
BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

IN SETTLEMENT APPLICATION NO. 7139/2023

FILED BY ARIHANT CAPITAL MARKETS LIMITED

Settlement Order No.: SO/EFD2/2023-24/7139

1. Securities and Exchange Board of India (hereinafter referred to as **“SEBI”**) initiated enquiry proceedings under section 12(3) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **“SEBI Act”**) read with Regulation 25 of SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as **“Intermediaries Regulations”**) against Arihant Capital Markets Ltd. (hereinafter referred to as **“noticee/ applicant”**) for alleged violation of Clause A(2) of Code of Conduct as specified in Schedule II of the Broker Regulations read with regulation 9(f) of the Broker Regulations and provisions of Clauses 1.2 and 1.3 of Code of Conduct as specified in Schedule III of the Intermediaries Regulations read with regulation 16 of the Intermediaries Regulations for failing to file suspicious transaction reports (hereinafter referred to as **“STRs”**) to Financial Intelligence Unit- India regarding certain discrepancies noted by the applicant in the Know Your Customer (hereinafter referred to as **“KYC”**) documents of its clients.
2. SEBI had conducted an investigation (for the period from September 14, 2009 to March 8, 2013) and found that shares of 14 companies were acquired in the names of 26 bogus and non-existing entities through transfer of stolen / counterfeit physical shares and subsequent demat of these shares in the accounts of these 26 bogus entities. The same was facilitated by Mr. Arvind Babulal Goyal and his associates. SEBI vide order dated March 16, 2021, *inter alia*, directed Mr. Arvind Babulal Goyal to disgorge the ill-gotten gains made by him of ₹2,22,91,898.75 and also debarred him and his associates from accessing securities market.
3. Mr. Dharmendra Harilal Bhokal and Mr. Ramesh Dwarkadas Daga were two of the clients (hereinafter referred to as **“the clients”**) of the noticee who had off-market dealings with the said 26 non-existing entities and had traded through the noticee. The said clients had received a total of 47,100 shares of Global Securities Ltd. (one of the 14 companies whose shares were fraudulently transferred and demated) and the same were sold in the market through the noticee. It was also noted that the trades of the said clients were not in parity with their declared annual income.
4. SEBI had appointed a Designated Authority (hereinafter referred to as **“the DA”**) to conduct an enquiry under Section 12 (3) of the SEBI Act, 1992 read with Regulation 27 of the Intermediaries Regulations (as applicable at the relevant time) and Regulation 27 of Broker Regulations relating to violations of provisions of Clause A(2) of Code of Conduct as specified in Schedule II of the Broker Regulations read with regulation 9(f) of the Broker Regulations and provisions of Clauses 1.2 and 1.3 of Code of Conduct as specified in Schedule III of the

Intermediaries Regulations read with regulation 16 of the Intermediaries Regulations, alleged to have been committed by the noticee.

5. The DA, after conducting the enquiry as prescribed under regulation 25 of the Intermediaries Regulations, vide report dated July 29, 2022 recommended that the certificate of registration of the noticee as a broker be suspended for a period of three months.
6. Pursuant to receipt of the said enquiry report, the Competent Authority of SEBI caused to forward a copy of the said report to the noticee by way of a post enquiry show cause notice dated October 06, 2022 (hereinafter referred to as **“the SCN”**) and advised the noticee to submit its reply within 21 days from the date of the receipt of the SCN.
7. The noticee proposed to settle the instant proceedings initiated against it, without admitting or denying the findings of facts and conclusions of law and filed a settlement application with SEBI bearing Settlement Application No. 7139/2023 in terms of the provisions of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as **“Settlement Regulations”**).
8. After attending a meeting with the Internal Committee of SEBI on February 9, 2023 in terms of the Settlement Regulations, noticee vide letter dated February 9, 2023, proposed revised settlement terms. The High Powered Advisory Committee (hereinafter referred to as **“HPAC”**) in its meeting held on February 22, 2023, considered the settlement terms proposed and recommended that the case may be settled upon payment of ₹17,50,000/- (Rupees Seventeen Lakh and Fifty Thousand Only) by the noticee as settlement amount towards the settlement terms.
9. The Panel of Whole Time Members of SEBI approved the said recommendation of the HPAC on March 9, 2023 and the same was communicated by SEBI to applicant on March 16, 2023. Subsequently, the applicant vide email dated April 13, 2023 informed about the remittance of the settlement amount, the receipt of which is confirmed.
10. Therefore, in view of the acceptance of the settlement terms and the receipt of settlement amount as above by SEBI, the instant proceedings initiated against noticee vide SCN dated October 06, 2022 are disposed of in terms of section 15JB of the SEBI Act read with regulation 23(1) of the Settlement Regulations on the basis of the settlement terms.
11. This order is without prejudice to the right of SEBI to take enforcement actions, in terms of regulation 28 of the Settlement Regulations, including restoring or initiating the proceedings in respect to which the settlement order was passed against the applicant, if:
 - a) it comes to the notice of the Board that the applicant has not made full and true disclosure; or
 - b) applicant has violated the undertakings or waivers.

12. This settlement order is passed on this day of April 26, 2023 and shall come into force with immediate effect.
13. In terms of regulation 25 of the Settlement Regulations, copies of this order are being sent to the applicant viz. M/s Arihant Capital Markets Ltd. and also to SEBI.

Sd/-

DATE: APRIL 26, 2023

ANAND R. BAIWAR

PLACE: MUMBAI

EXECUTIVE DIRECTOR