

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

KHANDWALA SECURITIES LTD.

STOCK BROKER, NSE (INB010600030),
TRADING MEMBER, F&O SEGMENT, NSE (INF230600030),
STOCK BROKER, BSE (INB230600030),
CATEGORY I MERCHANT BANKER (INM0000001899) AND
PORTFOLIO MANAGER (INP000000340)

IN THE MATTER OF DSQ SOFTWARE LIMITED

(CONSENT APPLICATION NO. 149 OF 2007)

1. Securities and Exchange Board of India (SEBI) had conducted investigations into the alleged irregular trading in the shares of DSQ Software Limited (DSQS) during October 1999–March 2001. The investigations, *prima facie*, revealed that Khandwala Securities Ltd.(PAN– AAACK2214P), a stock broker in Bombay Stock Exchange and National Stock Exchange of India Ltd., a trading member in derivative segment of National Stock Exchange of India Ltd., a SEBI registered Merchant Banker and Portfolio Manager (hereinafter referred to as the ‘applicant’) had violated Regulation 4 (b), (c), and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and clauses A (2) to A (4) of the code of conduct as specified in schedule II of regulation 7 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

2. Pursuant to the investigations, an Enquiry Officer was appointed vide order dated August 4, 2003 in respect of dealings in DSQ Software Ltd. The Enquiry Officer after conducting the enquiry in accordance with the SEBI (Procedure for

Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 has submitted a report on October 30, 2004 and recommended suspension of certificate of registration of the applicant for a period of four months.

3. While the above proceedings were in progress, the applicant, vide letter dated September 11, 2007 proposed settlement of the said proceedings through a consent order in terms of SEBI Circular No. EFD/ED/Cir-1/2007 dated April 20, 2007. The High Powered Advisory Committee constituted by SEBI considered the consent terms proposed by the applicant and recommended the case for settlement. Accordingly, the applicant shall pay Rs. 40,00,000/- (Rupees Forty Lakh only) towards settlement charges. SEBI accepted the said recommendations and communicated the same to the applicant vide letter dated August 26, 2009.

4. Accordingly, the applicant, without admitting or denying the charges, has remitted a sum of Rs. 40,00,000/- (Rupees Forty Lakh only) towards settlement charges vide pay order No.252195 dated September 2, 2009 drawn on HDFC Bank, payable at Mumbai.

5. In view of the above, it is hereby ordered that this consent order disposes of the said enquiry proceedings pending against the applicant in the matters of DSQ Software Limited.

6. This order is without prejudice to the right of SEBI to initiate enforcement actions, including commencing or reopening of the proceedings pending against the applicant, 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.

7. A copy of this order shall be sent on National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. in which the applicant is a stock broker.

8. This consent order is passed on this day, the 15th of September, 2009 and shall come into force with immediate effect.

M. S. SAHOO
WHOLE TIME MEMBER

K. M. ABRAHAM
WHOLE TIME MEMBER