

**Headline:** SC allows NSE arm to sell pledged shares

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**PRIME BROKING HAD PLEDGED GITANJALI GEMS SHARES**

# SC Allows NSE Arm to Sell Pledged Shares

**Rajesh.Mascarenhsa**  
@timesgroup.com

**Mumbai:** The Supreme Court has allowed NSCCL, the clearing corporation of National Stock Exchange, to sell Gitanjali Gems shares pledged by Prime Broking to the bourses as margins for its prop trading. NSCCL wanted to sell the shares in March 2013 after Prime Broking failed to fulfil settlement obligations to the tune of ₹92 crore in the futures and options segment.

However, after liquidating some shares of Gitanjali Gems, two high networth clients of Prime filed a first information report (FIR) against the brokerage alleging that shares owned by them were 'illegally' put up as margin with the stock exchange to bet on equity derivatives.

Following the FIR, the Economic Offences Wing (EOW) of Mumbai Police on March 23, 2013, asked NSCCL to withhold selling of the said shares. A criminal application to quash the EOW order was moved by NSCCL before the Bombay High Court which was later dismissed.

NSCCL later challenged the High Court order before the Supreme Court by way of a Special Leave Pet-

ition (SLP). In the interim there was a settlement shortfall by Prime Broking for its March 2015 as well as June 2015 contract expiry and, therefore, Prime Broking was declared as a defaulter in both capital market and the F&O segment.

In the SLP, NSCCL pleaded that by restricting from exercising its rights to invoke and sell the pledged securities offered as collateral, the clearing corporation will be forced to fulfill its obligation towards the counter parties to settle the trades by paying out of its income and profits.

An NSE spokesperson said: "With this order, the trust of domestic and foreign investors in the financial market infrastructures have been restored."

The delay, however, has caused a loss to the NSE and NSCCL. Shares of the jewellery retailer has declined 94% from ₹620 in March 2013 to ₹36 at present. About 17 lakh shares of Gitanjali Gems, which would have fetched nearly ₹105 crore in March 2013, is currently valued just ₹6 crore.



**Prime Broking failed to fulfil settlement obligations to the tune of ₹92 crore in the futures and options segment**