

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

On the Application submitted by
M/s. Capstocks and Securities (I) Pvt. Ltd. (PAN: AABCC6234A)
(SEBI Registration Nos. INB 231167439 and INB 011167435)

CO/SRO/AO/GR/GK/01/2010

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1. Securities and Exchange Board of India (SEBI) had conducted an inspection of books of accounts, documents and other records of M/s Capstocks and Securities (I) Pvt. Ltd. (hereinafter referred to as '**Noticee**') during March 17-19, 2008. The period of inspection was from April 2005 till the date of inspection. The inspection, prima-facie, revealed that the Noticee has dealt with unregistered sub-broker, indulged in imprudent risk management practices, maintained KYC which had several deficiencies, misutilised clients' funds by meeting pay-in of other clients, failed to transfer securities to clients within stipulated time period, failed to make payment of corporate benefits to the clients within stipulated time and accepted cash towards margins /pay-ins in excess of the limits prescribed by the Income Tax Act. therefore it was alleged that the Noticee has violated the following provisions:
- a) Reg. 18B SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.
 - b) SEBI Circular no. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005.
 - c) SEBI Circular No.SMD/POLICY/CIR/5-97 dated 11.04.1997.
 - d) SEBI Circular No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated 26.08.2004.
 - e) NSE Circular No.NSE/INVG/2006/31 dated 03.03.2006.
 - f) SEBI circular no SMD/SED/CIR/93/23321 dated Nov 18, 1993.
 - g) SEBI circular No. SEBI/MRD/Policy/AT/Cir-19/2004 dated April 21, 2004.

- h) Clause A(1) of the Code of Conduct for Stock brokers as stipulated under Schedule II to the SEBI (Stock Brokers and Sub Brokers) Regulations 1992 read with Regulation 7 of the SEBI (Stock Brokers and Sub Brokers) Regulations 1992.
 - i) SEBI circular no SEBI/MRD/SE/Cir- 33 dated 27 Aug 2003.
- 2. The undersigned was appointed as Adjudicating Officer (**AO**) under Section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**the Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995(hereinafter referred to as '**the Rules**') to enquire into and adjudge under Section 15HB of the Act for the aforesaid alleged violation by the entity. Consequently, Show Cause Notice No. GR/CSIPL/178312/2009 dated September 29, 2009 was issued to the Noticee under rule 4(1) of the Rules.
- 3. While the adjudication proceedings were in progress, the Noticee made an application dated January 29, 2010 alongwith an affidavit of "undertakings and waivers" in terms of SEBI Circular No. EFD/Cir.-1/2007 dated April 20, 2007 for settlement of the proceedings through Consent Order. Subsequently, the Noticee proposed revised consent terms vide letter dated May 05, 2010, 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 Rs. 1,25,000/- (Rupees One Lakh and Twenty Five Thousand Only) towards settlement charges in the matter. The Noticee was advised to submit a compliance report certified by an independent auditor regarding the deficiencies pointed out in the inspection in the matter.
- 4. The revised consent terms as proposed by the Noticee was placed before the High Powered Advisory Committee(hereinafter referred to as '**HPAC**') on June 16, 2010 and HPAC after deliberation recommended the case for settlement on the aforesaid revised consent terms proposed by the

Noticee. The recommendations of HPAC were subsequently placed before the panel of Whole Time Members of SEBI.

5. The acceptance of consent proposal was communicated to the Noticee by SEBI vide letter dated July 19, 2010. In pursuance of the aforesaid consent terms, the Noticee has remitted a sum of Rs. 1,25,000/- (Rupees One Lakh and Twenty Five Thousand Only), vide demand draft no. 000324 dated July 24, 2010 drawn on HDFC Bank Ltd., towards the terms of consent in the matter. The Noticee has also submitted the compliance report vide its letter dated July 26, 2010.
6. in view of the above, it is hereby ordered that:
 - I. This consent order disposes of the said proceedings pending against the Noticee under SEBI Act and the Rules and
 - 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.
7. The consent order is passed on the 10th day of August and shall come into force with immediate effect.

G. RAMAR
ADJUDICATING OFFICER