

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

**On the Application submitted by:**

- (a) HDFC Trustee Co. Ltd. and HDFC Asset Management Co. Ltd.
- (b) Shri. Milind Barve, Managing Director/Chief Executive Officer, HDFC Asset Management Co. Ltd.

**In the matter of:**

**Trading activities of Rajiv R. Sanghvi and Chandrakant P. Mehta**

***CO/ID-6 /AO/BM/130-132 /2011***

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1. The Securities and Exchange Board of India (SEBI) had initiated adjudication proceedings against HDFC Trustee Co. Ltd. and Shri. Milind Barve, Managing Director/Chief Executive Officer of HDFC Asset Management Co. Ltd. to inquire into and adjudge under section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'); and HDFC Asset Management Co. Ltd. under section 15E of SEBI Act for the alleged violation/contravention of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**'), SEBI (Mutual Funds) Regulations, 1996 (hereinafter referred to as '**Mutual Fund Regulations**'), SEBI (Portfolio Managers) Regulations, 1993 (hereinafter referred to as '**Portfolio Managers Regulations**'), SEBI (Stock Broker and Sub-broker) Regulations, 1992 (hereinafter referred to as '**Brokers Regulations**') and Clause IV (Operations Risks) in Operating Manual for Risk Management for Indian Mutual Funds, Annexure to Circular No. MFD/CIR/15/19133/2002 dated September 30, 2002. HDFC Asset Management Co. Ltd., HDFC Trustee Co. Ltd. and Shri. Milind Barve, Managing Director/Chief Executive Officer of HDFC Asset Management Co. Ltd. are hereinafter collectively referred to as '**Noticee**'.
2. It was alleged that HDFC Asset Management Co. Ltd. failed in its obligation with respect to the alleged acts of front running committed by its employees and thereby violated in terms of Regulation 25(3), 25(16) read with para 8 & 9 of the fifth Schedule (Code of Conduct) of

the Mutual Fund Regulations and para 1, 3, 4, 9(c), 10(1)(c) and 10(2) of Code of Conduct of Portfolio Managers of Schedule II read with Regulations 13 of Portfolio Managers Regulations. It was further alleged that HDFC Trustee Co. Ltd. failed in its obligation of certification to the effect that there have been no instances of front running by any of its key persons and thereby violated Regulation 18(9), 18(22), 18(23)(b), 25(16) read with para 8 & 9 of fifth Schedule (Code of Conduct), 18(25)(A)(vi) of Mutual Fund Regulations. It was also alleged that Shri. Milind Barve, in his dealing capacity as CEO of HDFC Asset Management Co. Ltd. failed in his responsibility for the overall risk management function of HDFC Asset Management Co. Ltd and thus violated Regulation 25(6A) of Mutual Fund Regulations & Clause IV (Operations Risks) in Operating Manual for Risk Management for Indian Mutual Funds, Annexure to Circular No. MFD/CIR/15/19133/2002 dated September 30, 2002.

3. The undersigned was appointed as Adjudicating Officer (**AO**) under section 15 I of the SEBI Act to inquire into and adjudge under Sections 15E and 15HB of the SEBI Act for the aforesaid alleged violations.
4. While the proceedings were in progress, the Noticee made an application dated October 8, 2010 and April 25, 2011 respectively, along with an affidavit of “undertakings and waivers” in terms of SEBI Circular No EFD/Cir-1/2007 dated 20<sup>th</sup> April, 2007 for Consent Order in respect of the aforesaid alleged violations before SEBI. Subsequently, vide its letter dated May 2, 2011 HDFC Asset Management Co. Ltd. proposed consent terms of ₹ 20,00,000/- (Rupees Twenty Lakh only), HDFC Trustee Co. Ltd. proposed consent terms of ₹ 20,00,000/- (Rupees Twenty Lakh only) and Shri. Milind Barve proposed consent terms of ₹ 15,00,000/- (Rupees Fifteen Lakh only) towards settlement charges in respect of the aforesaid proceedings before SEBI.
5. The terms as proposed by the Noticee were placed before the High Powered Advisory Committee (hereinafter referred to as ‘**HPAC**’) on June 14, 2011. The HPAC after deliberation recommended that the case may be settled on the aforesaid consent terms proposed by the Noticee. The recommendations of HPAC were subsequently placed before

the panel of Whole Time Members of SEBI. Thereafter, SEBI vide letter dated July 5, 2011 conveyed the recommendations of the HPAC to the applicant and advised the applicant to pay in accordance with consent terms.

6. In terms of the proposal of the Noticee, for the sole purpose of settling the matter on hand, without admitting or denying the guilt on the part of the Noticee to the finding of fact or conclusion of law, the Noticee has remitted a sum of ₹ 20,00,000/- (Rupees Twenty Lakh only) vide demand draft No. 870847 dated July 14, 2011, ₹ 20,00,000/- (Rupees Twenty Lakh only) vide demand draft No. 870848 dated July 14, 2011 and ₹ 15,00,000/- (Rupees fifteen Lakh only) vide demand draft No. 870846 dated July 14, 2011 respectively, drawn on HDFC Bank, Fort, 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 SEBI Act.
  - ii) passing of this order is without prejudice to the rights 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 30, 2011.

**Adjudicating Officer**

**Place: Mumbai**

**Barnali Mukherjee**