

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**SETTLEMENT ORDER**  
(Application No. 3088/ 2016)

On the application submitted by  
**Master Capital Services Limited**  
**Settlement Order No: CO/SBM/EAD-3/05/2017**

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1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**'), vide communiqué dated March 09, 2015 initiated adjudication proceedings against Master Capital Services Limited (hereinafter referred to as "**the applicant**") to inquire into and adjudge under the provisions of Sections 15 A(c) and 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') and Regulation 26(xv) and 26(xvi) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as '**Stock Broker Regulations**') for the violations allegedly committed by the applicant of the provisions of Regulation 9(e) and Clauses A(2) and A(5) of the Code of Conduct for Stock-brokers as stipulated in Schedule II read with Regulation 9(f) of the Stock Broker Regulations and also the Circulars issued by SEBI viz MRD/DoP/SE/Cir-20/2005 dated September 08, 2005 and MIRSD/SE/Cir-19/2009 dated December 03, 2009.
2. In this regard, pursuant to initiation of adjudication proceedings against the applicant, a Show Cause Notice ref. A&E/EAD3/SBM-VB/5587/2016 dated February 26, 2016 (hereinafter referred to as '**SCN**') was issued to the applicant. It was alleged in the SCN that the applicant, in its capacity as a stock broker, failed to comply with the abovementioned provisions of the Stock Brokers Regulations and the Circulars. .

3. SEBI had conducted an inspection of the applicant to examine whether adequate steps are taken by the applicant in the matter of redressal of investor grievances and availability of adequate infrastructure for the same for the period April 01, 2013 to August 14, 2014 (hereinafter referred to as “**inspection period**”) with specific focus on the complaint of Shri Madan Mohan Sharma. Certain violations were observed to have been committed by the applicant.
4. It was alleged in the SCN issued to the applicant that:
  - the applicant had taken more than a month to take necessary steps to redress or resolve the three complaints out of the total 127 complaints received by it during the inspection period and, thus, violated Regulation 9(e) and 26(xv) of the Stock Brokers Regulations.
  - There were a total of 6,079 active clients till date where new email ID were not obtained / taken by the applicant from the clients despite SEBI Circulars / instructions. The applicant also failed to provide the details of authorization given by Mr Madan Mohan Sharma to receive the Electronic Contract Notes (ECNs) instead of the physical contract notes and any document to ascertain/update his financial status. Further, the applicant had also not maintained copy / records of its bank details.
  - Thus, it was alleged that the applicant had failed to comply with the provisions of SEBI Circular MRD/DoP/SE/Cir-20/2005 dated 08.09.2005 and SEBI Circular MIRSD/SE/CIR-19/2009 dated 03.12.2009.
  - In light of all the above observations, it was also alleged that the applicant had not exercised due skill, care and diligence expected of a stock broker and as required in terms of the provisions of Clauses A(2) and A(5) of the Code of Conduct prescribed for Stock-brokers as stipulated in Schedule II read with Regulation 9(f) of the

Stock Brokers Regulations. Further, the applicant had also allegedly violated the provisions of Regulations 26 (xv) and (xvi) of the Stock Brokers Regulations.

5. Pending Adjudication Proceedings, the applicant submitted a Consent Application no. 3088/2016, which was received by SEBI on April 25, 2016 along with an undertaking in the format prescribed by SEBI for settlement in the matter in terms of Regulations 3(1) and 3(2) of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (hereinafter referred to as "**Settlement Regulations**").
6. Pursuant to the above mentioned Consent Application made by the applicant, the Authorized Representatives on behalf of the applicant, attended a meeting with the Internal Committee on Consent (hereinafter referred to as '**IC**') on February 02, 2017. During the aforesaid meeting, the settlement terms of Rs. 7,65,000/- (Rupees Seven Lakh Sixty five Thousand Only) calculated as per the Settlement Regulations were communicated to the authorised representatives of the applicant. The applicant vide its letter dated February 02, 2017 proposed payment of Rs.. 7,65,000/- (Rupees Seven Lakh Sixty five Thousand Only) towards full and final settlement of all regulatory, civil or criminal proceedings in relation to the facts contained in the SCN without admitting or denying any violation on the part of the applicant.
7. The settlement terms were placed before the High Powered Advisory Committee (hereinafter referred to as '**HPAC**') on March 27, 2017, and the HPAC considered the facts and circumstances of the case, the proposed settlement terms offered by the applicant and other material brought before the Committee by SEBI. The HPAC, however, sought the status of compliance from the applicant in obtaining new Email IDs from its 6079 active clients. As the information was not readily available with the applicant, the settlement application was deferred.

8. The settlement terms were again placed before the HPAC on July 05, 2017, along with the desired information sought by HPAC. The HPAC, after considering the facts and circumstances of the case, settlement terms offered by the applicant and also the materials made available before it by SEBI, recommended that the aforesaid adjudication proceedings initiated against the applicant may be settled on payment of Rs. 7,65,000/- (Rupees Seven Lakh Sixty five Thousand Only) towards the settlement terms. The Panel of Whole Time Members of SEBI approved the said recommendation of HPAC on August 16, 2017 and the same was communicated to the applicant vide letter dated August 16, 2017.
9. The applicant vide letter dated August 21, 2017 has remitted a sum of Rs. 7,65,000/- (Rupees Seven Lakh Sixty five Thousand Only) towards the settlement charges through Demand Draft No. 103092 dated August 21, 2017 drawn on HDFC Bank Ltd.
10. In view of the above, in terms of Regulation 15(1) of the Settlement Regulations, 2014, it is hereby ordered that this settlement order disposes of the aforesaid adjudication proceedings initiated against the applicant viz. Master Capital Services Limited. vide SCN ref. A&E/EAD3/SBM-VB/5587/2016 dated February 26, 2016.
11. This order is without prejudice to the right of SEBI to take enforcement actions including restoring or initiating the proceedings in respect to which the settlement order was passed against the applicant, if :
  - a. any representations made by the applicant in the settlement proceedings is subsequently found to be untrue; or
  - b. the applicant breaches any of the clauses /conditions of the undertakings / waivers filed during the current settlement proceedings.

12. This settlement order is passed on the **6<sup>th</sup> day of September , 2017** and shall come into force with immediate effect.
13. In terms of Regulation 17 of the Settlement Regulations, 2014, copies of this order are being sent to the applicant viz. Master Capital Services Limited and also to the Securities and Exchange Board of India.

**Place: Mumbai**  
**Date: September 6, 2017**

**SURESH B. MENON**  
**ADJUDICATING OFFICER**