

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CONSENT ORDER

On the Application submitted by
M/s Vertex Securities Ltd. (formerly Transwarranty Capital Pvt. Ltd.)
CO/MIRSD-3/2258/PB/AO-81/2011

1. M/s Vertex Securities Ltd.(formerly Transwarranty Capital Pvt. Ltd.) (hereinafter referred to as “**VSL/Noticee**”) vide letter dated March 30, 2010 informed Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) that Transwarranty Capital Pvt. Ltd., Merchant Banker bearing Registration No. INM000010965 had amalgamated with VSL with effect from April 01, 2009, pursuant to the scheme of amalgamation approved by the Hon’ble High Court of Bombay vide order dated December 18, 2009 and Hon’ble High Court of Kerala vide order dated February 23, 2010.
2. It was alleged by SEBI that VSL was granted registration subject to the conditions stipulated in regulation 9A of Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 (hereinafter refer to as “**MB Regulations**”). One of the conditions given in regulation 9A provides that where the merchant banker proposes to change its status or constitution, it shall obtain prior approval of SEBI for continuing to act as such after the change. Pursuant to the order dated December 18, 2009 of the Hon’ble High Court of Bombay and order dated February 23, 2010 of the Hon’ble High Court of Kerala, Transwarranty Capital Pvt. Ltd. amalgamated with VSL. Amalgamation of Transwarranty Capital Pvt. Ltd. with VSL resulted in change in status and constitution. Therefore, VSL should have taken prior approval of SEBI before amalgamation of Transwarranty Capital Pvt. Ltd. with VSL. However, VSL had vide letter dated March 30, 2010, merely

intimated SEBI of the amalgamation of Transwarranty Capital Pvt. Ltd. with VSL.

3. Therefore, adjudication proceedings were initiated against VSL to enquire into and adjudge under Section 15 HB of the SEBI Act 1992 for having failed to obtain prior approval from SEBI before amalgamation of Transwarranty Capital Pvt. Ltd. with VSL, in violation of regulation 9A (1) (a) of MB Regulations. Consequently, the undersigned issued a show cause notice No. EAD-7/PB/SS/1907/2011 dated January 17, 2011 (hereinafter referred to as SCN) under rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995.
4. While the adjudication proceedings were pending, the Noticee made an application dated March 14, 2011 and an affidavit of “undertakings and waivers” in terms of SEBI Circular No. EFD/ Cir.-1/2007 dated April 20, 2007 for Consent Order in respect of the aforesaid SCN before SEBI.
5. Subsequently, the Noticee proposed revised consent terms, without admitting or denying the guilt and subject to clauses of the undertakings and waivers, submitting that they were willing to pay a sum of ₹ 3,00,000/- (Rupees Three Lakh only) towards consent terms. The terms as proposed by the Noticee was placed before the High Powered Advisory Committee (hereinafter referred to as ‘**HPAC**’) on July 21, 2011. The HPAC considered the facts and circumstances of the case, consent terms offered by the Noticee and the material brought before it by SEBI and recommended that the case may be settled on payment of ₹ 3,00,000/- (Rupees Three Lakh only) towards settlement charges. The recommendations of HPAC were approved by the Chairman and WTM.

6. The acceptance of consent proposal was communicated to the Noticee by SEBI vide letter dated August 24, 2011. In pursuance of the aforesaid consent terms, the Noticee has remitted a sum of ₹ 3,00,000/- (Rupees Three Lakh only), vide Demand Draft No. 008793 dated August 26, 2011 drawn on ICICI Bank Limited, Nariman Bhavan, Mumbai, towards the terms of consent in the matter.
7. In view of above, it is hereby ordered that,
- i) This consent order disposes of the said proceedings pending against the Noticee under Securities and Exchange Board of India Act, 1992, and
 - ii) Passing of this order is without prejudice to the right of SEBI to take enforcement actions including commencing / reopening of the pending proceedings against the Noticee, if SEBI finds that
 - a. any representation made by the Noticee in the consent proceedings is subsequently discovered to be untrue.
 - b. the Noticee has breached any of the clauses / conditions of undertakings / waivers filed during the current consent proceedings.
8. This consent order is passed on September 06, 2011 and shall come into force with immediate effect.
9. In terms of rule 6 of SEBI (Procedure for Holding Inquiry and Imposing Penalty by Adjudicating Officer) Rules, 1995, copies of this order are sent to the Noticee and also to SEBI.

Parag Basu
Adjudicating Officer