

MCX STOCK EXCHANGE LTD.

DISCIPLINARY ACTION COMMITTEE

ORDER UNDER RULES 1 & 2 OF CHAPTER V OF THE RULES OF MCX STOCK
EXCHANGE LIMITED

1. Background:

- 1.1 Amber Solutions Pvt. Ltd. is a trading Member on the Currency Derivatives (CD) segment of MCX Stock Exchange Ltd. ("the Exchange") and is registered with Securities and Exchange Board of India (SEBI) as a trading Member on CD segment of the Exchange with registration No. INE261319334 on November 5, 2008.
- 1.2 The Member has not activated its membership on the Exchange till date and there are no deposits of the member with the Exchange.
- 1.3 SEBI has advised the Exchange to carry out inspection of even those members who are not activated on the Exchange for trading. The scope of such inspection is verification of:
 - i. Compliance with Regulation 8 (1) (f) & 8 (3) (f) of SCRR i.e. (not to deal in commodities / business other than securities)
 - ii. Unapproved changes such as change in the control of member entity, Change in the constitution, change in the shareholding, etc.
 - iii. compliance with Net worth criteria as prescribed
 - iv. location of Member's office as per the details available with the Exchange

2. Inspection:

- 2.1 The Member was selected for inspection in the 'Not Activated' Category.
- 2.2 An intimation letter no. MCX-SX/INS/RE/01/649/13-14/6875 dated May 13, 2013 was sent to the Member's communication address 105, Apollo Complex, R. K. Singh Marg, Andheri (East), Mumbai - 400069, however the letter was



MCX'SX
India's New Stock Exchange

returned stating the reason as "shifted". It was also sent to the member's email id available with the Exchange viz. rajkiran1964@gmail.com on the same day.

- 2.3 The Exchange then sent another letter no MCX-SX/INS/RE/01/649/13-14/7626 dated May 17, 2013 to the member's registered office address B-206, Oxford Chambers, Opp. MTNL Exchange, Off Saki Vihar Road, Andheri (East), Mumbai - 400072 communicating to the member that an inspection shall be carried out by the Exchange officials on or after May 20, 2013.
- 2.4 As decided by the Exchange and as intimated to the member an Exchange official visited the member's registered office B-206, Oxford Chambers, Opp. MTNL Exchange, Off Saki Vihar Road, Andheri (East), Mumbai - 400072 for conducting inspection of the member on September 25, 2013. The Exchange official met Mr. Raj Kumar Shah one of the Directors of the company and requested him to submit the information/details/documents such as Annual Accounts, Net worth Certificate, details of shareholding, directors, dominant promoters, etc. as per Inspection Data Requisition (IDR), along with necessary supporting, as the member had not submitted the Annual Accounts and Net worth Certificate since March 31, 2009. However, Mr. Raj Kumar Shah informed that the concerned official Mr. Sushil Kumar Shah, Director, who looked after the compliance requirements, would be available in the office in the next week. Hence the Exchange Official had to return without obtaining any documents.
- 2.5 The Exchange sent another letter no. MCX-SX/INS/RE/01/649/13-14/19094 dated September 26, 2013 to the registered office address to intimate that an Exchange Official would visit again the member's office on October 4, 2013. The same was also communicated to their official mail id rajkiran1964@gmail.com, requesting the Member to keep the information/details/documents as mentioned in the Inspection Data Requisition (IDR), ready at the time of inspection.
- 2.6 The Exchange official once again visited the member's office for conducting inspection on October 4, 2013. The Director Mr. Raj Kumar Shah was available, however, the other Director Mr. Sushil Kumar Shah, was not available in the office. The Member was not willing to submit the required details and intimated orally that he would not submit the details as the Membership was not activated



for trading in MCX-SX. When the Exchange Official intimated that inspection is a regulatory requirement, the member simply stated that there were no changes in the status/ constitution of the membership entity.

2.7 In view of the above, the inspection was concluded without any written details / documents from the member.

3. Observations & issue of Show Cause Notice & Hearing before the Committee:

3.1 The Exchange then sent a letter to the member vide letter No. MCX-SX/INS/RE/07/649/13-14/19516 dated October 11, 2013, advising the Member to furnish the details required in IDR along with the following documents, latest by October 18, 2013, without fail:

1. Annual Accounts as on March 31, 2013 including:
 - i. Profit & Loss account along with Schedules
 - ii. Balance Sheet along with schedules
 - iii. Directors Report
 - iv. Auditor Report
2. Networth Certificate as on March 31, 2013
3. Latest details of Shareholding, dominant Promoters and Directors
4. Application in the format prescribed by the Exchange for change in Correspondence address.

3.2 However, there was no response from the member.

3.3 Then the Exchange sent the following three reminders to the member advising to submit the documents:

- i. Letter No. MCX-SX/INS/RE/07/649/13-14/19516 dated October 11, 2013, advising the member to submit documents by October 18, 2013
- ii. Letter No. MCX-SX/INS/RE/07/649/13-14/19681 dated October 18, 2013, advising the member to submit documents by October 25, 2013
- iii. Letter No. MCX-SX/INS/RE/07/649/13-14/19836 dated, October 25, 2013, advising the member to submit documents by November 1, 2013

However, the member did not submit any documents.



MCX'SX
India's New Stock Exchange

- 3.4 The Exchange then issued a Show Cause notice to the member vide letter no. MCX-SX/INSP/RE/07A/649/2013-14/20378 dated November 20, 2013, asking as to why disciplinary action should not be taken against the member. However, the Member did not respond to this notice too.
- 3.5 The Exchange also issued a reminder to the member, vide letter no. MCX-SX/INSP/RE/07A/649/2013-14/20537 dated November 27, 2013, giving a time up to December 2, 2013 to submit the reply. However, the member failed to respond this time also.
- 3.6 The Exchange then placed the matter before the Disciplinary Action Committee (DAC) of the Exchange in its meeting held on December 26, 2013.
- 3.7 The DAC deliberated on the matter and decided to give further time of 15 days to the Member to:
- 3.7.1 Provide a date on which inspection may be conducted and co-operate with the Exchange Inspection Team
 - 3.7.2 Provide Audited Balance Sheet and Profit & Loss Account for the FY 2012-13
 - 3.7.3 Provide Net worth Certificate as per the format of Dr L C Gupta Committee Report as on March 31, 2013 and September 30, 2013
 - 3.7.4 Provide details of shareholding pattern, dominant promoter group, details of Directors and details of office addresses
- 3.8 The decision was informed to the Member vide letter no. MCX-SX/INSP/2013-14/649/21572 dated January 1, 2014. However, the Member did not reply to the same.

4. Considerations

- 4.1 The matter was again placed before the DAC in its meeting held on March 31, 2014. The member was informed of the same vide letter no. MCX-SX/INSP/RE/10/649/2013-14/1701 dated March 20, 2014 and offered a personal hearing before the DAC to present their case. The Member was also informed that in case they do not appear before the DAC, the matter shall be decided on the basis of material available on record and the action may include



expulsion from the membership of the Exchange. The member neither appeared before the DAC nor sent any reply to the Exchange.

During the meeting held on March 31, 2014, the following facts and records were considered by the DAC for arriving at a decision in the matter:

- 4.2 The member did not comply with the continued membership criteria for members as laid down by SEBI and the Exchange.
- 4.3 The member did not comply with various Rules/Regulations/Bye-laws of the Exchange/SEBI, including the following:
 - 4.4 In terms of Regulation 16.1 of the Regulations of the Exchange, the Exchange is empowered to undertake inspection of books of accounts, other records and documents of its Trading Members.
 - 4.4.1 Regulation 4.2.1 (d) of the Regulations of the Exchange, requiring the Member to maintain various records and books of accounts and make available for inspection by any person authorised in this behalf by the Exchange, the information related to such Trading Member's financial condition as specified by the Exchange for this purpose.
 - 4.4.2 Regulation 15.1.14 of the Regulations of the Exchange requiring the Members to intimate to the Exchange the place where these records are kept and available for audit/inspection.
 - 4.4.3 Bye-Law 2(h) of Chapter VI of the Bye-laws of the Exchange, requiring the Member to extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the relevant authority or other authorised official of the Stock Exchange, into or in regard to any trades, dealings, their settlement, accounting and/or other related matters.
 - 4.4.4 Regulation 15.2 of the Regulations of the Exchange specifying that the Member shall prepare, maintain and submit to the Exchange, annual accounts for each



financial year, not later than six months after the end of the Trading Members financial year.

- 4.4.5 Exchange circular no. MCX-SX/MEM/1265 /2013 dated June 20, 2013 and SEBI circular no. Cir/MIRSD/14/2011 dated August 2, 2011 mandating the members to submit information to the Exchange on shareholding /dominant promoter group and details and director details.
- 4.5 Even after repeated follow-ups, the member neither allowed the exchange to conduct inspection nor submitted any documents for verification.

5. Decision

- 5.1 We note that the Exchange has followed up with the member on numerous occasions and has given multiple opportunities for presenting their case in person before the DAC of the Exchange. It is also evident that the principle of natural justice has been aptly followed by the Exchange in its approach.
- 5.2 In terms of Rule 32 of the Exchange 'The relevant authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum net worth and capital adequacy, renewal of certification, if any, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.'
- 5.3 Further, Rules 1 and 2 of Chapter V of the Rules of the Exchange provide as follows

Rule 1: "The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a trading member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Stock Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Stock Exchange or the relevant authority or of any other Committee or officer of the Stock Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a trading member of the Stock



MCX'SX
India's New Stock Exchange

Exchange or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Stock Exchange or prejudicial or subversive to its objects and purposes"

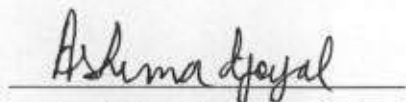
Rule 2: *In particular and without in any way limiting or prejudicing the generality of the provisions in Rule (1) above, a trading member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, un-businesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.*

- 5.4 From the aforesaid series of events, it is clear that the member has deliberately not complied with the requirements laid down by SEBI/Exchange. The Member has also not replied to the communication from the Exchange sent at various points of time.
- 5.5 Considering the series of events, the provisions of the Rules, Bye-laws and Regulations of the Exchange and the non-inclination of the Member to comply with the requirements of the Exchange, we hereby direct that the Member viz., Amber Solutions Pvt. Ltd., be expelled from the membership of the Exchange with immediate effect.

Dated this 26/06/2014



Thomas Mathew T.



Prof. (Mrs.) Ashima Goyal

CERTIFIED TRUE COPY

