

## Order in the matter of M/s. Wellworth Share And Stock Broking Ltd

Jul 23, 2008 | Orders : Settlement Order

CO/ISD/1448/23/2008

### BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

#### CONSENT ORDER ON THE APPLICATION SUBMITTED BY M/s.WELLWORTH SHARE AND STOCK BROKING LTD. IN THE MATTER OF IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

1. As a part of on going surveillance activity by SEBI into the various aspects of working of securities market, SEBI had initiated a probe and advised Bombay Stock Exchange (for short "BSE") and National Stock Exchange (for short "NSE") to look into the dealings in the shares issued through Initial Public Offerings (IPOs) before the shares are listed on the Stock Exchange. Accordingly, SEBI appointed an Investigating Authority under Section 11C of the SEBI Act. The Investigating Authority thereafter, carried out a detailed investigation by calling for data from various entities such as DPs, Banks, the Depositories and the Registrars to the Issues etc. During the investigation, it was found that large numbers of multiple dematerialized accounts with common addresses were opened in the name of benami or fictitious entities and/or persons by a few operators who played major role in cornering the shares meant for retail investors. These operators were being funded during the IPO process by certain financiers who provided money to the operators for making IPO applications in fictitious/benami names. The financiers received the IPO shares from operators before the listing date. On noticing the irregularities and the widespread abuse, SEBI had passed an ad interim ex parte Order dated April 27, 2006 directing the entities/ persons who were alleged to have been responsible for the irregularities not to buy, sell or deal in securities market including in IPO's, directly or indirectly, till further directions. Vide the said Order, SEBI directed the applicant not to open fresh demat accounts till further directions for having failed to adhere to KYC norms.
2. Further, proceedings under Section 11 of the Securities and Exchange Board of India Act, 1992 and Enquiry proceedings were initiated against the applicant. Vide Order dated January 17, 2007 directions in the Order dated April 27, 2006 were revoked against the applicant pending enquiry. The Enquiry Officer issued a show cause notice against the applicant on January 23, 2007. The said proceedings are pending against the applicant.
3. In the meanwhile, the applicant vide letter dated January 17, 2008 proposed settling of the pending proceedings through a consent order. Consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) and the HPAC after considering the period of prohibition in opening fresh demat accounts for a period of about nine months undergone by the applicant, recommended the case for settlement on the following terms i.e. the applicant shall pay Rs. 50,000/- (Rupees Fifty Thousand only). The said recommendation was communicated to the applicant vide letter dated July 4, 2008.
4. In terms of the applicant's proposal, for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant to the finding of fact or conclusion of law, the applicant has remitted a sum of Rs.50,000/- (Rupees Fifty Thousand only) vide Demand Draft No.036333 dated July 5, 2008 drawn on Bank of India, Mumbai towards the terms of the consent in the matter.
5. In view of the above it is hereby ordered that:
  - i) this consent order disposes of the show cause notice of Enquiry Officer No.A&E/BS/85008/2007 dated January 23, 2007 in the matter of IPO irregularities as against applicant.
  - ii) passing of this order by SEBI is without prejudice to the right of SEBI to take enforcement action including commencing / reopening of the pending proceedings against applicant, if SEBI finds that ;
    - a. any representations made by the applicant in the consent proceedings are subsequently discovered to be untrue.
    - b. the applicant has breached any of the clauses / conditions of undertakings/waivers filed during the current consent proceedings.
6. This consent order is passed on this the 23<sup>rd</sup> day of July 2008 and shall come into force with immediate effect.

**C. B. Bhav**  
Chairman

**T.C.Nair**  
Whole Time Member

