

**MCX STOCK EXCHANGE LTD.
DISCIPLINARY ACTION COMMITTEE
ORDER UNDER RULES 1 & 2 OF THE RULES OF MCX STOCK EXCHANGE LIMITED**

1. Background:

- 1.1 Kundan Care Products Limited (KCPL) 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. INE261337039.
- 1.2 KCPL is actively trading on the Currency Derivatives Segment of the Exchange.

2. Inspection and Observation:

- 2.1 A Regular inspection of KCPL was conducted by the Exchange in terms of the provisions of the Regulation 16.1 of the Currency Derivatives Segment of the Exchange in September 2013 covering the period June 1, 2012 to May 31, 2013.
- 2.2 During inspection it was observed that the member was also involved in business of manufacturing and trading cosmetic products, rice products, etc., which is in violation of Securities Contract Regulation Rules (SCRR) Rule 8(1)(f) and 8(3)(f).
- 2.3 It was informed to KCPL vide letter No. MCX-SX/INSP/RE/07/786/2013-14/19365 dated October 9, 2013.
- 2.4 KCPL, in its letter dated October 31, 2013 stated that they have noted the observation and shall take steps regarding the same in future.

3. Hearing before the Committee:

- 3.1 This matter, along with other violations observed during inspection, was placed before the Disciplinary Action Committee (Committee) of the Exchange in its meeting held on December 26, 2013.



- 3.2 The Committee decided on actions to be taken on all violations, except for the violation of conducting business that of other than securities. The actions as decided by the Committee on other violations were forwarded to the member vide letter no. MCX-SX/INSP/RE/10/786/2013-14/390 dated January 17, 2014.
- 3.3 In case of violation of conducting business that of other than securities, the Committee decided to advise KCPL to segregate the two businesses and confirm compliance within 15 days of the receipt of letter dated January 17, 2014. It was informed to KCPL through the above mentioned letter dated January 17, 2014.
- 3.4 The Member, vide email dated February 15, 2014 refused to segregate the two businesses. However, vide email dated March 12, 2014 the requested the Exchange to permit them to continue trading in PRO account in the same company i.e. Kundan Care Products Ltd else transfer their membership to Mr. Udit Garg (individual).
- 3.5 Vide email dated March 14, 2014; the member further reiterated that they will apply for membership in another firm. As it will take some time, they requested that since they are importers and exporters of various products and have some hedge positions outstanding on the exchange, to permit them to continue the membership in the current company, i.e, Kundan Care Products Limited upto 30th June 2014 and during the period they shall get their membership transferred in another firm.
- 3.6 This matter was placed before the Disciplinary Action Committee of the Exchange in its meeting held on March 31, 2014. The member was offered personal hearing vide letter No. MCX-SX/INSP/RE/10/786/2013-14/1708 dated March 20, 2014. 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 which may include deactivation of terminals / suspension/expulsion from the membership of the Exchange.

4. Considerations

The following facts and records have been considered by the Committee while arriving at the decision of the case

- 4.1 Conducting business other than securities, involving financial liability is in violation of Rule 8 (1) (f) and 8 (3) (f) of the Securities Contracts (Regulation) Rules, 1957.

4.2 The Member was given timeline to segregate the two businesses, however, did not do so.

5. Decision

5.1 We note that the Exchange has given due opportunities to KCPL to present their case in person before the DAC of the Exchange. It is also evident that the principle of natural justice was aptly followed by the Exchange in its approach.

5.2 In terms of Rule 8 (1) (f) and 8 (3) (f) of the Securities Contracts (Regulation) Rules, 1957 any SEBI registered member cannot carry on any business other than that of securities, involving personal financial liability.

5.3 Considering the above and the provisions of the Rules, Regulations and Bye laws of the Exchange, we hereby direct as under:

5.3.1 The Member shall stop the trading and shall not take any new position.

5.3.2 The trading terminals of the Member shall be deactivated upon expiry of all open contracts.

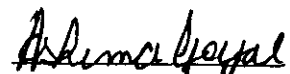
5.3.3 A related entity of the member may apply for a new membership within 2 months.

This order shall take effect after 15 days from the date of this order.

Dated on this 25th April 2014.



Thomas Mathew T.



Prof. (Mrs.) Ashima Goyal

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S. Sarat Chandran
Head - Legal & Company Secretary