

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA,**

**MUMBAI**

**CONSENT ORDER**

**ON THE APPLICATION SUBMITTED BY**

**HIMANSHU P. CHOLIYA**

**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.

2. The applicant was identified as a financier in the order. The applicant had been observed to have made a notional undue gain of Rs.14,498/- by allegedly committing irregularities in the IPO process. Proceedings under Section 11 of the Securities and Exchange Board of India Act, 1992 and adjudication were initiated against the applicant. The Adjudicating Officer issued a show cause notice against the applicant on June 16, 2006. The said proceedings are pending against the applicant.

3. In the meanwhile, the applicant vide letter dated January 30, 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 buying, selling and dealing securities undergone by the applicant from April 27, 2006, recommended the case for settlement. As per the terms of settlement, the applicant shall pay Rs. 14,498/-(Rupees Fourteen

Thousand Four Hundred and Ninety Eight only) being the notional undue gain which is to be disgorged from the applicant and Rs.2, 500/- (Rupees Two Thousand Five Hundred only) as settlement charges. The said terms of settlement were 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.16, 998/- (Rupees Sixteen Thousand Nine Hundred and Ninety Eight only) vide Demand Draft No.509719 dated July 8, 2008 drawn on Kotak Mahindra Bank, 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 directions in the Ex parte ad interim Order dated April 27, 2006 passed by SEBI to the extent such directions are against the applicant in the matter of investigations in IPO irregularities and

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 the 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 <sup>22nd</sup> day of July 2008 and shall come into force with immediate effect.

7. The Adjudicating Officer will pass separate orders disposing of the adjudication proceedings.

**C. B. Bhawe**

**Chairman**

**T.C.Nair**

**Whole Time Member**