

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

On the Application submitted by
K & A Securities Private Limited
(Presently known as Trustline Securities Ltd.)
(PAN: AAACK1251G)

CO/MIRSD-NRO/2042-2010/AO/SRP/DL/264/2012

1. The Securities and Exchange Board of India (**SEBI**) had initiated adjudication proceedings against K & A Securities Private Limited – member of NSE and BSE in cash as well as F&O segments, having SEBI Registration Nos. INB230753634, INB010753631, INF230753634 and INF010753631 respectively (hereinafter referred to as '**the Noticee**'), to inquire into and adjudge under sections 15 F(a), 15HA and 15 HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'), the alleged violation of the provisions of the SEBI Act, the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and certain SEBI circulars by the Noticee, as observed during the inspection of the books of accounts, records and other documents of the Noticee conducted by SEBI during March 3-6, 2009.
2. The inspections, *prima facie*, revealed that the Noticee was involved in several irregularities, viz. doing transactions involving receipt and payment of cash, non-segregation of funds between business account and client's account, non-issuance of contract notes, allowing clients to trade in spite of debit balance in their accounts, providing trading terminals to sub-brokers not registered as Authorized Person, providing trading terminals to its clients, margin funding without entering into agreement with clients,

accepting third party cheques from clients, dealing with unregistered sub-brokers, misleading investors by indulging into fraudulent and unfair trade practices, etc.

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

- Regulation 4(1) and 4(2) (k) of the SEBI ((Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003,
- Clauses A(1), A(2), A(3) and A(4) of the code of conduct for stock brokers as specified under schedule II read with regulation 7 of the of the SEBI (Stock brokers and sub-brokers) Regulations, 1992.
- Directions issued vide various SEBI circulars.

4. In the matter, the undersigned was appointed as Adjudicating Officer (**AO**) under section 15I of the SEBI Act to inquire into and adjudge under sections 15F (a), 15HA and 15HB of the SEBI Act, the aforesaid alleged violations committed by the Noticee. Consequently, Show Cause Notice No. EAD-1/SRP/RK/OW/5125/2012 dated May 14, 2010 was issued 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”**).

5. While the adjudication proceedings were in progress, the Noticee made an application dated June 24, 2010 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 June 15, 2011, without admitting or denying the guilt and subject to clauses of the undertakings and waivers, submitting that it is willing to pay a sum of ₹

12,00,000/- (Rupees twelve lakh 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 January 18, 2012 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 April 17, 2012. In pursuance of the aforesaid consent terms, the Noticee has remitted a sum of ₹ 12,00,000/- (Rupees twelve lakh only) vide demand draft No. 265316 dated April 23, 2012 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 27th day of April 2012 and shall come into force with immediate effect.

SATYA RANJAN PRASAD
ADJUDICATING OFFICER