

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

**On the Application submitted by**  
**M/s. Guinness Securities Ltd.**

***CO/MIRSD-ERO/1750-2010/AO/SRP/DL/218/2011***

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1. The Securities and Exchange Board of India (**SEBI**) had initiated adjudication proceedings against M/s. Guinness Securities Ltd., a member of the National Stock Exchange of India Ltd., the Bombay Stock Exchange Ltd. and a Depository participant of the National Securities Depository Ltd., having SEBI Registration Nos. INB231146037, INB011146033 and IN-DP-NSDL -239-2004 respectively, (hereinafter referred to as '**the Noticee**'), to inquire into and adjudge under sections 15C, 15F and 15 HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'), the violations alleged to have been committed by the Noticee, which were observed during its inspections conducted by SEBI in the month October 2007.
2. The inspections, *prima facie*, revealed that the Noticee had allegedly charged higher rates from clients towards purchase and sale of shares; dealt with unregistered sub-brokers; not collected margins from many of its clients for their trades and also permitted them to trade without sufficient cash balance, did not transfer the corporate benefits received/pay outs to the clients within the stipulated time; mis-utilized clients' funds for meeting pay-in obligations of other clients; indulged in fund based activities by lending and borrowing funds for the transactions of the clients and charging interest for the same; failed to redress the investors' complaints within a reasonable time; etc.

3. Therefore, it was alleged that the Noticee has violated/contravened the provisions of rules 8(1) (f) and 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957; rule 4(e) of the SEBI (Stock Brokers and Sub Brokers) Rules, 1992; clauses A(1), (2), (5), B (1) and (2) of the code of conduct for stock brokers as stipulated under schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and the directives issued under various SEBI circulars.
4. Earlier, Mr. Tajinder Singh was appointed as Adjudicating Officer (**AO**) under section 15I of the SEBI Act to inquire into and adjudicate under sections 15C, 15F and 15HB of the SEBI Act, the aforesaid violations alleged to have been committed by the Noticee. Consequently, Show Cause Notice No. EAD-TS/172645/2009 dated August 10, 2009 was issued 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 relieving of Shri Tajinder Singh from the services of SEBI, the undersigned has been appointed as Adjudicating Officer in place of Mr. Tajinder Singh vide order dated January 11, 2010.
5. While the adjudication proceedings were in progress, the Noticee made an application dated January 04, 2010 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 settlement of the proceedings through Consent Order. Subsequently, the Noticee proposed revised consent terms vide letter dated July 19, 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 ₹ 15,00,000/- (Rupees fifteen 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 June 14, 2011 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.
7. The acceptance of consent proposal was communicated to the Noticee by SEBI vide letter dated July 11, 2011. In pursuance of the aforesaid consent terms, the Noticee has remitted a sum of ₹ 15,00, 000/- (Rupees fifteen lakh only), vide demand draft No. 019680 dated July 21, 2011 drawn on HDFC 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 2<sup>nd</sup> day of August 2011 and shall come into force with immediate effect.

**SATYA RANJAN PRASAD**  
**ADJUDICATING OFFICER**