

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

M/s. SHILPA STOCK BROKER PVT LTD.

IN THE MATTER OF

**DEALINGS IN FUTURES AND OPTIONS CONTRACTS
(CONSENT APPLICATION No. 271/2007)**

1. Securities and Exchange Board of India (SEBI) had conducted investigations into the alleged irregularities in dealings in futures and options in the F&O segment of the National Stock Exchange of India Limited (NSE) for the period January - March 2007. The investigations, *prima facie*, revealed Shilpa Stock Broker Pvt. Ltd., trading member of NSE, (hereinafter referred to as 'applicant') had failed to exercise due skill, care and diligence and had executed large number of irregular trades. The applicant was buying and selling equal quantities of option contracts intra day in the futures and options segment which were synchronized with other trading members. It is, therefore, alleged that the applicant violated Regulation 3 and 4 (1),(2) (a) & (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade practices relating to Securities Market) Regulations, 2003 and Regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
2. Pursuant to the investigations, SEBI initiated proceedings under Section 11B, 11(4) and 11D of the SEBI Act, 1992 and adjudication under Chapter VI of SEBI Act, 1992 against the applicant and issued ad interim ex parte order dated June 18, 2007, directing the applicant to cease and desist from indulging in dealing in futures and options in the manner found irregular. The Adjudicating Officer issued a show cause notice to the applicant on October 05, 2007.
3. While further proceedings in the matter were in progress, the applicant, vide letter dated October 24, 2007, proposed settlement of the said proceedings through a consent order in terms of SEBI circular No. EFD/ED/Cir-1/2007 dated

April 20, 2007. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) appointed by SEBI and the HPAC, after deliberations, recommended the case for settlement on payment of Rs.4,00,000/- (Rupees four lakh only) towards settlement charges, keeping in view that the applicant has already undergone cease and desist order since June 18, 2007. SEBI accepted the said terms of settlement and communicated the same to the applicant vide letter dated August 1, 2008.

4. Accordingly, the applicant, without admitting or denying the charges, has remitted a sum of Rs.4,00,000/- (Rupees four lakh only) vide demand draft No. 488664 dated August 12, 2008 drawn on Axis Bank payable at Mumbai.
5. In view of the above, it is hereby ordered that this consent order disposes of the said 11B and 11D proceedings as well as adjudication proceedings against the applicant.
6. This order is without prejudice to the right of SEBI to take enforcement actions including commencing / reopening of the proceedings pending against the applicant, if:
 - a. any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue;
 - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
7. This consent order is passed on this day, the 23rd October, 2008 and shall come into force with immediate effect.

Dr. T. C. Nair
Whole Time Member

M. S. Sahoo
Whole Time Member

