

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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SETTLEMENT ORDER

On Application No. 3902/2019 filed by ICICI Securities Ltd. [PAN: AAACI0996E] in the matter of dealing with non-existing bogus entities

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1. ICICI Securities Ltd.(hereinafter referred to as “applicant”) filed a settlement application in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as ”Settlement Regulations”) proposing to settle, without admitting the findings of fact and conclusions of law, through a settlement order, the pending enquiry under Section12(3) of the SEBI Act, 1992 read with Regulation 27 of the SEBI (Intermediaries) Regulations, 2008 and Regulation 27 of the SEBI (Stock-Brokers and Sub-Brokers) Regulations,1992 (hereinafter referred to as “Broker Regulations”) relating to violations of provisions of Clause A(2) of Code of Conduct as specified in Schedule II of Regulation 9(f) of the Broker Regulations initiated vide Show Cause Notice dated October 05, 2018.
2. SEBI carried out an investigation pursuant to the appearance of news items *inter alia* alleging dematerialization and selling shares of dormant accounts using forged documents by certain entities. It was observed that physical share certificates of 14 scrips were fraudulently acquired in the names of 26 non-existing bogus entities and then dematted in the fraudulently opened demat accounts of these 26 non-existing bogus entities with different addresses but using same or similar looking photographs at different points of time. Out of these 26 non-existing bogus entities, 2 entities dealt through ICICI Securities Ltd. Economic Offence Wing, Mumbai Police had furnished a list of bogus demat accounts alongwith the details of the linked bank accounts. The list, *inter alia*, includes the bogus accounts held by these two entities who dealt with ICICI Securities Ltd. As these two entities were non-existing bogus entities, it was alleged that there was lack of diligence by the applicant in dealing with them.
3. The applicant had a meeting with Internal Committee on July 19, 2019, wherein the settlement terms were deliberated. Thereafter, the applicant, vide letter dated July 29, 2019, proposed the revised settlement terms to settle the defaults mentioned above.

4. The High Powered Advisory Committee (hereinafter referred to as “HPAC”) in its meeting held on September 16, 2019 considered the settlement terms proposed and recommended the case for settlement upon payment of ₹28,68,750/- (Rupees Twenty Eight Lakh Sixty Eight Thousand Seven Hundred Fifty only) by the applicant towards settlement charges for the aforementioned defaults. The Panel of Whole Time Members of SEBI accepted the said recommendation of the HPAC on October 16, 2019, and the same was communicated to the applicant vide e-mail dated October 25, 2019.
5. The applicant remitted the aforesaid settlement amount of ₹28,68,750/- (Rupees Twenty Eight Lakh Sixty Eight Thousand Seven Hundred Fifty only) by way of RTGS on October 29, 2019, towards the settlement amount.
6. In view of the above, in exercise of the powers conferred under Section 15JB of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 and 28 read with Regulation 34 of the Settlement Regulations, it is hereby ordered that:
- i. the enforcement proceedings for the alleged default as discussed in paragraph 1 above, are settled qua the applicant as per the above terms;
  - ii. SEBI shall not initiate any enforcement action against the applicant for the said alleged defaults;
  - iii. this order disposes of the enforcement proceedings in respect of the applicant as mentioned above; and
  - iv. passing of this order is without prejudice to the right of SEBI to take enforcement actions including commencing proceedings against the applicant, if SEBI finds that:
    - a. any representation made by the applicant in the present settlement proceedings is subsequently discovered to be untrue;
    - b. the applicant has breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings.
7. This settlement order is passed on this 27<sup>th</sup> day of November, 2019 and shall come into force with immediate effect.

8. In terms of Regulation 25 of the Settlement Regulations, a copy of this order shall be sent to the applicant and shall also be published on the website of SEBI.

Sd/-

**S.K. MOHANTY**

**WHOLE TIME MEMBER**

Sd/-

**ANANTA BARUA**

**WHOLE TIME MEMBER**