

**BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI**

Appeal No. 155 of 2006

Date of decision: 4.8.2010

M/s. Anil Mistry
B-9, Prerna Mandir Co-op
Hsg Soc.,
Next to Lord Krishna Bank,
Santacruz (W),
Mumbai

.....Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra Kurla Complex,
Mumbai

..... Respondent

Mr. Deepak Dhane, Advocate for the Appellant.
Dr. Poornima Advani, Advocate with Mr. Ajay Khaire, Advocate and Ms. Pooja Bidkar, Advocate for the Respondent.

CORAM : Justice N.K. Sodhi, Presiding Officer
Samar Ray, Member
P.K. Malhotra, Member

Per : Justice N.K. Sodhi, Presiding Officer (Oral)

Same order as in Appeal no.117 of 2006 decided on 4.8.2010.

Sd/-
Justice N.K.Sodhi
Presiding Officer

Sd/-
Samar Ray
Member

Sd/-
P.K.Malhotra
Member

4.8.2010
pmb

Prepared & Compared By: Pmb

**BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI**

Appeal No. 117 of 2006

Date of Decision: 4.08.2010

M/s Grishma Securities Pvt. Ltd.
92/4, Nirbhay Niwas,
Bhaudaji Cross Road # 10,
Matunga (C.R.)
Mumbai

..... Appellant

Versus

Adjudicating Officer,
Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra Kurla Complex,
Mumbai

..... Respondent

Mr. Vinay Chauhan, Advocate for the Appellant.

Dr. Poornima Advani, Advocate with Mr. Ajay Khaire, Advocate and
Ms. Pooja Bidkar, Advocate for the Respondent.

CORAM : Justice N.K. Sodhi, Presiding Officer
Samar Ray, Member
P.K. Malhotra, Member

Per : Justice N.K. Sodhi, Presiding Officer (Oral)

This order will dispose of four Appeals no. 104,117,155 of 2006 and 29 of 2007 which involve identical questions of law and fact. Appeals no.117 and 155 of 2006 have been filed by the stock brokers who executed 327 trades between themselves and traded 14 lac shares of Radaan Mediaworks India Limited on behalf of their clients during a short period from May 27, 2003 to July 7, 2003. Rajesh Jhaveri was the client of Grishma Securities Private Limited, the appellant in Appeal no. 117 of 2006 and Nrupesh Shah was the client of the other broker. We have perused the details of the structured/synchronized trades executed by the two appellants and find that the orders put by them in the trading system which eventually resulted in trades not only matched to the second but even the price and quantity of the traded scrip was the same. Synchronized trades per se are not illegal and they have been sanctified by the respondent Board as per its circular dated

September 14, 1999 provided the trades are executed in the manner specified therein. Synchronized trades, however, can be executed with a view to manipulate the price or the volumes of the traded scrip or both or with some other ulterior purpose and whether a synchronized trade has been executed with a manipulative intent or not will have to be gathered from the intention of the parties for which there would seldom be any direct evidence. Their intention will have to be gathered from the surrounding circumstances including the pattern of trading, the frequency of the trades and their volumes, the explanations furnished by the parties and brokers etc. In the case before us, the only explanation furnished by the appellants is that their clients were day traders/jobbers and that they were watching the trades on the screen when the buy and sell orders were punched into the system. They have denied any collusion either between themselves or with their respective clients/parties and claim to be innocent. From the details of the trades executed between the two appellants and having regard to the trading system, we do not think that such large number of trades could match between the same parties through the same brokers unless the trading system was being abused. Even the day traders cannot have the same counter party every time. It is also on record that the two brokers were known to each other and so were the parties. This would further lend credence to the fact that they executed manipulated trades. In this view of the matter, the adjudicating officer was justified in imposing a monetary penalty of Rs. 5 lacs on each of the two appellants. No fault can, thus, be found with the impugned orders.

Appeal no. 104 of 2006 and 29 of 2007

The appellants in these two appeals who are registered stock brokers had also executed similar type of structured deals with their counter party brokers in the same scrip of Radaan Mediaworks India Limited. Haven Financial Services Pvt. Ltd., the appellant in Appeal no. 29 of 2007 executed 243 structured/synchronized trades with Bonanza Portfolio Limited, the counter party broker and they traded 5.5 lac shares between themselves. Haven Financial Services Limited also executed another 298 structured/synchronized trades with Sanchay Finvest Ltd. which was a broker for

another counter party and they traded 6 lac shares of the same scrip. Sanchay Finvest Limited, the appellant in Appeal no. 104 of 2006 also executed 277 structured/ synchronized trades with Bonanza Portfolio Limited and they traded 5.7 lac shares between themselves. Their explanation is also the same and they claim that their clients were day traders/jobbers and that they were not aware of the manipulative trades. This plea of the appellants cannot be accepted in view of the large number of synchronized/matched trades executed by them.

2. The learned counsel for the appellants have urged that the penalty imposed by the adjudicating officer in these cases is excessive and that the same needs to be reduced. We find from the impugned orders that Sanchay Finvest Limited has been imposed a monetary penalty of Rs. 10 lacs whereas all the other players in the synchronized trades were levied a sum of Rs. 5 lacs each. There appears to be no apparent difference between the trades executed by Sanchay Finvest Limited and the others and with a view to maintain parity, we reduce the penalty imposed on Sanchay Finvest Ltd. to Rs. 5 lacs. This amount, in our view, is reasonable and would meet the ends of justice.

In the result, all the appeals fail and they stand dismissed. In Appeal no. 104 of 2006 the amount of penalty will stand reduced as stated above. Parties to bear their own costs.

Sd/-
Justice N.K.Sodhi
Presiding Officer

Sd/-
Samar Ray
Member

Sd/-
P.K.Malhotra
Member

4.8.2010
pmb

Prepared & Compared By: pmb

