

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

**ON THE APPLICATION SUBMITTED BY
FLEDGELING NOMINEES INTERNATIONAL LIMITED**

**IN THE MATTER OF
MARKET MOVEMENT ON MAY 17, 2004**

(CONSENT APPLICATION NO. 1770/2010)

1. Securities and Exchange Board of India (SEBI) had conducted investigations in the matter of sharp fall in the Indian stock market on May 17, 2004. The investigations, prima facie, revealed that, Fledgeling Nominees International Limited (hereinafter referred to as the 'applicant') having its registered office at P.O. Box 309, George Town, Grand Cayman, Cayman Islands, was among the top 20 Foreign Institutional Investors which had traded on the said day through its sub account – Copthall Mauritius Investment Limited. It is alleged that the applicant failed to exercise due diligence in respect of registration of clients and failed to provide client information to SEBI in violation of Regulations 7A(2), 15, 20 and 20A of the SEBI (Foreign Institutional Investors) Regulations 1995.
2. Pursuant to the investigations, SEBI initiated proceedings under sections 11B and 11(4)(b) of the SEBI Act, 1992 and issued a Show Cause Notice (SCN) dated February 21, 2005. Subsequently, SEBI also initiated enquiry proceedings under Regulation 6(1) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 and issued enquiry SCN dated April 27, 2005. The applicant, vide its reply dated August 16, 2005, replied to both 11B and enquiry SCN's. Thereafter, the applicant attended a personal hearing before Enquiry Officer on August 28, 2006.

Adjudication proceedings were also initiated against the applicant under Chapter VI A of the SEBI Act, 1992. The Adjudicating Officer (AO) issued a SCN dated September 5, 2006 to which the applicant replied vide its letter dated October 13, 2006. The applicant also attended a personal hearing before AO on March 9, 2007.

3. While the above proceedings were in progress, the applicant vide letter dated December 10, 2009 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. It proposed revised consent terms vide letter dated February 11, 2010. The High Powered Advisory Committee, constituted by SEBI, after deliberations, recommended the case for settlement. Accordingly, the applicant shall pay Rs.60,00,000 (Rupees sixty lakhs only) towards settlement charges for settling all the aforesaid enforcement actions. SEBI accepted the said recommendations and communicated the same to the applicant vide letter dated April 8, 2010.
4. Accordingly, the applicant, without admitting or denying the charges, has remitted a sum of Rs.60,00,000 (Rupees sixty lakhs only) towards settlement charges vide demand draft No. 007302 dated 13/04/2010 drawn on J.P. Morgan Chase Bank, N.A., payable at Mumbai.
5. In view of the above, it is hereby ordered that this consent order disposes of the pending proceedings under sections 11B and 11 (4) of the SEBI Act, 1992 the adjudication as well as the enquiry proceedings against the applicant in the matter of market movement on May 17, 2004.
6. This order is without prejudice to the right of SEBI to initiate enforcement actions, including 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. This consent order is passed on this day, the 26th of April 2010 and shall come into force with immediate effect.

K. M. ABRAHAM
WHOLE TIME MEMBER

PRASHANT SARAN
WHOLE TIME MEMBER