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भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER
ENFORCEMENT DEPARTMENT

EFD 1/DRA 2/SD/PU/2019/2831/1
January 29, 2019

Shri Bheemeswara Securities Pvt. Ltd.
No. 27/28, Kamadenu Building
Chickkaommasandra
1 A Cross, Near Chickkaommasandra Arch
Yelahanka New Town
Bangalore, Karnataka - 560065

Sub: Show Cause Notice under Regulation 28(1) of the SEBI (Intermediaries) Regulations, 2008.

1. The Designated Authority ('DA') has submitted an enquiry report dated December 21, 2018, in respect of the enquiry conducted against you in subject matter (copy enclosed). Vide the said enquiry report, the DA has recommended cancellation of registration of Shri Bheemeswara Securities Pvt. Ltd., as a stock broker of NSE.
2. You are hereby called upon to show cause as to why action as recommended by the Designated Authority or any other penalty should not be imposed on you in terms of Regulations 28 (1) and (2) of the SEBI (Intermediaries) Regulations, 2008, as deemed fit by the Competent Authority.
3. Your reply to the show cause notice along with documents, that you may choose to rely upon in support of the same, if any, should reach SEBI, at the address given below, **within 21 days of receipt of this notice**, failing which it shall be presumed that you have no reply to submit and SEBI shall proceed in the matter as it deems fit. You are advised to indicate in your reply, if you would like to avail of an opportunity of personal hearing before the Competent Authority.

Teore

SANDEEP DEORE

Encl: Copy of the enquiry report dated December 21, 2018

ENQUIRY REPORT

DA/SM/EAD-9/ENQ/219 /2018-19

**UNDER REGULATION 27 OF SECURITIES AND EXCHANGE BOARD OF INDIA
(INTERMEDIARIES) REGULATIONS, 2008**

In respect of

Sri Bheemeswara Securities Pvt. Ltd

Stock Broker- NSE

SEBI Registration nos.

INB231118135 and INF231118136

Last known address: No 27/28,

Kamadhenu Bldg.,

Chickkabommasandra, 1a Cross,

Near Chickkabommasandra Arch,

Yelahanka New Town,

Bangalore, Karnataka- 560065

FACTS OF THE CASE

1. Sri Bheemeswara Securities Pvt. Ltd (hereinafter referred to as '**SBSPL/Noticee**') had obtained prior approval for change in control as stipulated in Regulation 9(c) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as "**Broker Regulations**") but failed to file an application for grant of fresh registration within the time as specified in SEBI Circular CIR/MIRSD/14/2011 dated August 02, 2011 and MIRSD/MSS/Cir-30/13289/03 dated July 09, 2003 and continued to act as a stock broker even after the lapse of the validity period of the prior approval and thus it is alleged that Noticee has violated provisions of Clause 2(B) of SEBI Circular No. MIRSD/MSS/Cir-30/13289/03 dated July 09, 2003 and Clause 3(iv) of SEBI Circular No. CIR/MIRSD/14/2011 dated August 02, 2011. In view of the violation of various provisions of law allegedly committed by the Noticee, Enquiry Proceedings were



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initiated against the Noticee under the provisions of SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as "**Intermediaries Regulations**").

APPOINTMENT OF DESIGNATED AUTHORITY

2. Vide communique dated May 18, 2017, Mr. Suresh Gupta was appointed as the Designated Authority under the provisions of Section 19 of the SEBI Act read with Regulation 24 (1) of the Intermediaries Regulations to conduct an enquiry in the matter with respect to the aforementioned violation of the provisions of law allegedly committed by the Noticee regarding its dealings as a stock broker of NSE. Subsequently, vide Order dated April 26, 2018, the undersigned has been appointed as the Designated Authority in the said matter.

SHOW CAUSE NOTICE AND REPLY OF THE NOTICEE

3. Show Cause Notice no. SEBI/EAD-9/ENQ/SM/EE/15563/2018 dated May 28, 2018 (hereinafter referred to as '**SCN**') was issued to the Noticee at the address: *D.No. 102, Bharat Towers, 5th Lane, Dwaraka Nagar, Visakhapatnam, Andhra Pradesh – 530016*, under the provisions of Regulation 25 of the Intermediaries Regulations. The same was also sent by digital signature in the e-mail address compliance@secureji.com
4. SCN issued was undelivered at the aforesaid physical address. The concerned department of SEBI was advised to provide any alternate address of the Noticee. The concerned department wrote to NSE to provide the last known address of the Noticee. NSE provided the last known address and SCN was sent to "No 27/28, Kamadhenu Bldg., Chickkabommasandra, 1A Cross, Near Chickkabommasandra Arch, Yelahanka New Town, Bangalore- 560065, however, the same was also undelivered. Affixture of the SCN was also done at the aforesaid address. The report of affixture is on record. The SCN was also uploaded on SEBI website.



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5. The following allegations were mentioned in the SCN:

5.1. It was observed from the e-mail dated July 11, 2016 received from NSE that SBSPL had made an application to NSE for change in control on February 25, 2015 as stipulated under Regulation 9(c) of Brokers Regulation, wherein NSE granted No Objection certificate for change in control on May 12, 2015. Further, SEBI vide letter dated November 02, 2015 communicated to NSE about granting prior approval for change in control of SBSPL.

5.2. One of the condition stipulated in the SEBI letter dated November 02, 2015, that as per SEBI circular Nos. MIRSD/MSS/Cir-30/13289/03 dated July 09, 2003 and MIRSD/MSS/Cir-14/2011 dated August 02, 2011:

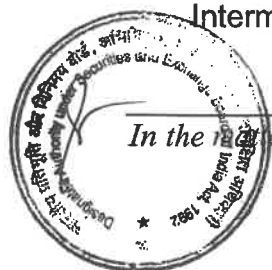
"The application for registration in favour of the broker (with new shareholders) must be submitted to SEBI within a period of six months from the date of this letter. The validity of the prior approval is six months from the date of this letter."

5.3. In view of the aforesaid approval letter of SEBI, the validity of the letter expired on May 02, 2016. However, it is alleged that the Noticee had failed to submit documents for fresh registration within stipulated time i.e six months to NSE as per the aforesaid letter.

5.4. It was observed that the Noticee continued to act as stock broker even after the expiry of the approval period from May 02, 2016 till NSE withdrew its trading rights with effect from August 29, 2016. Further, NSE has informed that Noticee had not sought extension of approval after the expiry of the approval period.

5.5. In view of the above, it was alleged that Noticee violated the provisions of Clause 2(B) of SEBI Circular No. MIRSD/MSS/Cir-30/13289/03 dated July 09, 2003 and Clause 3(iv) of SEBI Circular No. CIR/MIRSD/14/2011 dated August 02, 2011.

6. No reply was received from the Noticee. It is relevant to mention that in terms of the Intermediaries Regulations, the requirement of providing personal hearing to the



Noticee by the Designated Authority is not mandatory and in the absence of any reply from Noticee, ex-parte enquiry report is submitted on the basis of the material/evidence already available on record as sufficient attempt was made to serve the SCN to the Noticee.

CONSIDERATION OF ISSUES / EVIDENCE AND FINDINGS

7. I have taken into consideration the facts and circumstances of the case, the material made available by the concerned department of SEBI
8. Before moving forward, the relevant extracts of the provisions of the SEBI Circular allegedly violated by the Noticee are mentioned as under-

Clause 2(B) of SEBI Circular MIRSD/MSS/Cir-30/13289/03 dated July 09, 2003

Clause (2) The following table enumerates the circumstances which would mean change in status and constitution under Rule (4) of the SEBI (Stock Brokers and Sub Brokers) Rules, 1992 and hence would require prior approval of SEBI

Sl. No	Type of Change in Status and Constitution	Remarks
B	<i>Change in control: Control would have same meaning as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997</i>	<i>Full fees along with interest, if any, as on the date of application for approval needs to be paid. These prior approvals would have a validity of six months from the date of issue, i.e applications for fresh registration wherever required, shall be made to SEBI within six months.</i>

Clause 3(iv) of CIR/MIRSD/14/2011 dated August 02, 2011 dated August 02, 2011

(3) with a view to expedite the process of granting prior approval, it has been decided to adopt a 'single window clearance at SEBI' for the above intermediaries in case of their having multiple registration with SEBI. Accordingly, in consultation with the major stock exchanges

and market participants, it has been decided to adopt the following procedure:



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(iv) The prior approval granted by SEBI shall be valid for a period of 180 days from the date of communication.

Findings:

9. I find from the material of records available before me that the Noticee was granted the prior approval for change in shareholding pattern with change of control of SBSPL by NSE and SEBI on May 12, 2015 and November 02, 2015 respectively. As per the SEBI letter, the prior approval was granted with the condition that the application for registration in favour of the SBSPL (with new shareholders) must be submitted to SEBI within a period of six month from the date of the letter of SEBI. The validity of the approval granted expired on May 02, 2016. SBSPL had not submitted documents for fresh registration within the period of six months and therefore the approval granted expired and it had not sought any extension from the NSE/SEBI. Consequently, NSE vide letter dated July 01, 2016 had informed SBSPL to apply afresh for the prior approval, SBSPL continued as stock broker, NSE withdrew its trading facility with effect from August 29, 2016. SBSPL did not apply for fresh registration within six months of prior approval and continued to act as broker even after the expiry of the SEBI approval thus violated Clause 2(B) of SEBI Circular No. MIRSD/MSS/Cir-30/13289/03 dated July 09, 2003 and Clause 3(iv) of SEBI Circular No. CIR/MIRSD/14/2011 dated August 02, 2011 therefore, it is liable for action prescribed in terms of Section 12(3) of SEBI Act, 1992 read with Regulation 23 and Regulation 27 of the Intermediaries Regulations read with Regulation 25(ii) of Brokers Regulations. I also note that attempts were made to deliver the SCN through Speed Post AD, email with digital signature, SEBI website and affixtures of the SCN but there was no response from the Noticee, this shows lackadaisical attitude of the broker. I also note that NSE has withdrawn its trading facility from SBSPL and the Noticee is not reportedly available at the address registered with SEBI and NSE.
10. I note Regulation 25 of Broker Regulation stipulates that in case of Liability for contravention of the Act, rules or the regulations.

25. A stock broker or a sub-broker who contravenes any of the provisions of the Act, rules or regulations framed thereunder shall be liable for any one or more of the following actions—

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(i) Monetary penalty under Chapter VIA of the Act.

(ii) Penalties as specified under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 including suspension or cancellation of certificate of registration as a stock broker or a sub-broker,

(iii)

11. I note that Regulation 23 of Intermediaries Regulations "Where any person who has been granted a certificate of registration under the Act or regulations made thereunder,

(a) fails to comply with any conditions subject to which a certificate of registration has been granted to him;

(b) contravenes any of the provisions of the securities laws or directions, instructions or circulars issued thereunder;

the Board may, without prejudice to any action under the securities laws or directions, instructions or circulars issued thereunder, by order take such action in the manner provided under these regulations.

12. I find that SBSPL has contravened the above mentioned provisions.

RECOMMENDATION

13. In view of the above observations, circumstances of the facts and violation committed by Noticee, I am of the view, in terms of Regulation 27 of the Intermediaries Regulations, I hereby recommend cancellation of registration of Sri Bheemeshwara Securities Private Limited, as a stock broker of NSE (under certificate of SEBI Registration numbers INB231118135 and INF231118136).

Place : Mumbai
Date: December 21, 2018


SAHIL MALIK
DESIGNATED AUTHORITY

