BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. EAD/BD/BM/2019-20/5551

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995 & UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005

In respect of

Shaswat Stock Brokers Pvt., Ltd. (CIN: U36939GJ1997PTC032767)
307, Shyamak Complex
Opp: New Income Tax
Near Panjara Pole,
Ambawadi, Ahmedabad-380015

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1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had conducted an inspection of the books of accounts and other records of Shaswat Stock Brokers Pvt. Ltd (hereinafter referred to as 'Noticee/ SSBL'), a SEBI registered sub stock broker in the manner required under the (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers Regulations"), to check its compliance with the provisions of the Securities Laws; Securities Contracts (Regulation) Act, 1956 (herein after referred to as SCRA); Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') and the directions or Circulars, Bye-laws, Rules or Regulations issued by SEBI and the Stock Exchanges. The period of inspection was from April 01, 2012 to December 31, 2014 (hereinafter referred to as 'Inspection Period').

2. Based on the findings of the inspection, it was observed that the Noticee dealt with other stock brokers without prior permission from stock exchanges, extended BSE trading terminal to client, handled funds and securities, failed to execute Know your client (KYC) agreement and also failed to cooperate with the inspection team. SEBI, therefore, initiated Adjudication Proceedings against the Noticee under the provisions of Section 15HB of the SEBI Act and Section 23 H of SCRA, for the alleged violation of the following provisions:

   a) SEBI Circular ref. no. SEBI/MIRSD/Cir-06/2004 dated January 13, 2004;
   b) SEBI Circular ref. no. SMDRP/POLICY/Cir-49/2001 dated October 22, 2001;
   c) SEBI Circular ref. no SEBI/MIRSD/16/2011 dated August 22, 2011;
   d) Clause A (1), A (2) and D (2) of the code of conduct specified under Schedule II read with Regulation 15 1 (b) of the Stock Brokers Regulations;
   e) Regulation 26 (ii), (iii), (xv), (xvi) (xix) and (xx) of the Stock Brokers Regulations

APPOINTMENT OF ADJUDICATING OFFICER

3. I have been appointed as the Adjudicating Officer vide order dated May 17, 2017 to inquire into and adjudge, under the provisions of Section 15HB of the SEBI Act and 23 H of SCRA, the aforesaid violations alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice (hereinafter referred to as "SCN") bearing ref. no. EAD/BJD/NJMR/913/2/2018 dated January 09, 2018 was issued to the Noticee under Rule 4 (1) of SEBI(Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer)Rules, 1995 and Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing

Penalties by Adjudicating Officer)Rules, 2005 (hereinafter referred to as Adjudicating Rules) to show cause as to why an inquiry be not held against it and penalty be not imposed under Section 15 HB of SEBI Act and Section 23 H of SCRA against the Noticee for the violation alleged to have been committed by it.

5. Further, pursuant to communique modified on June 11, 2018, the change in inspection period from earlier one (January 01, 2013 to November 21, 2013) to the inspection period from April 01, 2012 and December 31, 2014 for SSBPL was informed to the Noticee vide, a supplementary SCN dated July 11, 2019.

6. Noticee, vide letters dated April 05, 2018 and April 13, 2018 filed the preliminary replies to the SCN denying the violations alleged against it.

7. In the interest of natural justice, vide e-mail dated April 10, 2018, the Noticee was provided with an opportunity of personal hearing on April 19, 2018. The Noticee, vide letter dated April 17, 2018 sought for inspection of documents. Vide e-mail dated May 21, 2018 the inspection was allowed to the Noticee on June 11, 2018. The Noticee vide its reply dated May 22, 2018 stated that it would be befitting for it to attend the inspection of documents only subsequent to having received the documents sought by it. Vide letter dated June 07, 2018 the Noticee was informed that all the documents that have been relied upon had already been provided to it. Vide, letter dated June 07, 2018, the documents relied upon in the matter during the issuance of SCN were once again being provided to the Noticee in a CD. Inspection of the documents also was allowed to the Noticee and the same was carried out by the authorized representatives of the Noticee on June 11, 2018. Vide letter dated August

31, 2018 the Noticee was also provided with the copy of the final inspection report carried out by SEBI and also the NSE Inspection report for the financial year 2013-14 and financial year 2014-15 were provided to the Noticee. Further, vide letter dated July 11, 2019 the rectified copy of communique dated June 11, 2018 with a change in investigation period from earlier one (January 01, 2013 to November 21, 2013) to the inspection period from April 01, 2012 to December 31, 2014 was provided to the Noticee. In this regard, all the annexure pertaining to the investigation period from April 01, 2012 to December 31, 2014 had already been provided to the Noticee along with the SCN. Vide letter dated August 19, 2019 the hearing was scheduled on August 29, 2019. Further, vide e-mail dated September 17, 2019 it was informed to the Noticee that all the relevant documents relied upon in the matter have already been provided to it and the hearing was next scheduled on September 24, 2019 which the Noticee attended and requested to allow some time for filing reply in detail to the SCN. Accordingly, the Noticee was allowed time till October 10, 2019 for filing the reply in detail and the hearing was next scheduled on October 18, 2019. Further, vide letter dated October 10, 2019 the dates of filing reply to SCN and personal hearing were rescheduled to October 18, 2019 and October 25, 2019 respectively.

8. Vide, e-mail dated October 23, 2019 the Noticee submitted that they were in process of preparing for consent application and would request to keep the instant matter in abeyance till the outcome of the said consent application. Vide e-mail dated November 04, 2019 Noticee was asked to inform about the Registration Number of the settlement application and the date of filing of settlement application. Vide e-mail dated November 08, 2019 stated that they would be filing consent application after November 13, 2019. Vide e-mail dated November 14, 2019 the settlement division was requested to inform whether any settlement application has been filed by the Noticee. Vide e-mail dated November 14, 2019 it has been confirmed that as per the data as available/accessible, there is no pending settlement application (checked the settlement application registration database as on date) filed by Shaswat Stock Brokers Pvt. Ltd.

9. I am of the view that the Noticee had been granted sufficient time for submitting its reply in the matter. It appeared from the conduct of the Noticee that it was writing the aforesaid letters to delay the instant proceedings. I note that Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Dave Harihar Kirtibhai Vs SEBI (Appeal No. 181 of 214 dated December 19, 2014)** observed as under:

"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least…."

10. I am of the view that all the documents relied upon have been served on the Noticee and the sufficient opportunities of hearing have been provided to the Noticee and thereby the principles of natural justice have been followed up. I am of the opinion that proceeding further in the matter does not cause any prejudice to the Noticee and therefore, I am proceeding in the matter on the basis of the preliminary replies dated April 05, 2018 and April 13, 2018 filed by the Noticee and material available on record. In absence of reply on merit I also take the note of the statement/letter dated February 12, 2015, June 21, 2015, November 09, 2015 and November 10, 2015 submitted by the Noticee to SEBI.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

11. The issues that arise for consideration are as under:

A) *Whether the Noticee has violated* the Circulars and Regulations as under:

   a) *SEBI Circular ref. no. SEBI/MIRSD/Cir-06/2004 dated January 13, 2004;*
   b) *SEBI Circular ref. no. SMDRP/POLICY/Cir-49/2001 dated October 22, 2001;*
   c) *SEBI Circular ref. no SEBI/MIRSD/16/2011 dated August 22, 2011;*
   d) *Clause A (1), A (2) and D (2) of the code of conduct specified under Schedule II read with Regulation 15 1 (b) of the Stock Brokers Regulations;*
   e) *Regulation 26 (ii), (iii), (xv), (xvi) (xix) and (xx) of the Stock Brokers Regulations.*

B) *Does the violation, if any, attract monetary penalty under Sections 15 HB of SEBI Act and Section 23 H of SCRA?*

C) *If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act and Section 23 J of SCRA?*

12. I find that Noticee has filed preliminary replies on April 05, 2018 and April 13, 2018. In respect of the allegations levelled against it the Noticee has not submitted any evidence in its defense. Therefore, it appears pertinent to refer to the judgment dated December 08, 2006 of Hon'ble Securities Appellate Tribunal in the matter of Classic Credit Ltd. v SEBI

(Appeal No. 68 of 2003) wherein, it observed, "… the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them". I also observe that the Hon'ble Securities Appellate Tribunal in the matter of Sanjay Kumar Tayal & Ors. v SEBI (Appeal 68 of 2013 dated February 11, 2014) had, inter alia, observed that, "...As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..." Thus, I am of the view that the allegations levelled in the SCN and the evidences enclosed therewith are not in dispute in absence of any reply on merit from the Noticee.

Dealt with other stock broker(s) without obtaining prior permission from stock exchanges

13. As per Circular no. SEBI/MIRSD/Cir-06/2004 dated January 13, 2004, a stock broker/sub broker of an exchange can deal with only one broker/sub broker of another exchange for proprietary trading after intimating the names of such stock broker/sub broker to his parent stock exchange.

14. I find that SSBL is registered as sub-broker affiliated to ACML(hereinafter referred to as ASE Capital Markets Limited) on September 03, 2007 and July 24, 2000 with NSE and BSE respectively. SSBL is also registered as a Stock Broker in the capacity as corporate with Ahmedabad Stock Exchange (ASE). However, it dealt with the following stock brokers of BSE and NSE without obtaining prior permission from BSE and NSE. The details are mentioned below:

S. No.	Name of the stock broker	2005-06 (Rs. Crores)	2006-07 (Rs. Crores)	2007-08 (Rs. Crores)	2008-09 (Rs. Crores)	2009-10 (Rs. Crores)	Total (Rs. Crores)
1	Amrapali Capital and Finance Services Ltd	16.45	23.54				39.98
2	Goldmine Stocks Pvt. Ltd.		613.46	947.96	0.0199		1561.44
3	Kunvarji Finstock Pvt. Ltd				24.89		24.89
4	Samruddhi Finstock Ltd			32.89			32.89
5	SS Corporate Securities Ltd.					52.69	52.69
	Total	**16.45**	**637.00**	**980.85**	**24.91**	**52.69**	**1711.89**

15. Vide letter dated June 21, 2015, November 9 & 10, 2015, the Noticee submitted as under:

"The details of trading of more than 5 years old are provided by SEBI and at that point of time we were not aware of obtaining permission of the exchanges. Now we are not dealing with any other stock broker."

16. I note from the above that the Noticee has dealt with Amrapali Capital and Finance Services Ltd to the tune of Rs. 39.98 Crores, Goldmine Stocks Pvt. Ltd. for Rs. 1561.44 Crores, Kunvarji Finstock Pvt. Ltd for Rs. 24.89 Crores, Samruddhi Finstock Ltd for Rs. 32.89 SS and with Corporate Securities Ltd. for Rs. 52.69 Crores. The Noticee has dealt with all the aforesaid stock brokers of BSE and NSE without obtaining prior permission from BSE and NSE to the tune of total 1711.89 Crores for the period from 2005-06 to 2009-10 which is substantial to influence and effect the market. I also note from the preliminary replies submitted by the Noticee that it has failed to submit anything in its defense. I also find from the letters dated June 21, 2015, November 9 & 10, 2015 that the Noticee has admittedly submitted that they were not aware of obtaining permission of the exchanges.

17. Noticee as a sub-broker was supposed to be aware of the requirement of legal compliances. Lack of knowledge of law cannot be considered as a valid defense in law. By failing to manage the compliances in professional manner Noticee has not only demonstrated its casual approach towards regulatory requirements but in the process acted against the integrity of the securities market.

18. Therefore, it is concluded that the Noticee has not complied with Circular no. SEBI/MIRSD/Cir-06/2004 dated January 13, 2004 and Clause A(1) & A(2) of the Code of conduct for sub brokers as stipulated in schedule II read with regulation 15 (1)(b) of the SEBI(Stock Brokers and Sub Brokers) Regulations.

Trading terminals

19. I noted that the Noticee as a sub-broker had obtained the following trading terminal (BSE-Cash) with the name of Mr. Amit Kumar Jani (Employee of SSBL) as the User. However, it was found that the trading terminal was being operating by Mr. Subhash Shah ex-director of SSBL.

Sl. No.	Name of the user	Terminal No.	Executed trades using the Trading terminal		Remarks
			From	To	

1.	Amit kumar Jani	3800150028017001 (A/80, Kamdhenu Complex)	20.07.2012	As on the date of inspection i.e. 12-13 February, 2015 and continued further	(Ex-Director of the sub-broker Mr. Subhash Shah is operating terminal)

20. It was noted that the details of the trading terminal furnished by the Noticee during the course of inspection does not contain the aforesaid trading terminal extended to Mr. Subhash Shah. It was observed that SSBL had obtained the above trading terminal (BSE-Cash) in the name of Mr. Amit kumar Jani (employee of SSBL) and extended to Mr. Subhash Shah. Therefore, I find that Noticee had not exercised due diligence in operating the trading terminals allocated to it.

21. I note that the Stock Broker Regulations directly envisages stricter liability on the Sub-broker more specifically with respect that pertains to the operation of the trading terminal. In this regard, I find it pertinent to note that the functioning of a terminal, which is the first contact of an investor in accessing the securities market, holds a greater significance and I am of the opinion that there can be hardly any scope for negligence on the part of a sub-broker.

22. I note that the operation of the terminal i. e. 3800150028017001 (A/80, Kamdhenu Complex) by Amit kumar Jani was recorded by the SEBI officials during inspection itself which is further corroborated by the submissions of the Sub-broker before the inspection authority. Therefore, I note that the trading terminal was extended beyond authority to a third party/ person by the Noticee on February 13, 2015 and the Noticee failed to comply with the provision of law. Considering the gravity of the instant allegation, the liability of the Noticee to such mis-utilization of trading terminals cannot be viewed leniently. Therefore, I conclude that the Noticee failed to comply with Clauses A(1) & A(2) of the Code of conduct for sub brokers as stipulated in schedule II read with Regulation 15(1)(b) of the Stock Brokers Regulations.

23. SEBI Circular SMDRP/Policy/CIR-49/2001 dated October 22, 2001 mandates that trading terminals shall be granted only at the member's registered office, branch offices and their registered sub-brokers' offices. It is observed that SSBL had obtained the trading terminals from its affiliated stock broker and extended to some of its clients / individuals, as per the following details.

S. No.	Name of the user	Address	Terminal No.	Executed trades using the Trading terminal	
				From	To
1.	PARAG KUMARPAL BHAVNAGRI	111 TIRTHRAJ COMPLEX ELLISBRIDGE	3800060028006001	17/04/2007	Active as on date of inspection.
2.	SHITALNAVNITCHOKSHI	3 AMULYA COMPLEX OPP.CENTRAL BANK AMBAWADI	3800060028004001	24/01/2007	Active as on date of inspection
3.	Pradipp Kamdar	32, kahannagar 271 293 nc kelkarroad, dadar,west, Mumbai	4000280028903019	31/01/2012	11/02/2013
4.	ANKITRAMESHCHANDRAPANCHAL	304 SAMEDH COMPLEX C.G. ROAD	3800090028001001	25/05/2007	Active as on date of inspection

24. I note from the above that Noticee had extended the trading terminals to 4 different individuals and locations other than the member's registered office, branch offices and their registered sub-brokers' offices.

25. As per the information received from BSE vide email dated July 29, 2015 I note that while obtaining trading terminal, the sub broker under the column 'relationship' has mentioned as Authorized Person in respect of the terminals located at Ahmedabad and the terminal located at Dadar, Mumbai as 'employee'. It was also noted that SSBL had stated that these 4 terminals were closed w.e.f 2008 and no trades were put through these terminals. However, as per the information received from BSE vide email dated July 29, 2015, I note that SSBL, has been executing trades on 3 terminals out of 4 terminals.

26. From the observations already made at para 24-25 above, I note that a sub-broker is at a higher level of liability in ensuring efficient management of trading terminals and there cannot be a leisurely approach of the trading terminals. For the reasons already mentioned above, I am of the opinion that the Noticee failed to exercise due diligence in disposing its duties as sub-broker with respect to the trading terminals accessible to it and therefore, violated the provisions of SEBI Circular ref., no., SMDRP/POLICY/CIR-49/2001 dated October 22, 2001, Regulation 26 (xix) and Clause A (2) of the Code of conduct for Stock Brokers as stipulated in schedule II read with Regulation 9(f) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

Prevention of Money-laundering

27. Before moving forward, I would like to dwell upon the significance of PMLA. The Prevention of Money Laundering Act, 2002 (PMLA) forms the core of the legal framework put in place by India to combat money laundering. PMLA and the Rules notified there under came into force with effect from July 1, 2005. As per the provisions of the PMLA, it is obligatory for all Intermediaries registered under Section 12 of SEBI Act to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA and Rules notified there under. SEBI has issued necessary directives vide circulars, from time to time, covering issues related to Know Your Client (KYC) norms, Anti-Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT), for compliance. The Directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and to identify any money laundering or terrorist financing activities. Further As SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011 provides the compliances of KYC requirements to be followed by the intermediaries.

28. It was observed that during the financial year 2012-13 and 2013-14 (till December 31, 2014), the Noticee had dealt with the following persons without entering into Know Your Client (KYC) documents and Unique Client Code (UCC) with the affiliating stock broker i.e., ASE Capital Markets Ltd (ACML). The details of transactions carried out by SSBPL is also furnished hereunder.

Target Client ID	Source DP ID	Source Client ID	Source Client Name	Registered as client/Not registered as client	Scrip Name	Execution Date	No of Securities	Value
10018403	IN301485	10062492	BHUMI SANJAY SHAH	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	04-06-2014	100000	Not traded in NSE/BSE
10018403	IN301485	10653580	BIREN N DALWADI	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	14-06-2014	50000	-do-
10018403	IN301485	10295455	KASHMIRA BIREN DALWADI	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	24-06-2014	100000	-do-
10018403	IN301485	10061861	JYOTIBEN BHUPENDRA SHAH	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	05-06-2014	55000	-do-
10018403	IN301485	10653580	BIREN N DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	14-06-2014	100000	-do-
10018403	IN301321	10349540	BHAVNA TEXTILE PVT. LTD.	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	17-06-2014	89000	-do-
10018403	IN301321	10373152	DINDAYAL PROCESSORS PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	17-06-2014	50000	-do-
10018403	IN301485	10295455	KASHMIRA BIREN DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	24-06-2014	100000	-do-
10018403	IN301321	10373103	HEXA INTERNATIONAL PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	26-06-2014	90200	-do-
10018403	IN301321	10373099	VISHAL FABRICS PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	09-07-2014	75000	-do-
10018403	12034400	769584	NARESH ATMARAM DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	27-08-2014	74750	-do-
10018403	12034400	769191	SAROJBEN DAL WADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	27-08-2014	74750	-do-

Target Client ID	Source DP ID	Source Client ID	Source Client Name	Registered as client/Not registered as client	Scrip Name	Execution Date	No of Securities	Value
10018403	12064600	00027963	SMITHBLOCK FINANCIAL SERVICES PRIVATE LIMITED	Not Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RS.2/-	03-02-2014	50000	6460000
							Total	64,60,000.00

29. I find from the material available on record that the Noticee vide letter dated February 12, 2015 had stated as under:

"Not following of KYC/UCC norms was inadvertently missed out as we have mentioned earlier these off market transfers/receipts were majorly pertaining to facilitate entities as they were listed on Ahmedabad Stock Exchange earlier so KRA was not done (KRA/KYC/UCC norms were not applicable then) and these were earlier our clients on the Ahmedabad Stock Exchange then. Having said that we would definitely want to comply according to the new norms of KYC/KRA/UCC and we are in the process of registering them as our clients of ACML as early as possible".

30. Vide letter dated November 10, 2015 the Noticee had submitted as under:

> "Though we dealt with these persons, we had considered that these clients were having demat accounts with the affiliated stock broker cum DP and so the KYC requirements are already complied at the level of DP during the time of their demat client registration and hence, it led us to believe and to take a view that there is no need for their fresh KYC at our end, so our request to SEBI is to consider our explanation and urge SEBI to drop the observation."

31. I am of the opinion that a sub broker is considered as introducer and the very first step for the investors to enter into the securities market. In this regard, the KYC is considered one of the mandatory compliances for a sub broker which Noticee sub broker failed to do. The Noticee has also admittedly submitted that it dealt directly with the aforementioned persons without entering the KYC through affiliating stock broker. It is, therefore, found that by not executing the KYC with the aforementioned clients/ investors through its affiliating stock broker, the Noticee failed to comply with the provisions of SEBI Circular ref. no., SEBI/MIRSD/16/2011 dated August 22, 2011 and Clause A(1) and A(2) of Code of Conduct for sub brokers specified under Schedule II read with Regulation 15(1)(b) of SEBI (Stock Broker and Sub Broker) Regulations, 1992.

Off-market transfer(s) with clients

32. As per SEBI Circular No. SEBI/MIRSD/16/2011 dated August 22, 2011 delivery of securities shall be given to the stock broker and at the same time stock broker shall transfer shares directly to the demat accounts of the client. However, it is noted that the Noticee has received certain shares from clients in off-market mode and also transferred certain shares to the clients in off-market mode, the details of which are furnished hereunder.

Target Client ID	Source DP ID	Source Client ID	Source Client Name	Registered as client/Not registered as client	Scrip Name	Execution Date	No of Securities	Value
10018403	IN301485	10061844	BHUPENDRA RAMANLAL SHAH	Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	03-06-2014	200000	Not traded in NSE/BSE
10018403	IN301485	10062492	BHUMI SANJAY SHAH	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	04-06-2014	100000	-do-
10018403	IN301485	10089898	MASAT TEXTURISING AND TWISTING PRIVATE LTD	Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	05-06-2014	20000	-do-
10018403	IN301485	10635467	SUN FINLEASE (GUJARAT) LIMITED	Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	05-06-2014	25000	-do-

Target Client ID	Source DP ID	Source Client ID	Source Client Name	Registered as client/Not registered as client	Scrip Name	Execution Date	No of Securities	Value
10018403	IN301485	10653580	BIREN N DALWADI	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	14-06-2014	50000	-do-
10018403	IN301485	10295455	KASHMIRA BIREN DALWADI	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	24-06-2014	100000	-do-
10018403	IN301485	10061861	JYOTIBEN BHUPENDRA SHAH	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	05-06-2014	55000	-do-
10018403	IN301485	10089898	MASAT TEXTURISING AND TWISTING PRIVATE LTD	Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	05-06-2014	54500	-do-
10018403	IN301485	10653580	BIREN N DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	14-06-2014	100000	-do-
10018403	IN301321	10349540	BHAVNA TEXTILE PVT. LTD.	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	17-06-2014	89000	-do-
10018403	IN301321	10373152	DINDAYAL PROCESSORS PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	17-06-2014	50000	-do-
10018403	IN301485	10295455	KASHMIRA BIREN DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	24-06-2014	100000	-do-
10018403	IN301321	10373103	HEXA INTERNATIONAL PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	26-06-2014	90200	-do-
10018403	IN301321	10373099	VISHAL FABRICS PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	09-07-2014	75000	-do-
10018403	IN302461	10416294	ANITA RAKESHKUMAR RANKA	Registered as a client	MAHANAGAR TELEPHONE NIGAM LIMITED. EQ	21-10-2014	1000	26600
10018403	IN303069	10041626	DOSHI JAYENDRA KANTILAL	Registered as a client	FINOLEX INDUSTRIES LIMITED EQ	10-10-2014	100	32495
10018403	IN302461	10416294	ANITA RAKESHKUMAR RANKA	Registered as a client	POLY MEDICURE LIMITED EQ	21-10-2014	1000	831950
10018403	IN302461	10416294	ANITA RAKESHKUMAR RANKA	Registered as a client	LAKSHMI MACHINE WORKS LIMITED NEW EQ RS. 10/-	21-10-2014	100	396690
10018403	IN302461	10218265	RAKESH MANGILAL RANKA	Registered as a client	HINDUSTAN OIL EXPLORATION COMPANY LIMITED EQ	05-11-2014	15000	771750
10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	C. MAHENDRA EXPORTS LIMITED EQ	21-07-2014	23000	4527550
10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	C. MAHENDRA EXPORTS LIMITED EQ	31-07-2014	2368	492544
10018403	IN302461	10218265	RAKESH MANGILAL RANKA	Registered as a client	THE TINPLATE COMPANY OF INDIA LTD. EQ	05-11-2014	15000	1142250
10018403	IN302461	10416294	ANITA RAKESHKUMAR RANKA	Registered as a client	DCB BANK LIMITED EQ	21-10-2014	1000	86300
10018403	IN303069	10041626	DOSHI JAYENDRA KANTILAL	Registered as a client	FULFORD INDIA EQ	10-10-2014	700	1324960
10018403	IN303069	10041626	DOSHI JAYENDRA KANTILAL	Registered as a client	SHRENUJ AND COMPANY LIMITED EQ NEW FV. 2/-	10-10-2014	2730	166393.5

Target Client ID	Source DP ID	Source Client ID	Source Client Name	Registered as client/Not registered as client	Scrip Name	Execution Date	No of Securities	Value
10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RE, 1/-	21-07-2014	2000	122300
10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RE, 1/-	01-10-2014	35000	2075500
10018403	IN302461	10416294	ANITA RAKESHKUMAR RANKA	Registered as a client	THE SOUTH INDIAN BANK LTD. EQ NEW F.V. RE.1/-	21-10-2014	51000	1346400
10018403	IN302461	10421809	VIRALI VICKY JHAVERI	Registered as a client	VISHAL FABRICS LIMITED EQ	23-08-2014	3000	144150
10018403	IN302461	10293712	ASHWINBHAI SURENDRABHAI SHETH	Registered as a client	VISHAL FABRICS LIMITED EQ	26-08-2014	3000	144150
10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	UNITED SPIRITS LIMITED EQ	09-10-2014	3000	6885750
10018403	12034400	769584	NARESH ATMARAM DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	27-08-2014	74750	Not traded in NSE/BSE
10018403	12034400	769191	SAROJBEN DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	27-08-2014	74750	Not traded in NSE/BSE
10018403	12064600	00027963	SMITHBLOCK FINANCIAL SERVICES PRIVATE LIMITED	Not Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RS.2/-	03-02-2014	50000	6460000
							Total	2,69,51,132.50

33. I note from material available on record that the sub broker vide statement dated February 12, 2015 stated as under.

"The shares of unlisted companies (Merit Credit and sun finlease, etc) were done to facilitate transfer of shares as we were earlier members of ASE and we also have taken permission from ASE. Also they were spot purchase transactions which have been reflected very well in our books (meaning that we have made payments to these parties). This is only regards to these unlisted scrip.

34. The details of shares transferred by the Noticee in off-market to clients is furnished hereunder.

Source DP ID	Source Client ID	Target DP ID	Target Client ID	Target Client Name	Registered as client / Not registered as Client	Scrip Name	Execution Date	No of Securities	Value
IN302461	10018403	IN302461	10458823	DREAMSTONE CONSTRUCTION PVT LTD	Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	08-07-2014	45000	Not traded in NSE/BSE

Source DP ID	Source Client ID	Target DP ID	Target Client ID	Target Client Name	Registered as client / Not registered as Client	Scrip Name	Execution Date	No of Securities	Value
IN302461	10018403	IN302461	10458840	STERLING STRANDS PRIVATE LIMITED	Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	08-07-2014	450000	-do-
IN302461	10018403	IN302461	10458858	LEGACY INFOTECH PVT.LTD.	Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	08-07-2014	254500	-do-
IN302461	10018403	IN302461	10458831	LAKSHYA INFRASPACE PRIVATE LIMITED	Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	08-07-2014	284200	-do-
IN302461	10018403	IN302461	10458831	LAKSHYA INFRASPACE PRIVATE LIMITED	Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	22-09-2014	75000	-do-
IN302461	10018403	IN302461	10458858	LEGACY INFOTECH PVT.LTD.	Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	22-09-2014	149500	-do-
IN302461	10018403	IN303069	10041626	DOSHI JAYENDRA KANTILAL	Registered as a client	FINOLEX INDUSTRIES LIMITED EQ	22-10-2014	100	31820
IN302461	10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	C. MAHENDRA EXPORTS LIMITED EQ	24-07-2014	9500	1799300
IN302461	10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	C. MAHENDRA EXPORTS LIMITED EQ	28-07-2014	13000	2581150
IN302461	10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	C. MAHENDRA EXPORTS LIMITED EQ	28-07-2014	500	99275
IN302461	10018403	IN302461	10416294	ANITA RAKESHKUMAR RANKA	Registered as a client	DCB BANK LIMITED EQ	28-10-2014	300	25875
IN302461	10018403	IN302461	10416294	ANITA RAKESHKUMAR RANKA	Registered as a client	DCB BANK LIMITED EQ	03-11-2014	700	63945
IN302461	10018403	IN303069	10041626	DOSHI JAYENDRA KANTILAL	Registered as a client	FULFORD INDIA EQ	22-10-2014	700	1288000
IN302461	10018403	IN303069	10041626	DOSHI JAYENDRA KANTILAL	Registered as a client	SHRENUJ AND COMPANY LIMITED EQ NEW FV. 2/-	22-10-2014	2730	148921.50
IN302461	10018403	IN302461	10190829	JHAVERI TRADING AND INVESTMENT PVT LTD	Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RE, 1/-	26-09-2014	35000	2082500
IN302461	10018403	IN302461	10293712	ASHWINBHAI SURENDRABHAI SHETH	Registered as a client	VISHAL FABRICS LIMITED EQ	23-08-2014	3000	144150
IN302461	10018403	IN302461	10421809	VIRALI VICKY JHAVERI	Registered as a client	VISHAL FABRICS LIMITED EQ	26-08-2014	3000	144150
IN302461	10018403	12064600	00027963	SMITHBLOCK FINANCIAL SERVICES PRIVATE LIMITED	Not Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RE, 1/-	20-03-2014	25000	1537500
IN302461	10018403	12064600	00027963	SMITHBLOCK FINANCIAL SERVICES PRIVATE LIMITED	Not Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RE, 1/-	21-03-2014	25000	1556250
IN302461	10018403	12064600	00027963	SMITHBLOCK FINANCIAL SERVICES PRIVATE LIMITED	Not Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RE, 1/-	25-03-2014	25000	1567500
IN302461	10018403	12064600	00027963	SMITHBLOCK FINANCIAL SERVICES PRIVATE LIMITED	Not Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RE, 1/-	28-03-2014	25000	1558750
								Total	1,46,29,087

35. I note from the material on record that the Noticee vide statement dated February 12, 2015 has stated as under.

"These off market transfers are of different kinds.

The shares of unlisted companies (Merit Credit and Sun finlease, etc) were done to facilitate transfer of shares as we were earlier members of Ahmedabad Stock Exchange and we also have taken permission from ASE. Also they were spot sale transactions which have been reflected very well in our books (meaning that we have received payments from these parties).This is only regards to these unlisted scrip. As regards to the scrip that are listed and we have received off market which were taken by us as a loan account from these parties".

36. The sub broker was asked to provide payment/receipt details of dealings with clients/ persons in respect of Merit Credit and Sun finlease, etc and also the scrip that are listed in NSE/BSE.

37. The sub broker vide letter statement dated February 12, 2015 stated as under.

"Payment receipts details of dealings with clients / persons in respect of Merit Credit and Sun finlease will be provided by the 19th of this month and there is no question of payments/receipts as regards to loan account (of shares) as they are not purchase sale transactions and loans will be settled off in future".

38. I note that the Noticee had not furnished any reply / documents including copy of the permission received from Ahmedabad Stock Exchange to deal in shares of Merrit Credit Corporation and Sun Finlease Ltd in off-market mode. Therefore, I found that the sub broker dealt with client(s) / other investors directly without placing buy order / sell order through affiliating stock broker.

39. I note from the submission of the Noticee that they facilitated trades through off market. However, no transaction details and contract details have been submitted by the Noticee in this regard. As per code of conduct prescribed under Stock Broker Regulations, a sub-broker shall not create a false market either singly or in concert with others or indulge in any act detrimental to the public interest or which leads to interference with the fair and smooth functions of the market mechanism of the stock exchanges. Off market trades or trading outside the exchange is a type of false or illegal market especially when the sub broker indulged in such trades is instrumental in hiding the transaction details of the off market trades as it happened in the instant case.

40. I also note from the submission of Noticee in para 38 above that it had received shares towards loans which will be settled off in future. A registered sub broker is allowed to deal only such activities which are permissible under Stock broker Regulations and therefore, all transactions and dealings of Noticee should only be of such nature to assist client to trade through registered stock broker associated with. In the instant case I note that none of the transactions mentioned above have been dealt in the capacity of the sub broker. Besides, I also note that said transactions were not undertaken by notice in principal to principal capacity but admittedly dealt on behalf of its unregistered (KYC not complied) clients. Further, such transactions were claimed to be loan against shares which were meant to be settled in future. Such modus operandi clearly suggests that Noticee was involved in fund based activities and also facilitating buying and selling of shares outside floor of stock exchange, which are proscribed as per law.

41. As per the aforesaid circular, the sub-broker shall only assist the investors in buying, selling or dealing in securities through stock brokers. However, it is noted that SSBL had directly received the shares in it's demat account and also transferred the shares from it's demat account to the clients.

Target Client ID	Source DP ID	Source Client ID	Source Client Name	Registered as client/Not registered as client	Scrip Name	Execution Date	No of Securities	Value
10018403	IN301485	10062492	BHUMI SANJAY SHAH	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	04-06-2014	100000	Not traded in NSE/BSE
10018403	IN301485	10653580	BIREN N DALWADI	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	14-06-2014	50000	-do-
10018403	IN301485	10295455	KASHMIRA BIREN DALWADI	Not Registered as a client	MERIT CREDIT CORPORATION LIMITED EQ	24-06-2014	100000	-do-
10018403	IN301485	10061861	JYOTIBEN BHUPENDRA SHAH	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	05-06-2014	55000	-do-
10018403	IN301485	10653580	BIREN N DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	14-06-2014	100000	-do-
10018403	IN301321	10349540	BHAVNA TEXTILE PVT. LTD.	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	17-06-2014	89000	-do-
10018403	IN301321	10373152	DINDAYAL PROCESSORS PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	17-06-2014	50000	-do-
10018403	IN301485	10295455	KASHMIRA BIREN DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	24-06-2014	100000	-do-
10018403	IN301321	10373103	HEXA INTERNATIONAL PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	26-06-2014	90200	-do-
10018403	IN301321	10373099	VISHAL FABRICS PVT LTD	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	09-07-2014	75000	-do-
10018403	12034400	769584	NARESH ATMARAM DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	27-08-2014	74750	-do-
10018403	12034400	769191	SAROJBEN DALWADI	Not Registered as a client	SUN FINLEASE (GUJARAT) LIMITED EQ	27-08-2014	74750	-do-
10018403	12064600	00027963	SMITHBLOCK FINANCIAL SERVICES PRIVATE LIMITED	Not Registered as a client	SWAN ENERGY LIMITED EQ NEW FV RS.2/-	03-02-2014	50000	6460000
							Total	64,60,000.00

42. Furthermore, from the very fact that the ex-director of the Sub-broker is holding an important position in ACML, the deliberate leverage given in favour of the Noticee cannot be ruled out which is evident from the fact that glaring irregularity in routing of funds and securities of clients of sub-broker through the sub-broker rather than directly to/from the broker account as prescribed in the SEBI circulars. Further, the grave irregularity of allowing the clients to trade without KYC documents, which has a scope of directly threatening the integrity of market and compromising the PMLA provisions cannot have been escaped attention of notice and yet gone ahead which demonstrate utter disregard to the compliance of mandatory requirements. Further, I note that number of such illegal transactions carried out was spread across period of times and when seen in the context of other equally glaring irregularities mentioned above, I cannot but to consider the conduct of sub broker serious cause of concern which threatens the integrity of market. However, ACML has not made any remark during its inspection with respect to the same which directly hints at possible collusion of the Noticee with its broker ACML which cannot be viewed leniently. In order to safeguard the interest of the investors, I note that SEBI has prescribed that the sub brokers should not deal in any activity other than activities related or incidental to securities market vis a vis fund based activities, unregistered activities, illegal trading etc. In the instant case, I also note that the sub-broker is also a member of the Ahmedabad Stock Exchange (ASE) and ACML is also a subsidiary of ASE. In any sphere of activity in the securities market, financial transaction without undertaking KYC of clients clearly leave scope for money laundering activity to flourish. I note that the Noticee being registered sub-broker with SEBI, well acquainted with the requirement and significance of the registering the clients and taking KYC documents and therefore, it is duty bound to identify the instances of irregularities in registering the clients/ KYC documents either in its capacity of registered entity or otherwise to appropriate authorities. Any such failure and breach of duty as sub broker is against the integrity of the securities market and detrimental to the interest of investors. Therefore, I find that the Noticee had failed to comply with the provisions of Clause A (2) of the Code of conduct for Stock Sub Brokers as stipulated in schedule II read with Regulation 9(f) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

Non-Cooperation or Non-submission of information

43. During the course of inspection and also vide email dated February 20, 2015, SSBL (with a copy of email marked to ACML) was advised to furnish certain information like turnover for the period from April 01, 2012 to December 31, 2014, permission obtained from Ahmedabad Stock Exchange to deal in the shares of Merit Credit Corpn and Sun Fin Lease etc, bank statements, demat statements, details of the off-market transfers in the demat accounts, turnover of the clients etc., However, SSBL has not furnished the same.

44. Vide letter dated November 10, 2015 the Noticee submitted as under:
"Due to unfortunate circumstances, we could not co-ordinate at some point of time, but it was without our any bad intention of disobeying SEBI.

45. I note that there is a duty of a sub-broker and other registered intermediary to coordinate during the inspection. As per Stock Broker Regulations, a sub-broker shall not neglect or fail or refuse to submit to the Board or the stock exchange with which he is registered, such books, special returns, correspondence, documents, and papers or any part thereof as may be required However, the Noticee has failed to coordinate as admittedly submitted by it in the preceding paras. Therefore, the allegation of Non-Cooperation and non-furnishing of information stand established.

46. SEBI takes various steps and measures from time to time in order to protect the interest of investors in securities market and also to promote orderly, fair and transparent dealings by the sub-brokers and stock brokers. Further, SEBI also prescribes various checks and balances by issuing various circulars to prevent any misuse by stock brokers and sub-brokers while dealing in the market and with their clients.

47. Under the SEBI Act 1992, SEBI has been assigned a statutory duty to protect the interests of investors in securities and regulating the securities market by such measures as it may think fit. The role of the sub broker as a market intermediary is indeed very crucial, especially since any failure to exercise due diligence, skill and care will directly impact the market by allowing various collusive activities by its clients and sub-broker either directly or indirectly. It is the role of the sub broker to put proper systems, process and procedure in place to detect and prevent any collusive practice and non-compliance, which in the instant case, I note that the Noticee as sub broker failed to even stand its existence on ground level and also failed to perform as sub broker on various instances as mentioned above. It is, therefore, concluded that the Noticee has violated different provisions of Circulars and Regulations as under:

a) SEBI Circular ref. no. SEBI/MIRSD/Cir-06/2004 dated January 13, 2004;
b) SEBI Circular ref. no. SMDRP/POLICY/Cir-49/2001 dated October 22, 2001;
c) SEBI Circular ref. no SEBI/MIRSD/16/2011 dated August 22, 2011;
d) Clause A (1), A (2) and D (2) of the code of conduct specified under Schedule II read with Regulation 15 1 (b) of the Stock Brokers Regulations;

e) Regulation 26 (ii), (iii), (xv), (xvi) (xix) and (xx) of the Stock Brokers Regulations.

48. The object of inspection of the books of accounts and records of any intermediary is to monitor and identity any non-compliances with respect process, procedure and systems prescribed through various provisions of the SEBI Act, Rules, and Regulations made thereunder and Circulars issued from time to time and thereafter take necessary corrective steps for orderly, fair and transparent conduct of market participants.

49. In this connection I would like to refer to the order of the Hon'ble Securities Appellate Tribunal in the matter of **Religare Securities Limited v. Securities and Exchange Board of India (Appeal No. 23 of 2011** dated June 16, 2011) wherein, the Hon'ble SAT has observed, "It must be remembered that the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to the maintenance of records. We also cannot lose sight of the fact that every minor discrepancy/irregularity found during the course of inspection is not culpable and the object of the inspection could well be achieved by pointing out the irregularities/deficiencies to the intermediary at the time of inspection and making it compliant. This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent."

50. I find from the material available on record that the Noticee has grossly failed in performing its duties as a registered sub broker and also failed to adhere to high standards of service by facilitating and indulging in fraudulent and unfair trade practices and thus acted against the integrity of the securities market.

51. The violation of circulars and Regulations as mentioned in para 44 above makes the Noticee liable to penalties under Section 15HB of SEBI Act and Section 23H of SCRA are reproduced hereunder.

> ***Section 15HB of SEBI Act - "Penalty for contravention where no separate penalty has been provided".***
>
> -
>
> *"Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees."*
>
> ***Section 23H of SCRA – "Penalty for contravention where no separate penalty has been provided".***
>
> *Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees*

52. Here, it is important to refer to the observation of the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC)** wherein it was held that:

> *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…".*

53. While determining the quantum of penalty under Section 15 HB of SEBI Act and Section 23H of SCRA , it is important to consider the factors stipulated in Section 15J of SEBI Act and Section 23J of SCRA which read as under:-

- Factors to be taken into account by the adjudicating officer While adjudging quantum of penalty under section 15-I of SEBI Act, 1992 and Section 23H of SCRA, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

54. It is not possible from the material available on record to ascertain the actual disproportionate gain or unfair advantage made by the Noticee or the amount of loss caused to an investor or group of investors as a result of the default. However, I have analyzed the data available on record to assess the seriousness of the violation made by the Noticee, pursuant to its failure to act with due skill care and diligence.

55. In the backdrop of above information the allegations against the Noticee are serious in nature.

ORDER

56. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I of the SEBI Act and Section 23-I of SCRA and Rule 5 of Adjudication Rules, I hereby impose a monetary penalty of Rs. 12, 00,000/- (Rupees Twelve Lakhs) on the Noticee, viz, Shaswat Stock Brokers Pvt. Ltd.

57. I am of the view that the said penalty would be commensurate with the violations committed and acts as a deterrent factor for the Noticee and others in protecting the interest of investors and markets.

58. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the SEBI website www.sebi.gov.in on the following path by clicking on the payment link.

ENFORCEMENT → Orders → Orders of AO → PAY NOW

59. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-II, SEBI, in the format as given in table below:

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

60. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

61. In terms of Rule 6 of the Rules, copies of this order are sent to the Noticee and also to the Securities and Exchange Board of India.

Date: November 15, 2019 **B J DILIP**

Place: Mumbai **ADJUDICATING OFFICER**