

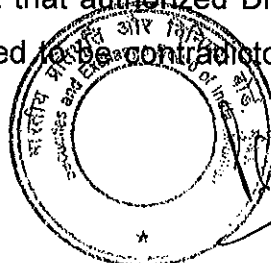
**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA****CONSENT ORDER**

On the Application No. 2403 of 2011 submitted by

**GSB SECURITIES PVT. LTD.**

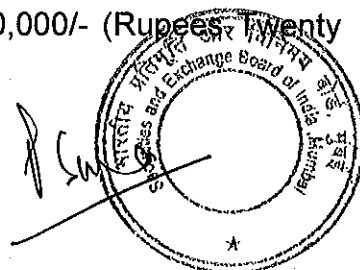
(PAN : AAACG9905H)

1. GSB Securities Pvt. Ltd. (hereinafter referred to as '**the applicant**') having its registered office at 78/80, Alli Chambers, Tamarind Lane, Fort, Mumbai-400001 had filed an application, vide its letter dated August 25, 2011 in terms of the SEBI Circular No. EFD/ED/Cir-1/2007 dated April 20, 2007, proposing to settle, through a consent order, the show cause notice dated June 24, 2011 (hereinafter referred to as '**SCN**') which had been issued by the Designated Authority in the enquiry proceedings initiated against it for the contravention of the provisions of Section 12 (1) of the SEBI Act, 1992, Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993, Clauses A(1) and A(2) of the Code of Conduct for stock brokers as specified in Schedule II read with Regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as '**Broker Regulations**') and SEBI Circular No. SEBI/MRD/SE/SU/Cir 15/04 dated March 19, 2004.
2. Investigation proceedings were initiated into the trading activities of two clients; Praveen Daga HUF and Chitra Vishwanath. The findings inter alia revealed that the applicant registered as a stock broker was found to have acted as an unregistered Portfolio Manager on their behalf. It was noted that during the period of investigation, the applicant had claimed that one Shri Dhiren Shah (herein after referred to as '**Dhiren**') was placing orders on behalf of both these clients but when asked to provide the authorization letters submitted by the two clients authorizing Dhiren to trade on behalf of them, the applicant had submitted a letter written by Praveen Daga that authorized Dhiren to trade on behalf of Praveen Daga HUF. This appeared to be contradictory to the finding



in the investigation report which noted the submission of Dhiren never having seen Praveen, nor spoken to him nor traded on his behalf. It was also observed that Dhiren had stated under oath that the authorization letter was prepared after SEBI started the investigation and that Praveen Daga was unable to produce any documentary evidence to prove that Dhiren had accepted to deal on behalf of Praveen through the applicant. In respect of Chitra Vishwanath, the investigation report observed that the applicant had claimed during investigation that the authorization letter was attached with the client agreement when in fact, no such authorization letter was found with the client agreement of Chitra Vishwanath. When asked to submit the same, the Director of the applicant was unable to do so. During Chitra Vishwanath's statement recorded by SEBI, she was observed to have submitted that it was the applicant who was taking decisions to buy / sell and placing orders. In view of the same, enquiry proceedings were initiated against the applicant for the violation of the earlier mentioned provisions of the Brokers Regulations and circular dated March 19, 2004.

3. The representatives of the applicant had a meeting with the Internal Committee of SEBI whereafter the applicant vide its letter dated February 27, 2012 proposed the revised consent terms to settle the aforesaid Enquiry Proceedings by offering to pay a sum of Rs. 28,00,000/- (Rupees Twenty Eight Lakhs only) towards settlement charges .
4. The High Powered Advisory Committee (HPAC), considered the consent terms proposed by the applicant and recommended the case for settlement on payment of Rs. 28,00,000/- (Rupees Twenty Eight Lakhs only) towards settlement charges. The panel of Whole Time Members of SEBI had accepted the said recommendations of the HPAC and the same was communicated to the applicant vide letter dated September 04, 2012.
5. Accordingly, the applicant, without admitting or denying the charges, has, vide demand draft no. 272625 dated September 14, 2012 drawn on Bank of India and payable at Mumbai, remitted a sum of Rs. 28,00,000/- (Rupees Twenty Eight Lakhs only) towards the settlement charges.



6. In view of the above, the aforesaid Enquiry proceedings initiated against the applicant for the non-compliances of the provisions of Section 12 (1) of SEBI Act, 1992, Regulation 3 of SEBI (Portfolio Managers) Regulations, 1993, Clauses A(1) and A(2) of the Code of Conduct for stock brokers as specified in Schedule II read with Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 and SEBI Circular No. SEBI/MRD/SE/SU/Cir 15/04 dated March 19, 2004, stand settled and SEBI shall not initiate any enforcement action against the applicant for the same.
7. This order is without prejudice to the right of SEBI to initiate enforcement actions against the applicant for the abovementioned delay in compliance, if:
- a. any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue; or
  - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
8. This consent order is passed on this the 31<sup>st</sup> day of OCT, 2012 and shall come into force with immediate effect.

  
**RAJEEV KUMAR AGARWAL**  
**WHOLE TIME MEMBER**



  
**PRASHANT SARAN**  
**WHOLE TIME MEMBER**