

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

On the Application submitted by

M/s. JSEL Securities Limited

(SEBI REGN. NO. INB011102937)

(PAN: Not Available)

CO/MIRSD-NRO/2027-2010/AO/SRP/JP /201/2011

1. The Securities and Exchange Board of India (SEBI) had initiated adjudication proceedings against M/s. JSEL Securities Ltd. (being a member broker of the Bombay Stock Exchange Ltd.) – SEBI Registration No. – INB011102937 (hereinafter referred to as '**Noticee**') to inquire into and adjudge under section 15F and 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'), for the alleged violation of the provisions of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as '**Brokers Regulations**') and SEBI Circulars/Directives, by the Noticee as observed during the inspection conducted by SEBI.
2. The violations observed during the inspection were, *prima facie*, to the following effect - Constitution of the Noticee not in accordance with that stipulated by SEBI, appointment of non-member directors in violation of SEBI directions, directors of the Noticee acting as its sub-brokers, failure to exercise due diligence in appointment of an employee to look after its operations in Mumbai and also not seeking the approval of its Board in respect of the same, failure to update its Business Rules since 2000, failure to exercise due diligence and financial prudence in acceptance of deposit from the sub-brokers, routing funds to the clients through its sub-brokers and not exercising due diligence by allowing sub-brokers to issue cheques to their clients, non-implementation of many of the observations / suggestions made during their systems audit, granting excess trading limits to sub-brokers and not collecting due margins from the sub-brokers, delay

in submission of net worth certificate to the Exchange, not recovering from the sub-brokers the penalty imposed by the Exchange prior to 03.02.2006, not monitoring / carrying out surveillance in respect of manipulative trades executed by the sub-brokers, not having a website and accordingly not uploading financial results on the website, etc.

3. Therefore, it was alleged that the Noticee has violated the following provisions of law:
 - a) Regulation 15A of the Brokers Regulations read with Clause A(1) A(2) A(5) and Para B (8) of the Code of Conduct as stipulated in Schedule II r/w regulation 7 of the Brokers Regulations.
 - b) SEBI Circular SMD/-II/Policy/Cir-37/99 dated 26/11/1999, SMD/-II/Policy/Cir-40/99 dated 16/12/1999, SMD/-II/Policy/Cir-04/2003 dated 11/02/2003, MIRSD/DPS/-1/Cir-31/2004 dated 26/08/2004, MRD/DOPS/Cir-11/2005 dated 12/05/2005, MRD/DOP/SE/Cir-7/2005 dated 23/02/2005 and SMDRP/Policy/Cir-04/2001 dated 22/01/2001
4. Earlier, Shri V. S. Sundaresan was appointed as Adjudicating Officer (**AO**) under section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') to inquire into and adjudge under Sections 15F and 15HB of the SEBI Act , for the aforesaid alleged violations. Consequently, Show Cause Notice No. EAD/DSR/EIF-117/129875/2008 dated June 25, 2008 was issued by the AO to the Noticee under rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "**the Rules**"). Consequent upon transfer of Shri V. S. Sundaresan, Smt. Jyoti Jindgar was appointed as Adjudicating Officer under section 15I of the SEBI Act. Thereafter, on proceeding of Smt. Jyoti Jindgar on deputation to Competition Commission of India, the undersigned has been appointed as Adjudicating Officer vide order dated March 15, 2011.
5. While the adjudication proceedings were in progress, the Noticee made an application dated June 10, 2010 along with an affidavit of "undertakings and waivers" in terms of SEBI Circular No. EFD/ Cir.-1/2007 dated 20th April, 2007 for settlement of the proceedings through Consent Order. Subsequently, the Noticee proposed revised

consent terms vide letter dated January 27, 2011, without admitting or denying the guilt and subject to clauses of the undertakings and waivers, submitting that it is willing to pay a sum of ₹ 4,00,000/- (Rupees four lakh only) towards settlement charges in the matter.

6. The revised consent terms as proposed by the Noticee were placed before the High Powered Advisory Committee (hereinafter referred to as '**HPAC**') on March 14, 2011 and the HPAC after deliberations, 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.
7. The acceptance of consent proposal was communicated to the Noticee by SEBI vide letter dated April 15, 2011. In pursuance of the aforesaid consent terms, the Noticee has remitted a sum of ₹ 4,00, 000/- (Rupees four lakh only), vide demand draft No. 000633 dated April 27, 2011 drawn on ICICI Bank Ltd., Mumbai, towards the terms of consent in the matter.
8. 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.
9. This consent order is passed on the 12th day of May 2011 and shall come into force with immediate effect.

SATYA RANJAN PRASAD
ADJUDICATING OFFICER