

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

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

M/s. NORTHEAST BROKING SERVICES LIMITED

MEMBER of NSE & BSE

(Registration Nos. INB230970130 & INB010970136)

DEPOSITORY PARTICIPANT, NSDL & CDSL

(Registration Nos. IN-DP-NSDL-67-98 & IN-DP-CDSL-378-2006)

1. Securities and Exchange Board of India (SEBI) received various complaints against M/s. Northeast Broking Services Limited (hereinafter referred to as 'the applicant'). Pursuant to the complaints, SEBI advised the National Stock Exchange of India Limited (NSE) to submit a report after examining the matters in detail. SEBI had also sought information and explanation from the applicant on the complaints received. From the inspection report submitted by NSE and on the information provided by the applicant, certain irregularities were found such as failure to exercise adequate care, caution and diligence while accepting demand drafts from clients resulting in misuse of demand drafts by the employees of the applicant for personal purposes; wrongfully crediting the payments received from one client in favour of another client; failure to ensure delivery of web login IDs and passwords to the clients resulting in non-receipt of Electronic Contract Notes (ECNs) by clients; dispatching ECNs to e-mail IDs of clients which were generated by the applicant without the knowledge of the clients; not giving adequate notice of closure of branches to its clients; not putting in place an appropriate and effective Code of Conduct for employees to eliminate conflicts with the clients' interests and failure to report funding of clients to NSE.

2. In view of the said lapses/deficiencies, a show cause notice (SCN) dated June 30, 2009 and a supplementary SCN dated December 11, 2009 were issued to the applicant by the Enquiry Officer under Regulations 25 and 38 of SEBI (Intermediaries) Regulations, 2008 as part of enquiry into the alleged violation of provisions of Section 12 of the SEBI Act, 1992; Regulation 6A(1) and Clause A(1), (2) & B(2) of Code of Conduct specified in Schedule II read with Regulation 7 of SEBI (Stock Brokers and Sub-broker) Regulations, 1992 and various circulars of SEBI and NSE.
3. While the proceedings pursuant to the said SCN were in progress, the applicant vide application dated January 21, 2010, 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 applicant proposed revised consent terms vide letter dated June 17, 2010, whereby the applicant undertook to pay ₹ 9,00,000/- (Rupees Nine Lakh only) towards settlement charges. The consent terms proposed by the applicant was placed before the High Powered Advisory Committee which, after deliberations, recommended that the case may be settled on the terms proposed by the applicant. SEBI accepted the said recommendations and communicated the same to the applicant vide letter dated December 22, 2010.
4. For the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant, the applicant has remitted a sum of ₹ 9,00,000/- (Rupees Nine Lakh only) vide Demand Draft No.203183 dated December 29, 2010 drawn on HDFC Bank Ltd., Mumbai.
5. In view of the above, it is hereby ordered that this consent order disposes of the said proceedings initiated against M/s. Northeast Broking Services Limited.



6. This order is without prejudice to the right of SEBI to initiate enforcement actions, including commencing or 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; or
- b. the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.

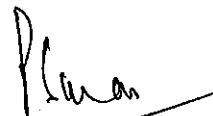
7. A copy of this order shall be served on NSE, BSE, NSDL and CDSL.

8. This consent order is passed on this day, the 3rd of February, 2011.



K. M. ABRAHAM

WHOLE TIME MEMBER



PRASHANT SARAN

WHOLE TIME MEMBER