vide Demand Draft no. 007572 dated August 27, 2008 drawn on HDFC Bank Limited, Mumbai, towards the terms of consent in the matter.

4. In view of the above, it is hereby ordered that:

(a) this consent order disposes of the said adjudication proceedings pending against the noticee under the SEBI Act, 1992 in the matter of PKC Stock Broking Private Ltd, and

(b) passing of this order is without prejudice to the right of SEBI to take enforcement actions including commencing/reopening of the pending proceedings against the noticee, if SEBI finds that

- I. any representations made by the noticee in the consent proceedings are subsequently discovered to be untrue.
- II. the noticee has breached any of the clauses/conditions of undertakings/waivers filed during the current consent proceedings.

This consent order is passed on the 15th day of September, 2008 and shall come into force with immediate effect.

SANDEEP DEORE
ADJUDICATING OFFICER