



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

Inspector of Police
Central Bureau of Investigation
234/4 AJC Bose Road
14th Floor, Nizam Palace
Kolkata- 700 020

Letter (SEBI REPLY - 26/12/2002)
TO CBI
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IES/1102/SI/SS/ 25219 /2002
December 26, 2002
26/12/2002

Dear Sir,

This has reference to your letter and the discussion held in our Mumbai office dated November 11, 2002 where in you had raised certain queries pertaining to UTI bank limited and Home Trade Limited. Our replies are as follows:

Query No. 1

Whether Home trade Limited is registered with SEBI? If so, whether they are permitted to deal in Govt. Securities, IDBI Bonds in Secondary market?

Reply to Query no. 1

Yes. Home Trade Ltd is registered with SEBI as a member of The Stock Exchange, Mumbai (BSE), National Stock Exchange (NSE) and Pune Stock Exchange (PSE). The registration numbers are as follows:

- a) BSE : INB010624639
- b) NSE : INB230624638
- c) PSE : INB110624638

We have been informed by NSE vide their letter dated April 24, 2002 that Home Trade Ltd. has not been enabled for activity on the wholesale debt market segment of the exchange. Also we have been informed by BSE vide their letter dated April 24, 2002 that Home Trade Ltd. has not been a member of the Debt segment of the Exchange. However CBI may like to confirm the same from the exchanges.

Query No. 2

Whether UTI Bank Limited is registered with SEBI as per Merchant Banker regulations, 1992? If so, Please enclose the copy of the registration certificate?

Reply to Query no. 2

Yes. UTI bank Limited is registered with SEBI as a Merchant Baker for three years with effect from 01.01.2001 under SEBI (Merchant Bankers) Rules and regulations, 1992. A copy of the registration certificate is enclosed herewith.

[Handwritten signature]

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Query No. 3

What are the roles of UBI Bank Merchant Banking Division as per the registration? Whether they are allowed to act as "facilitator", "Arranger" or "Broker" in dealing in Government Securities/ DDI Bonds? If so, whether any separate registration/ license is required for the same and from whom?

Reply to Query No. 3

A Merchant Banker is allowed to engage in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities as manager, consultant, advisor or rendering corporate advisory service in relation to such issue management. A Merchant Banker can also engage in the activities of underwriting, portfolio manager and stock broker provided he obtains the certificate of registration for each of these activities from SEBI separately and in this case a Merchant Banker is governed by respective regulations in respect of its activities as underwriter, portfolio manager and a stock broker.

Query No. 4

What is the responsibility of the "facilitator", "arranger" or broker in relation to delivery of Govt. Securities / DDI Bonds?

Reply to Query No. 4

The terms facilitator or arranger do not come under SEBI's purview. A broker has the responsibility to deliver securities to the clients within forty eight hours of the pay out of the Exchange, which is generally governed by the Rules, Bye-laws and Regulations of the Exchange.

Query No. 5

Kindly see the copies of the documents enclosed. (the cheque received by UBI Bank Ltd. is bearing the account number of Home Trade Ltd. But there is no mention of Home Trade Ltd. in the said letters).

In this deal whether UBI Bank Ltd. acted as a "facilitator" or "arranger" or "broker"? Was it not mandatory for the UBI Bank Ltd. to communicate about the third party in the said letters? Since no separate "Contract note" was executed in the deal what is the importance of confirmation letter dt: 22.4.2002 by UBI Bank Ltd.? Can it be treated as an agreement between JCI and UBI Bank Ltd.? As per the said letter who has to make delivery of the said DDI Bonds?



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Reply to Query No. 5:-

As replied to the earlier query the concept of Facilitator or arranger does not come under the purview of SEBI. Only valid contract notes issued as per the rules, bye-laws and regulations of the Exchange shall be recognized as a document giving rise to legal obligations. Again confirmation of the kind issued by UTI Bank Ltd. cannot be construed as contract note. Since there is a specific mentioning in the said letter about delivery of securities, it appears that UTI Bank Ltd. has taken the responsibility to deliver the securities.

Query No. 6

Explain the role of contract note with Secondary Market deal (with reference to IDBI bonds in this case). Who has to insist for the contract note, whether buyer, broker or third party?

Reply to Query no. 6:-

Contract note is the document that gives rise to legal obligations between the broker and the client. Contract note shall consist of details such as Order no., Order ID., Trade no., Trade ID. etc. and it shall be as per the prescriptions of the concerned stock exchange. It is only on the basis of a valid contract note disputes can be taken up by the concerned stock exchange for redressal. Disputes without valid contract notes cannot be arbitrated upon by the exchanges. It is incumbent on the broker to issue contract notes within twenty four hours of the transaction to its clients.

Query No.7

In this deal whether the role of UTI Bank Limited is limited to a "facilitator"? If so, what is the responsibility of UTI bank limited with regard to the delivery of IDBI Bond 2007?

Query No.8

In this deal, there is no contract note / agreement. Who is responsible for this prima facie?

Reply to Query No. 7&8 :-

Broker is responsible for non-issuance of contract note. The responsibility of UTI Bank Ltd. in the above matter needs to be legally examined.



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Query No. 9

Any other relevant facts in this case.

Reply to Query no. 9

If we come across any other relevant fact, the same would be communicated to you.

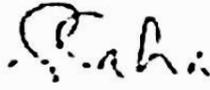
Query No. 10

Copy of SEBI (Merchant Bankers) Rules and regulations, 1992

Reply to Query no. 10

A copy of the said regulation is attached herewith.

Yours Sincerely,


SUBIR SAHA