

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO. AK/AO- 66-67/2017]**

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**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH  
RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY  
ADJUDICATING OFFICER) RULES, 1995**

In respect of

**SPFL Securities Ltd. (PAN: AABCS2452C)**  
**J V Stock Broking Private Limited (PAN: AABCJ1783D)**

In the matter of

**Sky Industries Limited**

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**FACTS OF THE CASE**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation with respect to trading in the scrip of Sky Industries Ltd. (hereinafter referred to as '**SIL**' or '**the company**') for the period January 1, 2009 to May 10, 2010 (hereinafter referred to as the '**Investigation Period**'). The scrip was listed on the Bombay Stock Exchange Ltd. (hereinafter referred to as '**BSE**') as well as on Jaipur Stock Exchange Ltd. (hereinafter referred to as '**JSEL**') and The Calcutta Stock Exchange Ltd. (herein after referred to as '**CSE**'). However, there was no trading in the scrip during the investigation period on JSEL and CSE.
2. Investigation observed that during the investigation period i.e. January 1, 2009 to May 10, 2010, total traded quantity in the scrip was 44,64,906 shares. It was also observed that JV Stock Broking Pvt. Ltd. (hereinafter referred to as '**JV Stock**') was one of the entities appearing in the list of top 10 Buyers and Sellers in the scrip of SIL during the investigation period. It was further *inter alia* observed that JV Stock had executed self trades for 14,235 shares (7.65% of total traded quantity of JV Stock through the broker SPFL Securities Ltd. (hereinafter referred to as '**SPFL**'). Such self trades were observed to have been executed on 33 trade days during the investigation period and involved 79 trades. Out of the 79 trades, 16 trades for total quantity of 6,935 shares were found to be synchronized i.e. trades where the difference between buy and sell order quantity as well as buy and sell order price is nil and time

difference between the buy and sell orders is less than one minute. The broker SPFL was also observed to be one of the brokers appearing in the list of top 10 brokers by gross quantity based on trading in the scrip during the investigation period. It further came to notice that SPFL acted as both broker and counterparty broker for the self trades of JV Stock. JV Stock and SPFL are hereinafter collectively referred to as '**the Noticees**')

3. It was, therefore, alleged that JV Stock entered into self trades through its broker SPFL, who acted as the broker and counterparty broker for the self trades of JV Stock. Consequently, it was alleged that the Noticees entered into self trades which created artificial volume in the scrip, leading to false and misleading appearance of trading in the scrip in the securities market, and hence, allegedly fraudulent. Further it was observed that some of the self trades were synchronized and were executed from the same terminal. Thus, it was alleged that JV Stock has violated Regulation 3 (a), (b), (c) (d), Regulation 4 (1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**') and SPFL failed to exercise due skill and care in terms of clause A (2) of Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of SEBI (Stock Broker and Sub-broker) Regulation, 1992 (hereinafter referred to as '**Stock Brokers Regulations**').
4. Vide Order Ref: AK/AO-21-22/2015 dated March 12, 2015, it was held that JV Stock created a false or misleading appearance of trading in violation of Regulation 3 (a), (b), (c) (d), 4 (1), 4(2) (a) and (g) of PFUTP Regulations and SPFL failed to carry out its business with due, skill, care and due diligence in violation of Regulation 7 read with Clause A (2) of Code of Conduct for Stock Brokers as specified in Schedule II of the Stock Brokers Regulations. Accordingly, a penalty of Rs. 25,00,000/- (Rupees Twenty-five lakhs) was imposed on J V Stock under Section 15HA of the SEBI Act and Rs. 25,00,000/- (Rupees Twenty-five lakhs) was imposed on SPFL under Section 15HB of the SEBI Act.
5. The said Order dated March 12, 2015 was appealed against before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT**') by the Noticees. The Hon'ble SAT vide its Order dated February 25, 2016 set aside the Adjudication Order dated March 12, 2015 and restored the appeals to the file of SEBI for passing fresh order on merits and in accordance with law.

#### **APPOINTMENT OF ADJUDICATING OFFICER**

6. Ms. Barnali Mukherjee was appointed as the Adjudicating Officer on April 05, 2013 under section 15-I of SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**SEBI Rules**') to inquire into and adjudge the alleged violations committed by the Noticees. Consequently upon transfer of Ms. Barnali Mukherjee, I was appointed as the Adjudicating Officer vide order dated August 08, 2013 under Section 15-I of the SEBI Act read with rule 3 of SEBI Rules to inquire into and adjudge under section 15HA of the SEBI Act against JV Stock and under Section 15HB of the SEBI Act against SPFL, for the alleged violation of PFUTP Regulations and/or Stock Brokers Regulations, as applicable. Pursuant to the SAT Order dated February 25, 2016, the matter was restored to the undersigned for passing fresh order on merits and in accordance with law.

#### **SHOW CAUSE NOTICE, HEARING AND REPLY**

7. Show Cause Notice No. EAD-6/BM/VG/11555/2013 and EAD-6/BM/VG/11566/2013 dated May 15, 2013 (hereinafter referred to as '**SCN**') were issued to the Noticees under rule 4 of the Rules to show cause as to why an inquiry should not be held and penalty be not imposed under section 15HA of SEBI Act on JV Stock and under section 15HB of SEBI Act on SPFL for the alleged violation specified in the said SCN. Upon receipt of the SCN, the Noticees vide letter dated May 27, 2013 requested for additional time of four weeks to file their reply to the SCN. The request of the Noticees was acceded to. Thereafter, JV Stock filed its reply dated June 18, 2013. SPFL filed its reply dated June 26, 2014 and enclosed therewith the aforementioned reply of JV Stock. SPFL adopted the submissions made by JV Stock while making additional submissions. The Noticees vide their aforesaid replies while denying the allegations made in the SCNs have *inter alia* made the following submissions:

- (a) *JV Stock has stated that the SCN was very ambiguous and the observations/ allegations were not specific, but, general in nature, imprecise and incoherent that did not clearly state the violation of any specific provisions of the regulations and the mode of commission of such violations, if any, with credible significance signifying the infringement thereof.*

- Further that in view of the same, they were unable to comprehend the complete scope of the investigation and were unable to completely reply to the allegations against them;*
- (b) That the Noticees had no malafide intentions whatsoever and that the allegations are based on incomplete and incorrect assumption of facts;*
  - (c) That JV Stock was into trading/ jobbing/ arbitrage of shares and had more than 90 jobbers/ traders/ arbitrageurs doing share business on their behalf;*
  - (d) That the percentage that matched among the traders/ jobbers/ arbitrageurs of JV Stock is negligible as compared to the total trading in the scrip of SIL done by them, which clearly shows that they did not have any malafide intention;*
  - (e) That JV Stock did trading/ jobbing/ arbitrage on a daily basis in shares of more than 350-400 companies with turnover ranging between Rs.45-55 crore, resulting in delivery volume of approximately Rs.6-7 crore on a daily basis in the Capital Market Segment. They also enclosed their trading pattern for a sample ten days so as to indicate that the business activity were of trading/ arbitrage/ jobbing nature;*
  - (f) That JV Stock had dealt in more than 1,500 scrips other than SIL during the investigation period and that the percentage of trades carried out in the scrip of SIL were very meager compared to the trades in other scrips;*
  - (g) That an upward variation in price can be caused by a number of factors like upward market trend, corporate announcements, fundamentals of the company, market sentiment, the existing market position of market players etc. The SCN has failed to show the manner in which the trades contributed to upward price variation, if any;*
  - (h) That JV stock executed 2,676 trades in the scrip of SIL during the investigation period, out of which there were 79 self trades as per the SCN, amounting to 2.95%. Thus, very rarely and very small quantities may have matched between their operators which is a mere coincidence, as on the same day other trades which forms majority of trading done in the same scrip have matched with other counterparties;*
  - (i) That in a number of cases order quantities purchased and sold is not the same and that the order quantities in a particular order have traded in the market partly with other counter parties and partly with JV stock. Thus, they had not done any synchronized trading as alleged;*
  - (j) JV Stock has denied indulging in manipulative transactions in the market to create artificial volumes in the shares of SIL. It has been submitted that there are no reasonable grounds for suspension or conjecture leave alone conviction;*

- (k) *With respect to orders executed from the same terminal, SPFL has submitted that the terminal numbers mentioned in para 5 of the SCN are the parent Computer to Computer Link (CTCL) ids, and the sub ids of the main CTCL id through which the actual trading is done, has not been taken into account. Hence, the allegation at para 5 of the SCN that both buy and sell trades were executed from the same terminal and were synchronized is not correct;*
- (l) *That since JV Stock has more than 90 traders/ jobbers/ arbitragers doing share business on their behalf and these traders/ jobbers/ arbitragers have been allotted sub-ids out of the main CTCL, SPFL has stated that there is a possibility that some trades ordered from different sub-ids may have been traded among the traders/ jobbers/ arbitragers of JV Stock, but, without any malafide intention;*
- (m) *SPFL has further stated that in screen based trading, it is not possible for traders/ jobbers/ arbitragers to know who the counterparty is and the trading system of the stock exchange is essentially anonymous;*
- (n) *Thus, SPFL has submitted that they have not acted as broker and counterparty for the trades in SIL as alleged and have exercised due skill, care and diligence in the conduct of their business while trading on behalf of their clients.*

8. In the interest of natural justice and in order to conduct an inquiry as per rule 4 (3) of the Rules, Noticees were granted an opportunity of personal hearing on October 04, 2013 at SEBI, Head Office, Mumbai vide hearing notice dated September 11, 2013. Shri Shailendra Gupta and Shri Alok Gupta, Authorised Representatives (hereinafter referred to as '**ARs of SPFL**') appeared on behalf of SPFL for personal hearing and reiterated the submissions made in the reply dated June 26, 2013. JV Stock did not appear for the personal hearing on October 04, 2013. Hence, another opportunity of hearing was granted on November 19, 2013 vide hearing notice dated October 21, 2013. Subsequently vide letter dated November 16, 2013, JV Stock requested that their reply dated June 18, 2013 be treated as their final submissions and further requested that they be granted leave from attending the personal hearing on November 19, 2013.
9. The Noticees had *inter alia* stated that JV Stock had more than 90 traders/ jobbers/ arbitragers doing business on their behalf and there is a possibility that some trades that too very rarely in very small quantities may have matched between the operators while doing trading/

jobbing/ arbitrage, which may have been a mere coincidence. It was noted that JV Stock *inter alia* had also stated that the SCN was ambiguous and that the observations/ allegations stated therein were not specific, but, general in nature and in view of the same they were unable to comprehend the complete scope of the investigation and were unable to completely reply to the allegations against them.

10. Hence, the Noticees JV Stock and SPFL were issued supplementary SCNs reference no EAD-6/AK/VG/13752/2014 dated May 13, 2014 and EAD6/AK/VG/14375/2014 dated May 20, 2014 respectively for elaborating through certain instances the charges set out in the individual SCNs dated May 15, 2013 issued to the Noticees. A detailed analysis of the order pattern of self trades executed by JV Stock through SPFL on July 23, 2009 for 975, 1,000 and 997 shares, on January 7, 2010 for 500 shares, on December 21, 2009 for 490 shares and on October 26, 2009 for 436 shares and 1 share, was *inter alia* provided to the Noticees to demonstrate how JV Stock had violated the provisions of Regulation 3(a), (b), (c) (d), 4 (1), 4(2) (a) and (g) of PFUTP Regulations and how SPFL had violated clause A (2) of Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of the Stock Broker Regulations while trading in the scrip of SIL. The aforesaid instances were merely illustrative in nature to demonstrate that the self trades executed by JV Stock through SPFL for 14,235 shares (7.65% of the total traded quantity of JV Stock through SPFL) were not mere coincidence as stated by JV Stock in their reply dated June 18, 2013. Soft copies of Order Log for the days on which SPFL executed self trades on behalf of JV Stock, Integrated Trade and Order Log for the days on which the SPFL executed self trades on behalf of JV Stock and details of the self trades of JV Stock executed through SPFL were provided to the Noticees. JV Stock filed its reply vide letter dated May 31, 2014 and SPFL filed its reply vide letter dated June 1, 2014. The Noticees vide the said letters while denying the allegations made against it *inter alia* made the following further submissions:

- (a) *That JV Stock is a sub broker of SPFL and was/ is doing proprietary trades and that SPFL and JV Stock share only a professional relationship of broker-client between them;*
- (b) *That the trades were executed from various terminals where multiple jobbers/ traders/ arbitragers execute trades on behalf of JV Stock as per their predefined trading strategy. Taking into account the criticality and importance of time, sometimes the jobbers/ traders/ arbitragers place sell orders without deleting a pending buy order. As a result the order gets partially executed against the buy order placed earlier. Since the jobbers / traders/*

*arbitraders trade through multiple terminals, they are not aware of the orders placed by other traders/ jobbers/ arbitradars in the same scrip and in some cases the buy order of one trader/ jobber/ arbitradar inadvertently match with that of other terminals, which should not be treated as self trades;*

- (c) That it is possible that some trades may rarely, and in small quantities get traded between operators, which is a mere coincidence;*
- (d) That the volume in the security during the investigation period is a meager 4.18% of the market volume and the alleged self trades were a negligible 0.31%, which can no way create a false or misleading appearance of trading;*
- (e) That the total traded quantity of JV Stock through SPFL in the scrip of SIL during the investigation period was 3,72,132 shares, of which 14,235 shares resulted in self trades, thus, the percentage of self trades of JV Stock through SPFL in SIL in relation to the total traded quantity in the scrip of SIL was 3.83%. Further, at the same time, the total traded quantity of JV Stock during the investigation period in all scrips was 327,16,32,198 shares, which means that the percentage of self trades in the scrip of SIL amounted to 0.0004% of the total traded quantity across all scrips. Thus, the percentage of self trades compared to the total traded quantity is negligible and is not capable of creating artificial volume in the scrip;*
- (f) That JV Stock is in no way connected either directly or indirectly with the Management or any of the insiders of SIL;*
- (g) JV Stock has stated that the inferences, presumptions, assumptions relied upon in the notice reveal a completely arbitrary, unscientific and irrational approach;*
- (h) That JV Stock has not made any undue gain while trading in the scrip of SIL during the investigation period;*
- (i) The Noticees have cited the judgment of the Hon'ble Securities Appellate Tribunal (SAT) in the matter of Krupa Sanjay Soni Vs. SEBI (Order dated January 24, 2014) and to state that the SAT has taken a consistent view that a few instances of self trades in themselves would not, ipso facto, amount to objectionable trades;*
- (j) The Noticees have also relied upon judgments of the Hon'ble SAT in SMC Global Securities Ltd. dated November 25, 2011 to state that SPFL as the broker was not involved in any manipulation and the Orders of Adjudicating Officers in respect of JV Stock dated January 31, 2014 and April 30, 2014 to state that such meager quantity and negligible instances of self trades cannot create artificial volume.*

11. The Noticees JV Stock and SPFL were thereafter granted an opportunity of personal hearing on June 09, 2014 vide individual hearing notices dated May 22, 2014 and May 27, 2014 respectively. Mr. Amit Agarwal, Authorised Representative (hereinafter referred to as '**AR of JV Stock and SPFL**') appeared on behalf of JV Stock and SPFL and reiterated the submissions made in their respective replies. The Noticees also submitted that there was no past non-compliance of SEBI Act and SEBI Regulations by them and that no action had been taken in the past by SEBI against them. Further, AR submitted that SPFL had asked their clients to develop a mechanism at their end so that no self trades are executed between their jobbers/arbitraders. Also that JV Stock, three years ago, had put a system in place wherein only one jobber was assigned to one scrip to ensure that self trades are not executed. Vide individual letters dated June 13, 2014, the Noticees further confirmed the same.
12. Subsequently another opportunity of hearing was also granted to the Noticees on December 18, 2014 vide email dated December 11, 2014. Mr. Shailendra Gupta, Director and Authorised Representative (hereinafter referred to as '**AR of SPFL**') appeared on behalf of SPFL and reiterated the submissions made in their replies dated June 01, 2014 and June 26, 2013. It was noted that vide letter dated June 01, 2014, SPFL had compared J.V.Stock's two sided total buy and sell traded quantity of 3,72,132 shares with its one sided self trade quantity which was 14,235 shares, to conclude that the self trades executed by JV Stock through SPFL were 3.83%. In view of the same, AR of SPFL was advised to confirm that the 3,72,132 shares was the total two sided (buy and sell) traded quantity. Vide email dated December 24, 2014, SPFL has confirmed the same. JV Stock did not appear for the personal hearing on December 18, 2014. The AR of SPFL, however, submitted further written submissions dated December 16, 2014 from JV Stock. Vide their said letter dated December 16, 2014, I note that JV Stock has *inter alia* made the following final submissions:
- (a) *That it was not possible for brokers through whom they were trading to prevent self trades from occurring altogether, as once an order is accepted by the trading system, it is not possible for the broker to have control over who the counter party is, as the trade engine finds and matches orders based on price time priority;*
  - (b) *Further that a dealer who is trading on their behalf can place the buy and sell order for the same stock in one day to get advantage of intra-day price movement, but, without knowing that the orders might get matched;*



- (c) That the trades done by them were not fictitious in nature and were a part of the normal trading activity without any malafide intent under the PFUTP Regulations;*
- (d) That the alleged trades were miniscule as compared to their total turnover on those dates;*
- (e) That the alleged self trades were unintended and it was due to the pendency of the buy/sell orders that resulted in matched trades;*
- (f) That they had not made any undue gain while trading in the scrip of SIL during the investigation period and that they are in no way connected either directly or indirectly with the management or any of the insiders of SIL.*

13. Subsequent to the remand of the matter, an opportunity for personal hearing was granted to the Noticees on August 08, 2016 vide hearing Notice dated July 08, 2016. On the scheduled date, Mr. Anil Agarwal and Mr. Gautam Kumar Banthia, appeared on behalf of SPFL. Further, Mr. Gautam Kumar Banthia appeared on behalf of JV Stock. The Authorised Representatives (ARs) of the Noticees stated that their submissions made before the Hon'ble SAT in the matter may be taken on record. The ARs undertook to provide copies of the same. The ARs were advised to submit details of any mechanism that they had at the relevant point of time at their end at client level, so as to ensure that no self trades got executed between their jobbers/ arbitragers. Also, a similar mechanism, if any, at the broker level, so that no self trades got executed at the client level.

14. SPFL filed their written submissions dated August 19, 2016, wherein copies of Appeal filed by SPFL before the Hon'ble SAT, Additional Submissions filed by the Noticees before the Hon'ble SAT and Rejoinder Affidavit filed by the Noticees before the Hon'ble SAT were provided. Further, as regards the query relating to the mechanism to be adopted at the relevant point of time to prevent execution of self trades at client level, it was submitted that the same has been explained in detail in the appeals filed by them and also in the Rejoinder Affidavit of February 2016 filed before the Hon'ble SAT. It was further stated therein that the Hon'ble SAT in its Order after considering the Adjudicating Order, SEBI's reply to their appeal and the rejoinder has categorically held and put the onus on the Adjudicating Officer to suggest what kind of mechanism was to be installed by the broker to prevent self trades from being executed.

15. Further, during the course of the adjudication proceedings, the Hon'ble Supreme Court vide its Order dated November 26, 2015 in the matter of *SEBI v. Roofit Industries Ltd.* had opined that the Adjudicating Officer had no discretion under Section 15J in deciding the quantum of penalty for offences committed between 2002 and 2014, other for than penalty under Section 15F(a) and Section 15HB of the SEBI Act. However, subsequently another Bench of the Hon'ble Supreme Court in the matter of *Siddharth Chaturvedi v. SEBI* vide Order dated March 14, 2016 stated that the matter deserved consideration at the hands of a larger Bench. Accordingly, the Supreme Court directed that the papers of these appeals be placed before the Hon'ble Chief Justice of India for placing these matters before a larger Bench. Hence, the current Adjudication proceedings were kept on hold until determination of the issue of applicability of Section 15J to Sections 15A(a), (b) and (c), 15B, 15C, 15D, 15E, 15F(b)& (c), 15G, 15H and 15HA of the SEBI Act, for offences committed between 2002 and 2014.
16. However, subsequent to the amendment made vide the Finance Act, 2017 to Section 15J of the SEBI Act, 1992 (notified on April 26, 2017), the following Explanation has been inserted in Section 15J:
- “Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”.*
17. Thus, it is now settled that Section 15J also applies to Sections 15A(a), (b) and (c), 15B, 15C, 15D, 15E, 15F(b)& (c), 15G, 15H and 15HA of the SEBI Act, for offences committed between 2002 and 2014.
18. Subsequent to the notification of the Finance Act, 2017 and the amendment made thereby to Section 15J of the SEBI Act, email dated July 10, 2017 read with July 13, 2017 was sent to the Noticees whereby an opportunity was given to the Noticees to file further written submissions, if any, by July 28, 2017. Vide the said emails, the Noticees were also advised that in case they wish to avail of another opportunity of personal hearing in the matter, they can inform by July 17, 2017. In response, SPFL vide email dated July 17, 2017 on behalf of JV Stock and itself stated that they do not wish to file any further written submissions.

## **CONSIDERATION OF ISSUES AND FINDINGS**

19. I have carefully examined the SCN, the submissions made and the documents available on record. The allegations against the Noticees are that JV Stock entered into self trades which created artificial volume in the scrip, leading to false and misleading appearance of trading in the scrip, and hence, allegedly fraudulent. Further its broker i.e. SPFL failed to exercise due skill and care to prevent such self trades from occurring. Consequently, it was alleged that JV Stock has violated Regulation 3(a), (b), (c) (d), Regulation 4(1) and Regulation 4(2) (a) and (g) of the PFUTP Regulations. SPFL failed to exercise due skill and care in terms of clause A(2) of Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Stock Brokers Regulations.
20. The issues that, therefore, arise for consideration in the present case are:
- a) Whether JV Stock executed self trades which created artificial volume in the scrip, leading to false and misleading appearance of trading of SIL scrip in the securities market, and thus, violated Regulation 3(a), (b), (c) (d), Regulation 4(1) and Regulation 4(2) (a) and (g) of the PFUTP Regulations?
  - b) Further, whether SPFL failed to carry out its business with due skill, care and due diligence in terms of clause A(2) of Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Stock Brokers Regulations?
  - c) Does the violation, if any, on the part of JV Stock attract monetary penalty under section 15HA of the SEBI Act and by SPFL under section 15HB of the SEBI Act?
  - d) If so, what would be the monetary penalty that can be imposed against JV Stock and SPFL taking into consideration the factors mentioned in section 15J of the SEBI Act?
21. Further, I find that the Hon'ble SAT vide its Order dated February 25, 2016, while remanding the Adjudicating Order dated March 12, 2015 for fresh decision on merits and in accordance with law, has *inter alia* stated that though Para 29 of Order dated March 12, 2015 had recorded that analysis of the trades reveal artificial volumes have been created, the said order did not set out the extent to which artificial volumes were created by the trades in question. The Hon'ble SAT also pointed out that Order dated March 12, 2015 did not set out as to what kind of mechanism ought to have been installed by the stock broker to prevent self trades. In

absence of any finding to that effect, the Hon'ble SAT held that the stock broker could not be said to have carried on business without due care, skill and due diligence.

22. Before moving forward, it will be appropriate to refer to the relevant provisions of the PFUTP Regulations and the Stock Brokers Regulations, which reads as under:

***Prohibition of certain dealings in securities***

***3. No person shall directly or indirectly—***

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.*

***4. Prohibition of manipulative, fraudulent and unfair trade practices***

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*
  - (a) indulging in an act which creates false or misleading appearance of trading in the securities market;*
  - (g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security*

***Stock-Brokers to abide by Code of Conduct.***

- 7. The stock-broker holding a certificate shall at all times abide by the Code of Conduct as specified at Schedule II.*

***SCHEDULE II***

***Code of Conduct for Stock Brokers***

***A. GENERAL***

- (2) EXERCISE OF DUE SKILL AND CARE: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business.*

## **FINDINGS**

23. Upon careful perusal of the material available on record, I now proceed with the findings in connection with the role of Noticees with respect to the violations as alleged in the case, keeping in mind the observations made by the Hon'ble SAT vide its Order dated February 25, 2016. I note that that JV Stock (as a client) executed self trades for 14,235 shares (7.65% of total traded quantity by JV Stock through the broker SPFL). Such self trades were observed to have been executed on 33 trade days during the investigation period and involved 79 trades. Out of the 79 trades, 16 trades for a quantity of 6,935 shares were found to be synchronized.

24. It is also noted that SPFL acted as both broker and counterparty broker for the above trades. Further that both buy and sell trades were executed from same terminal in respect of the following trades for a traded quantity of 3,243 shares, of which trades for 1,506 shares were synchronised:

Broker	Terminal No.	Trade Date	Trade Quantity	Synchronised Trade Quantity
SPFL Securities Ltd.	3255205	25-06-2009	114	
	3255206	16-02-2009	175	
	3255206	25-06-2009	500	500
	3255206	09-09-2009	2	
	3255210	06-02-2009	1	1
	3255211	10-02-2010	1	
	3255211	11-02-2010	100	
	3255212	26-10-2009	437	
	3255212	05-01-2010	200	
	3255212	06-01-2010	188	
	3255212	18-02-2010	902	902
	3255215	08-09-2009	1	
	3255215	16-10-2009	500	
	3255215	22-10-2009	15	
	3255215	15-12-2009	103	103
	3255215	21-12-2009	1	
	3255215	10-02-2010	3	
			<b>3,243</b>	<b>1,506</b>

25. I further find that the Noticees have claimed that the basic nature of JV Stock's trading activity was jobbing/arbitrage through a network of dealers, and any self trades were only a coincidence, not with intent to commit self trades. It has also *inter alia* been submitted that the percentage that matched among the traders/ jobbers/ arbitrageurs of JV Stock is

negligible as compared to the total trading in the scrip of SIL done by them. Thus, I find that the Noticees have not disputed the self trades.

26. Vide supplementary SCNs dated May 13, 2014 and May 20, 2014 issued to JV Stock and SPFL respectively, certain instances of self trades executed by JV Stock were further elaborated by analyzing the pattern in which the orders were placed, to bring out how JV Stock had placed orders in the scrip of SIL to intentionally execute self trades so as to create artificial volumes in the SIL scrip.

**A. TRADING PATTERN OF THE SIL SCRIP DURING THE INVESTIGATION PERIOD**

27. Before going into the merits of the submissions made by the Noticees *vis-à-vis* the allegations made in the SCN and the Supplementary SCN, I find it pertinent to look at the trading pattern of the SIL scrip during the investigation period. The investigation period covered the period from January 1, 2009 to May 10, 2010. I find from a perusal of Price-Volume (PV) data as available on BSE website that the number of trades per day were less than or equal to 100 trades on 271 trade days out of a total of 318 trade days during the investigation period, and only on 4 trade days out of the entire investigation period comprising 318 days, the number of trades were more than 1,000 trades per day. On the remaining 43 trade days, the number of trades ranged between 102 to 521 trades per day.
28. The above data makes it clear that the SIL scrip was illiquid scrip. It is with this perspective that the self trades by JV Stock through SPFL during the investigation period would have to be viewed. Further, on a perusal of the Order log, it appeared that large number of Orders/ quantity had been deleted. Hence, Order-wise and Volume-wise analysis was done for the investigation period.

**B. ANALYSIS OF J.V.STOCK'S TOTAL ADDED/ DELETED ORDERS/ VOLUMES VIS-À-VIS MARKET TOTAL ADDED/ DELETED ORDERS/ VOLUMES DURING THE INVESTIGATION PERIOD**

29. A comparative table is shown below:

Period from Jan 01, 2009 to May 10, 2010	Number of Buy 'Added' Orders	Number of Buy 'Deleted' Orders	% of Deleted Orders to Buy Added Orders	Buy Qty Added	Buy Deleted Qty	% of Deleted Quantity to Buy Added Quantity	Number of Sell 'Added' Orders	Number of Sell 'Deleted' Orders	% of Deleted Orders to Sell 'Added' Orders	Sell Added Qty	Sell Deleted Qty	% of Deleted Quantity to Sell Added Quantity
JV Stock Broking Ltd.	2211	1247	<b>56.40</b>	951062	570406	<b>59.98</b>	1586	794	<b>50.06</b>	524659	293693	<b>55.98</b>
Market	24256	5667	<b>23.36</b>	6868204	1410746	<b>20.54</b>	23010	5039	<b>21.90</b>	7632878	1210456	<b>15.86</b>
% JV Stock to Market	<b>9.12</b>	<b>22.00</b>		<b>13.85</b>	<b>40.43</b>		<b>6.89</b>	<b>15.76</b>		<b>6.87</b>	<b>24.26</b>	

30. The following is observed from the above table:

i. **Order-wise on Total Basis – J.V.Stock versus Market Added/ Deleted Orders:**

- that JV Stock's Buy Added Orders comprised **about 9%** of Market Buy Added Orders during the investigation period and JV Stock's Sell Added Orders comprised **about 7%** of the overall Sell Added Orders during the investigation period;
- that further since JV Stock had deleted **about 56%** of its Buy Added Orders, thus, market-wise JV Stock inflated in terms of Orders, the buy side of the Order book by **about 5%** (% of deleted buy orders of JV Stock vis-a-vis Total Market Orders i.e. 1,247 Orders / 24,256 Orders) during the investigation period;
- that similarly, since JV Stock had deleted **50%** of its Sell Added Orders, thus, market-wise JV Stock inflated in terms of Orders, the sell side of the Order book by **about 3.5%** (% of deleted sell orders of JV Stock vis-à-vis Total Market Orders i.e. 794 Orders/ 23,010 orders);
- That further, Order-wise deletion by JV Stock comprised **22%** of the market-wise deleted Buy Orders in the scrip during the investigation period and **about 16%** of the market-wise deleted Sell Orders in the scrip during the investigation period;
- Also, as against market-wise deletion of about **23%** of Buy Added Orders during the investigation period, JV Stock's deletion of Buy Added Orders was about **56%** during the investigation period. Similarly, as against market-wise deletion of about **22%** of Sell Added Orders during the investigation period, JV Stock's deletion of Sell Added orders was about **50%** during the investigation period.

ii. **Volume-wise on Total Basis - J.V.Stock versus Market Added/ Deleted Volumes:**

- that JV Stock's Buy Added Quantity comprised **about 14%** of Market Buy Added Quantity during the investigation period and JV Stock's Sell Added Quantity comprised **about 7%** of the Market Sell Added Quantity during the investigation period:

- that further since JV Stock had deleted **about 60%** of its Buy Added Quantity, thus, market-wise JV Stock inflated in terms of volumes, the buy side of the Order book by **about 8%** (% of deleted buy order quantity of JV Stock vis-à-vis Total Market volume i.e. 5,70,406 shares/ 68,68,204 shares) during the investigation period;
- that also, since JV Stock had deleted **about 56%** of its Sell Added Quantity, thus, market-wise JV Stock inflated in terms of volumes, the sell side of the Order book by **about 4%** (% of deleted sell order quantity of JV Stock vis-à-vis Total Market Volume i.e. 2,93,693 shares/ 76,32,878 shares);
- That further, volume-wise deletion by JV Stock comprised **about 40%** of the market-wise deleted Buy Volume in the scrip during the investigation period and **about 24%** of market-wise deleted Sell Volume in the scrip during the investigation period;
- Also, as against market-wise deletion of about **21%** of Buy Added Volume during the investigation period, JV Stock's deletion of Buy Added Volume was **about 60%** during the investigation period. Similarly, as against market-wise deletion of **about 16%** of Sell Added Volume during the investigation period, JV Stock's deletion of Sell Added Volume was about **56%** during the investigation period.

31. **Thus, it was observed from the above that on an overall total basis, the artificial Orders/ volumes created by JV Stock during the investigation period was in the range of 3.5% to 8%. Also on an overall total basis, JV Stock was deleting about 16% to 40% of its Added Orders/ Volumes. Further, this deletion rate as compared with the market was more than double the Order-wise market deletion rate and more than thrice the Volume-wise market deletion rate.**

**C. Analysis of J.V.Stock's Self trade Days Added/ Deleted Orders/ Volumes vis-à-vis Market Added/ Deleted Orders/ Volumes during the Self-Trade Days (Self trades more than 500 shares on any trade day)**

32. In order to study whether a similar pattern was prevalent even on the days when self trades of JV Stock had got executed, a similar analysis was also done for those self trade days when self trades by JV Stock comprised more than 500 shares on any trade day during the investigation period. The said analysis is placed below:



	No. of 'Added' Orders	No.of 'Deleted' Orders	% of Delete d Orders to Added Orders	Qty Added	Deleted Qty	% of Deleted Qty to Added Qty
	BUY					
Jan 01, 2009 to May 10, 2010						
JV Stock Broking Ltd.	2211	1247	56.40	951062	570406	59.98
Total	24256	5667	23.36	6868204	1410746	20.54
% JV Stock to Total	9.12	22.00		13.85	40.43	
23-Jul-2009 Self trade – 2,972 shares						
JV Stock Broking Ltd.	9	2	22.22	6142	907	14.77
Total	42	5	11.90	8359	952	11.39
% JV Stock to Total	21.43	40.00		73.48	95.27	
25-Jun-2009 Self trade – 1,350 shares						
JV Stock Broking Ltd.	14	8	57.14	5234	3634	69.43
Total	22	10	45.45	6089	3834	62.97
% JV Stock to Total	63.64	80.00		85.96	94.78	
09-Sep-09 Self trade 1,316 shares						
JV Stock Broking Ltd.	32	16	50.00	13199	8407	63.69
Total	93	18	19.35	22301	8465	37.96
% JV Stock to Total	34.41	88.89		59.19	99.31	
24-Jun-09 Self trade – 1,000 shares						
JV Stock Broking Ltd.	11	8	72.73	5100	3500	68.63
Total	31	9	29.03	8291	3750	45.23

No.of Sell 'Added' Orders	No. of Sell 'Delet ed' Order s	% of Delete d Orders to Sell 'Added' Orders	Total Sell Added Qty	Sell Deleted Qty	% of Deleted Qty to Sell Added Qty
SELL					
1586	794	50.06	524659	293693	55.98
23010	5039	21.90	7632878	1210456	15.86
6.89	15.76		6.87	24.26	
9	3	33.33	7999	2593	32.42
37	6	16.22	15678	4599	29.33
24.32	50.00		51.02	56.38	
10	4	40.00	4077	626	15.35
30	7	23.33	14166	1301	9.18
33.33	57.14		28.78	48.12	
41	23	56.10	19755	10205	51.66
140	60	42.86	41435	19638	47.39
29.29	38.33		47.68	51.97	
2	0	0.00	1500	0	0.00
26	1	3.85	12740	50	0.39

% JV Stock to Total	35.48	88.89		61.51	93.33		7.69	0.00		11.77	0.00	
21-Dec-09 Self trade – 912 shares												
JV Stock Broking Ltd.	11	5	45.45	7601	2878	37.86	56	36	64.29	35150	20572	58.53
Total	184	30	16.30	52263	6083	11.64	270	97	35.93	84337	33665	39.92
% JV Stock to Total	5.98	16.67		14.54	47.31		20.74	37.11		41.68	61.11	
18-Feb-10 Self trade – 902 shares												
JV Stock Broking Ltd.	19	6	31.58	11221	3395	30.26	40	18	45.00	14900	6285	42.18
Total	294	62	21.09	64530	10562	16.37	279	79	28.32	68538	15149	22.10
% JV Stock to Total	6.46	9.68		17.39	32.14		14.34	22.78		21.74	41.49	
18-Dec-09 Self trade – 713 shares												
JV Stock Broking Ltd.	82	35	42.68	33191	16941	51.04	74	41	55.41	43765	22902	52.33
Total	240	74	30.83	89556	21380	23.87	240	65	27.08	122695	34760	28.33
% JV Stock to Total	34.17	47.30		37.06	79.24		30.83	63.08		35.67	65.89	
24-Jul-09 Self trade – 600 shares												
JV Stock Broking Ltd.	18	9	50.00	5581	3080	55.19	20	9	45.00	5825	2415	41.46
Total	59	17	28.81	12160	3955	32.52	45	11	24.44	10863	2615	24.07
% JV Stock to Total	30.51	52.94		45.90	77.88		44.44	81.82		53.62	92.35	
6-Feb-2009 Self trade – 501 shares												
JV Stock Broking Ltd.	56	30	53.57	13735	7648	55.68	35	19	54.29	10263	5850	57.00
Total	170	58	34.12	88506	26367	29.79	131	29	22.14	71847	13663	19.02
% JV Stock to Total	32.94	51.72		15.52	29.01		26.72	65.52		14.28	42.82	

33. The following is observed from the above table:

- i. **Order-wise on Self Trade Days (Self trade above 500 shares) - J.V.Stock versus Market Added/ Deleted Orders:**

The day-wise average % of JV Stock's Added Orders to Market Added Orders, JV Stock's Deleted Orders to its Own Added Orders, JV Stock's Deleted Orders to Market

Added Orders, JV Stock's Deleted Orders to Market Deleted Orders and Market-wise Deleted Orders to Market-wise Added Orders in respect of 9 self trade days when the self trades were more than 500 shares is as given below:

Average of JV Stock's Added Orders to Market Added Orders (in %)		Average of JV Stock's Deleted Orders to its Own Added Orders (in %)		Average of JV Stock's Deleted Orders to Market Added Orders (in %)		Average of JV Stock's Deleted Orders to Market Deleted Orders (in %)		Average Market Order Deletion vis-a-vis Market Added Orders (in %)	
Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
29.45	25.75	47.26	43.71	15.15	12.13	52.90	46.20	26.32	24.91

It is, thus, observed as follows in respect of 9 self trade days when the self trades were more than 500 shares:

- that JV Stock's Average Buy Added Orders comprised **about 29%** of Market Buy Added Orders during 9 self trade days when the self trades were more than 500 shares and JV Stock's Average Sell Added Orders comprised **about 26%** of the Market Sell Added orders during 9 self trade days when the self trades were more than 500 shares;
- that further JV Stock had deleted on an average basis **about 47%** of its Buy Added Orders and inflated day-wise in terms of Orders on an average basis, the buy side of the Order book by **about 15%** (average deleted buy orders of JV Stock vis-a-vis Market Buy Added Orders) on 9 trade days when self trades were more than 500 shares;
- that similarly, JV Stock had deleted on an average basis about **44%** of its Sell Added Orders and, thus, inflated day-wise in terms of Orders on average basis, the sell side of the Order book by **about 12%** (average deleted sell orders of JV Stock vis-a-vis Market Sell Added Orders) on 9 trade days when self trades were more than 500 shares;
- That further, day-wise average Order deletion by JV Stock comprised **about 53%** of the deleted Market Buy Added Orders in the scrip on 9 trade days when self trades were more than 500 shares and **about 46%** of the deleted Market Sell

Added Orders in the scrip on 9 trade days when self trades were more than 500 shares;

→ Also, as against market-wise average deletion of about **26%** of the Market Buy Added Orders during 9 trade days when self trades were more than 500 shares, JV Stock's average deletion of its buy Added Orders was about **47%** during the 9 trade days when self trades were more than 500 shares. Similarly, as against market-wise average deletion of about **25%** of the Market Sell Added Orders during 9 trade days when self trades were more than 500 shares, JV Stock's average deletion of its sell Added orders was about **44%** during the 9 trade days when self trades were more than 500 shares during the investigation period.

ii. **Volume-wise on Self Trade Days (Self trade above 500 shares) - J.V.Stock versus Market Added/ Deleted Volumes:**

- i. The day-wise average % of JV Stock's Added Volumes to Market Added Volumes, JV Stock's Deleted Volumes to its Own Added Volumes, JV Stock's Deleted Volumes to Market Added Volumes, JV Stock's Deleted Volumes to Market Deleted Volumes and Market-wise Deleted Volumes to Market-wise Added Volumes in respect of 9 self trade days when the self trades were more than 500 shares is as given below:

Average of JV Stock's Added Volume to Market Added Volumes (in %)		Average of JV Stock's Deleted Volume to its Own Added Volumes (in %)		Average of JV Stock's Deleted Volume to Market Added Volumes (in %)		Average of JV Stock's Deleted Volume to Market Deleted Volumes (in %)		Average Market Volume Deletion vis-a-vis Market Added Volumes (in %)	
Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
45.62	34.03	49.62	38.99	23.79	14.24	72.03	51.12	30.19	24.42

It is, thus, observed as follows in respect of 9 self trade days when the self trades were more than 500 shares:

→ that JV Stock's Average Buy Added Volumes comprised **about 46%** of Market Buy Added Volume during 9 self trade days when the self trades were more than 500 shares and JV Stock's Average Sell Added Volume comprised **about 34%** of the Market Sell Added Volume during 9 self trade days when the self trades were more than 500 shares;

- that further JV Stock had deleted on an average basis **about 50%** of its Buy Added Volume and inflated day-wise in terms of Volumes on an average basis, the buy side of the Order book by **about 24%** (average deleted buy volume of JV Stock vis-a-vis Market Buy Added Volume) on 9 trade days when self trades were more than 500 shares;
- that similarly, JV Stock had deleted on an average basis about **39%** of its Sell Added Volume and, thus, inflated day-wise in terms of Volumes on average basis, the sell side of the Order book by **about 14%** (average deleted sell volume of JV Stock vis-a-vis Market Added Sell Volume) on 9 trade days when self trades were more than 500 shares;
- That further, day-wise average Volume deletion by JV Stock comprised **about 72%** of the deleted Market Buy Added Volume in the scrip on 9 trade days when self trades were more than 500 shares and **about 51%** of the deleted Market Sell Added Volume in the scrip on 9 trade days when self trades were more than 500 shares;
- Also, as against market-wise average deletion of about **30%** of the Market Buy Added Volume during 9 trade days when self trades were more than 500 shares, JV Stock's average deletion of its buy Added Volume was about **50%** during the 9 trade days when self trades were more than 500 shares. Similarly, as against market-wise average deletion of about **24%** of the Market Sell Added Volume during 9 trade days when self trades were more than 500 shares, JV Stock's average deletion of its Sell Added Volume was about **39%** during the 9 trade days when self trades were more than 500 shares during the investigation period.

34. Thus, it was observed from the above that on Self trade basis (taking into consideration the 9 trade days when self trades were more than 500 shares during the investigation period), JV Stock was deleting Orders/ Volumes in the range of 12% to 24% of the Market Added Volumes. Also on Self trade basis, JV Stock was observed to be deleting about 39% to 47% of its Own Added Orders/ Volumes on the 9 trade days when self trades were more than 500 shares during the investigation period. Further, this deletion rate as compared with the market was about 1.75 times the Order-wise as well as Volume-wise Market deletion rate on the days when self trades above 500 shares were executed during the investigation period.

**D. WHETHER SUCH DELETIONS DONE BY JV STOCK WERE GENUINE OR WITH AN  
INTENT TO CAUSE ARTIFICIAL VOLUMES IN THE SIL SCRIP**

35. Further analysis of deleted orders of JV Stock through SPFL was made to ascertain whether the deletions as aforesaid done by J.V.Stock were genuine or with an intent to cause artificial volumes in the SIL scrip, so as to mislead other investors. Hence, detailed analysis of Added/ Deleted Orders placed by JV Stock through SPFL on two self trade dates when self trades were above 1,000 shares was done and the analysis is as brought out below:

**i. July 23, 2009 when total Self trade quantity on that day was 2,972 shares**

The following are the buy/ sell 'Added'/ 'Deleted' orders that were placed/ deleted by JV Stock through SPFL on July 23, 2009:

Order No.	Buy/sell	Rate	Qty	Order date	Order time	Error Text	AUD CODE
20000045008323	B	62.55	1	07/23/2009	10:53:23.277601	ORDER ADDED SUCCESSFULLY	A
14000046017618	B	63.65	500	07/23/2009	12:26:51.235869	ORDER ADDED SUCCESSFULLY	A
<b>14000046017618</b>	<b>B</b>	<b>63.65</b>	<b>500</b>	<b>07/23/2009</b>	<b>12:26:56.912451</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
23000048036224	B	62	1000	07/23/2009	15:04:20.638229	ORDER ADDED SUCCESSFULLY	A
12000047028617	S	68	1000	07/23/2009	15:04:48.484366	ORDER ADDED SUCCESSFULLY	A
23000048036265	S	68	1000	07/23/2009	15:04:52.698513	ORDER ADDED SUCCESSFULLY	A
<b>12000047028617</b>	<b>S</b>	<b>68</b>	<b>1000</b>	<b>07/23/2009</b>	<b>15:05:03.159921</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
<b>23000048036265</b>	<b>S</b>	<b>68</b>	<b>1000</b>	<b>07/23/2009</b>	<b>15:05:07.950536</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
12000047028684	S	67.8	1000	07/23/2009	15:05:39.448538	ORDER ADDED SUCCESSFULLY	A
23000048036332	B	67.8	1000	07/23/2009	15:05:40.926583	ORDER ADDED SUCCESSFULLY	A
<b>23000048036224</b>	<b>B</b>	<b>62</b>	<b>407</b>	<b>07/23/2009</b>	<b>15:06:03.359542</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
13000042030798	B	60.4	1000	07/23/2009	15:07:47.382619	ORDER ADDED SUCCESSFULLY	A
12000047028865	B	60.4	141	07/23/2009	15:07:58.079314	ORDER ADDED SUCCESSFULLY	A
15000041036645	S	66.7	999	07/23/2009	15:08:42.590050	ORDER ADDED SUCCESSFULLY	A
15000041036660	B	60.5	500	07/23/2009	15:08:56.650526	ORDER ADDED SUCCESSFULLY	A
13000042030923	S	64.5	1000	07/23/2009	15:09:27.512083	ORDER ADDED SUCCESSFULLY	A
23000048036666	B	64.5	1000	07/23/2009	15:09:28.643510	ORDER ADDED SUCCESSFULLY	A
23000048036908	S	66.5	500	07/23/2009	15:10:31.581073	ORDER ADDED SUCCESSFULLY	A
<b>12000047028684</b>	<b>S</b>	<b>67.45</b>	<b>593</b>	<b>07/23/2009</b>	<b>15:10:41.709484</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
12000047031301	B	64	1000	07/23/2009	15:27:28.646442	ORDER ADDED SUCCESSFULLY	A
23000048039445	S	64	1000	07/23/2009	15:27:29.884389	ORDER ADDED SUCCESSFULLY	A
23000048040075	S	63.75	1000	07/23/2009	15:40:12.476196	ORDER ADDED SUCCESSFULLY	A
23000048040092	S	63.75	500	07/23/2009	15:40:26.896453	ORDER ADDED SUCCESSFULLY	A

- ➔ From the trade log it is observed that on July 23, 2009, the first trade of the day took place at 12.51.18.000000 for 1 share at trade rate Rs. 67;
- ➔ Thus, it is observed from the above that **JV Stock through SPFL had deleted buy Order id 14000046017618 for 500 shares at 12:26:56.912451 within 5 seconds of placing the buy order and even before first trade of the day took place;**
- ➔ Further, it is observed from the above table that JV Stock through SPFL placed buy order for 1,000 shares vide Buy Order id 23000048036224 at 15:04:20 at Rs. 62. At around the same time i.e. at 15:04:10:495, it is observed that one Gurjeet Panthania reduced the sell rate of balance 593 shares, out of his sell order for 1,500 shares to Rs. 62. This resulted in trade for 593 shares at Rs. 62 at 15:04:20 i.e. almost instantaneously on JV Stock placing the buy order as aforesaid and 407 shares out of Buy Order id 23000048036224 of JV Stock at Rs. 62 remained pending for execution. At this point of time, i.e. at 15:05:39.448538, JV Stock through SPFL placed a sell order for 1,000 shares at Rs. 67.80 vide sell order id 12000047028684. Immediately thereafter at 15:05:40.926583, JV Stock through SPFL placed another buy order for 1,000 shares vide Buy Order id 23000048036332 at buy rate of Rs. 67.80 (i.e. at an increment of Rs. 5.80 to the last traded price of Rs. 62 and also its own pending buy order id 23000048036224 for 407 shares). The Buy Order id 23000048036332 of JV Stock raised the price of the scrip from Rs. 62 to Rs. 67.80 i.e. by Rs. 5.80 through 4 trades of (1,1,1, and 997 shares) from the last traded price of Rs. 62 as follows:

TRADE_TIME	MEMBER NAME	CLIENT NAME	TRADE QTY	TRADE RATE	LTP IN RS	LTP IN %	CP_MEMBER_NAME	CP_CLIENT_NAME
15.04.20.000000	SPFL SECURITIES LTD.	JV STOCK BROKING	593	62	0	0	KOTAK SECURITIES LTD.	GURJEET PATHANIA
15.05.41.000000	SPFL SECURITIES LTD.	JV STOCK BROKING	1	64.85	2.85	4.39	MTL SHARE & STOCK BROKERS LTD.	MADHUR AGGARWAL
15.05.41.000000	SPFL SECURITIES LTD.	JV STOCK BROKING	1	65.9	1.05	1.59	MTL SHARE & STOCK BROKERS LTD.	MADHUR AGGARWAL
15.05.41.000000	SPFL SECURITIES LTD.	JV STOCK BROKING	1	66.95	1.05	1.56	MTL SHARE & STOCK BROKERS LTD.	MADHUR AGGARWAL
15.05.41.000000	SPFL SECURITIES LTD.	JV STOCK BROKING	997	67.8	0.85	1.25	SPFL SECURITIES LTD.	JV STOCK BROKING

TRADE_TIME	MEMBER NAME	CLIENT NAME	TRADE QTY	TRADE RATE	LTP IN RS	LTP IN %	CP_MEMBER_NAME	CP_CLIENT_N AME
15.07.35.000000	SHAH INVESTORS HOME LTD.	ASHUTOSH VIRENDRAKU MAR VYAS	100	61	-6.8	11.14	KOTAK SECURITIES LTD.	SUKHDEV SIDHU

- It is observed from the above that **at trade time 15.05.41.000000, 997 shares out of sell order id 12000047028684 of JV Stock through SPFL matched with buy order id 23000048036332 placed by JV Stock through SPFL at 15:05:40.926583 at same buy order rate as the sell order rate viz. Rs. 67.80, resulting in self trade for 997 shares** and increased the price of SIL scrip from Rs. 62 to Rs. 67.80. Subsequent to the same, at 15:05:58.537730, JV Stock updated the sell order id 12000047028684 by adding a quantity of 590 shares at Rs. 67.55. **Immediately thereafter JV Stock deleted the balance 407 shares of Buy Order id 23000048036224 (buy order rate Rs. 62) at 15:06:03.** Further the sell order rate of balance 3 shares out of sell order id 12000047028684 was also lowered to Rs. 67.55 from Rs. 67.80 at 15:06:09.582116. The sell order rate was further lowered to Rs. 67.45 at 15:06:16.599007. **Finally at 15:10:41.709484, JV Stock through SPFL also deleted the pending sell order for 593 shares. Thus, it is observed that Buy Order id 23000048036332 was placed at same rate as sell order id 12000047028684, at a huge premium to the last traded price, which clearly shows JV Stock's intent to cause self trades ;**
- Further, in between the above, JV Stock placed a sell order for 1,000 shares vide sell order id 12000047028617 at sell rate of Rs. 68 at 15:04:48.484366. **The said sell order was deleted by JV Stock through SPFL at 15:05:03.159921 i.e. within 15 seconds of placement,** without any trade happening;
- Around almost the same time, JV Stock through SPFL placed another sell order vide sell order id 23000048036265 at 15:04:52.698513 for 1,000 shares at Rs. 68 i.e. the same quantity and rate as the earlier sell order id 12000047028617. **JV Stock again deleted this entire sell order id 23000048036265 too at 15:05:07.950536 i.e. again within 15 seconds of placement,** without any trade happening. This sell order which was placed by JV Stock through SPFL at identical rate and quantity as its immediate earlier sell order too was deleted within 4 seconds of its deleting the earlier sell order.



↓ The aforesaid manner in which the orders were placed and deleted demonstrates and re-confirms the prima facie view that JV Stock was deleting orders/ placing self trades to cause artificial volumes in SIL scrip. It is further observed that JV Stock through SPFL placed 'Added Buy Orders' for 6,142 shares on July 23, 2009, and out of the same, deleted Orders for 907 shares. Further, self trades where JV Stock through SPFL was on both side of the trade occurred in respect of 2,972 shares. Thus, out of Added Buy Orders for 6,142 shares placed by JV Stock through SPFL **on July 23, 2009**, I find that **buy orders for 3,879 shares (i.e. 63%)** were either deleted in the manner brought out as above or the buy orders were placed in such a manner with a clear intent to cause self trade. Further, out of Added Sell Orders for 7,999 shares placed by JV Stock through SPFL, orders for 2,593 shares were deleted by JV Stock through SPFL, and self trades where JV Stock through SPFL was on both side of the trade occurred in respect of 2,972 shares. Thus, out of Added Sell Orders for 7,999 shares placed by JV Stock through SPFL **on July 23, 2009**, I find that **sell orders for 5,565 shares (i.e. 69%)** were either deleted in the manner brought out as above or the sell orders were placed in such a manner with a clear intent to cause self trade.

ii. **June 24, 2009 when total Self trade quantity on that day was 1,000 shares**

→ The following are the buy/ sell 'Added' / 'Deleted' orders that were placed/ deleted by JV Stock through SPFL on June 24, 2009:

Order No.	Buy/ sell	Rate	Qty	Order date	Order time	Error Text	AUD CODE
15000041001176	B	73.6	100	06/24/2009	09:59:30.560918	ORDER ADDED SUCCESSFULLY	A
21000048002758	B	73.65	200	06/24/2009	10:01:06.959948	ORDER ADDED SUCCESSFULLY	A
17000043003171	B	74	500	06/24/2009	10:02:04.490451	ORDER ADDED SUCCESSFULLY	A
17000043003642	B	74.15	500	06/24/2009	10:06:56.218181	ORDER ADDED SUCCESSFULLY	A
<b>15000041001176</b>	<b>B</b>	<b>74.05</b>	<b>200</b>	<b>06/24/2009</b>	<b>10:24:48.455016</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
18000045004857	B	74.5	500	06/24/2009	10:27:04.123569	ORDER ADDED SUCCESSFULLY	A
<b>18000045004857</b>	<b>B</b>	<b>74.7</b>	<b>500</b>	<b>06/24/2009</b>	<b>11:01:47.538158</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
<b>17000043003642</b>	<b>B</b>	<b>75</b>	<b>500</b>	<b>06/24/2009</b>	<b>11:32:57.911007</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
21000048012927	B	75.2	200	06/24/2009	12:22:48.868919	ORDER ADDED SUCCESSFULLY	A
<b>21000048012927</b>	<b>B</b>	<b>75.2</b>	<b>200</b>	<b>06/24/2009</b>	<b>12:23:54.061724</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
21000048015008	B	75	100	06/24/2009	13:16:05.030018	ORDER ADDED SUCCESSFULLY	A
<b>21000048015008</b>	<b>B</b>	<b>75</b>	<b>100</b>	<b>06/24/2009</b>	<b>13:40:19.051597</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
<b>17000043003171</b>	<b>B</b>	<b>74</b>	<b>500</b>	<b>06/24/2009</b>	<b>14:50:10.767807</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
<b>21000048002758</b>	<b>B</b>	<b>74.1</b>	<b>500</b>	<b>06/24/2009</b>	<b>15:13:30.732083</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
18000045018337	B	75	1000	06/24/2009	15:18:04.991541	ORDER ADDED SUCCESSFULLY	A

15000041014751	B	75.05	1000	06/24/2009	15:18:20.339237	ORDER ADDED SUCCESSFULLY	A
<b>15000041014751</b>	<b>B</b>	<b>75.05</b>	<b>1000</b>	<b>06/24/2009</b>	<b>15:19:22.757636</b>	<b>ORDER DELETED SUCCESSFULLY</b>	<b>D</b>
21000048021280	S	77.45	1000	06/24/2009	15:20:18.646578	ORDER ADDED SUCCESSFULLY	A
18000045018620	B	77.35	500	06/24/2009	15:23:41.103078	ORDER ADDED SUCCESSFULLY	A
17000043018202	S	77.3	500	06/24/2009	15:23:51.494031	ORDER ADDED SUCCESSFULLY	A
18000045018641	B	77.3	500	06/24/2009	15:23:54.354203	ORDER ADDED SUCCESSFULLY	A

➔ From the trade log it is observed that on June 24, 2009, the first trade of the day took place only at 12.37.59.000000 for 1 share at Rs. 78.90;

➔ At 09:59:30.560918, JV Stock through SPFL placed a buy order for 100 shares at Rs. 73.60 vide Order id 15000041001176. A quantity of another 100 shares at a buy rate of Rs. 73.75 was added to the order at 10:02:11.858035. The buy order rate was subsequently increased to Rs. Rs. 74.05 at 10:02:19.503462. At 10:24:48.455016, entire buy order for 200 shares was deleted. The open, high, low and close price on the immediate earlier day i.e. June 23, 2009 was as follows:

Date	Open Price (Rs.)	High Price (Rs.)	Low Price (Rs.)	Close Price (Rs.)
23-Jun-09	75.2	79.75	74.75	77.4

Thus, it is observed that JV Stock through SPFL placed the aforesaid buy order id 15000041001176 on June 24, 2009 at a rate lower than even the market low of the immediate preceding day and deleted the Order even before the first trade of the day could take place;

➔ At 10:01:06.959948, JV Stock through SPFL placed another buy order for 200 shares vide Buy Order id 21000048002758 at buy order rate of Rs. 73.65. The buy order rate was increased to Rs. 74.75 at 10:34:48.662304. Further at 10:34:56.305177, further quantity of 300 shares was added to the order at buy order rate Rs. 74.75. The quantity of 300 shares which was added as such was deleted at 10:49:30.445571 and further the buy order rate was increased to Rs. 74.95. The buy order rate was further increased to Rs. 75.05 at 11:01:27.528809. At 11:08:13.146486, 300 shares were again added to the order at buy rate of Rs. 74.15. At 11:13:31.165115, buy order rate was increased to Rs. 74.30 and to Rs. 74.85 at 11:19:55.152242. The buy order rate was again reduced to Rs. 74.10 at 11:34:37.326292. **Finally the entire order for 500 shares at buy rate of Rs. 74.10 was deleted at 15:13:30.732083.** Prior to the same, 8 trades had taken place on the day between Rs. 74.75 and Rs. 78.90. It is observed that though JV Stock through SPFL had

updated the buy order rate many times prior to the occurrence of the first trade for the day, however, subsequent to the start of trading on the day, it did not update the buy order at all and maintained the buy order rate much below the trade rate at which trades took place on the day, before finally deleting the entire buy order;

- ➔ At 10:02:04.490451, JV Stock through SPFL placed another buy order for 500 shares vide Buy Order id 17000043003171 at buy order rate of Rs. 74, again at a rate lower than the market low of the immediate preceding day. The entire buy order was deleted at 14:50:10.767807. Prior to the said deletion, 7 trades had taken place between Rs. 74.75 and Rs. 78.90;
- ➔ At 10:06:56.218181, JV Stock through SPFL placed another buy order for 500 shares at Rs. 74.15 vide Order id 17000043003642. The buy order rate was increased to Rs. 74.25 at 10:07:31.954776, Rs. 74.35 at 10:19:48.632118, Rs. 74.60 at 10:31:46.897566, Rs. 74.75 at 10:36:11.418714, Rs. 74.80 at 10:36:17.500836 and to Rs. 74.90 at 10:46:59.634136. The buy order rate was thereafter lowered to Rs. 74.25 at 11:12:37.655342 i.e. was again brought down much below the market low of the immediate preceding day. At 11:18:55.923155, the buy order rate was increased to Rs. 74.80 and further increased to Rs. 75 at 11:24:27.180762. Thereafter at 11:32:57.911007, the buy order id 17000043003642 for 500 shares was deleted again before the first trade of the day could take place;
- ➔ At 10:27:04.123569, JV Stock through SPFL placed another buy order for 500 shares at Rs. 74.50 vide Order id 18000045004857. It is observed that the buy order rate was again kept lower than the market low of the immediate preceding day. The buy order rate was subsequently increased to Rs. 74.70 at 10:33:52.998318, but, was still kept lower than the market low of the immediate preceding day. The entire buy order id 18000045004857 was deleted at 11:01:47.538158, i.e. again before the first trade of the day could take place;
- ➔ At 12:22:48.868919, JV Stock through SPFL placed another buy order for 200 shares vide Buy Order id 21000048012927 at buy order rate of Rs. 75.20 i.e. this time the buy order was placed above the market low of the immediate preceding day, however, the Order

was immediately deleted at 12:23:54.061724 i.e. just a minute later and again before the first trade of the day could take place;

- ➔ At 13:16:05.030018, JV Stock through SPFL placed another buy order for 100 shares vide Buy Order id 21000048015008 at buy order rate of Rs. 75 and deleted the entire buy order at 13:40:19.051597. Prior to the said deletion, 7 trades had taken place on the day between Rs. 74.75 and Rs. 78.90;
- ➔ At 15:18:20.339237, JV Stock through SPFL placed a buy order for 1,000 shares at Rs. 75.05 vide Buy Order id 15000041014751 and deleted the entire order at 15:19:22.757636 i.e. just a minute later. The last trade prior to JV Stock placing the buy order as aforesaid had taken place at 15:18:12.000000 at Rs. 77.50, and no further trading had taken place upto 15:19:22.757636 when JV Stock decided to delete the buy order. Thus, the buy order was placed merely to cause artificial volume in SIL scrip;
- ➔ At 15:20:18.646578, vide Sell Order id 21000048021280, JV Stock through SPFL placed a Sell order for 1,000 shares at Rs. 77.45. At trade time 15:20:32.000000, 10 shares out of 1,000 shares got traded with Mr. Vijay J Vora at Rs. 77.45, and the said trade increased the trade rate by Rs. 2.35, over and above the last traded price. However, despite the same, JV Stock through SPFL reduced the sell order rate of Sell Order id 21000048021280 to Rs. 77.35 at 15:23:15.193493. Immediately thereafter at 15:23:41.103078, JV Stock through SPFL placed a buy order for 500 shares at Rs. 77.35 vide Buy Order id 18000045018620, which resulted in self trade for 500 shares at 15:23:41 at Rs. 77.35. Thus, it is observed that the buy order for 500 shares was placed at the same rate as the reduced sell order rate and within 26 seconds of updating the sell order with an intent to cause self trade;
- ➔ Again at 15:23:51.494031, vide Sell Order id 17000043018202, JV Stock through SPFL placed a Sell order for 500 shares at Rs. 77.30, and immediately thereafter at 15:23:54.354203 i.e. just 3 seconds later, JV Stock through SPFL placed a Buy Order for 500 shares at Rs. 77.30 vide Buy Order id 18000045018641 at the same rate as the sell order. This again shows that the buy order was placed 3 seconds later at the same rate as the sell order with a clear intent to cause self trade. Further it is pertinent to mention here that at 15:23:41.000000 i.e. immediately prior to placing of sell order id

17000043018202, trade had taken place at Rs. 77.35 and immediate prior to that at 15.20.32.000000, trade had taken place at Rs. 77.45, wherein JV Stock through SPFL was on the sell side of the Order for both the said trades. Despite the same, JV Stock through SPFL placed the sell order for 500 shares at Rs. 77.30, i.e. at a discount to the last traded prices and then immediately placed its buy order to match with the sell order rate, so as to cause self trade at trade time 15.23.54.000000.

- ↓ Again, I find that the manner in which orders were placed only demonstrates and re-confirms the prima facie view that JV Stock was deleting orders/ causing self trades so as to cause artificial volumes in SIL scrip. It is further observed that JV Stock through SPFL placed 'Added Buy Orders' for 5,100 shares on June 24, 2009 and out of the same, deleted Orders for 3,500 shares. Further, self trades where JV Stock was on both side of the trade occurred in respect of 1,000 shares. Thus, out of Added Buy Orders for 5,100 shares placed by JV Stock through SPFL on June 24, 2009, I find that buy orders for **4,500 shares (i.e. 88%)** were either deleted or the buy orders were placed in such a manner with a clear intent to cause self trade. Further out of Sell Added Orders for 1,500 shares placed by JV Stock through SPFL on June 24, 2009, **1,000 shares (i.e. 66%)** resulted in self trades as brought out above.

**Thus, it becomes clear from the above detailed analysis that JV Stock through SPFL was creating artificial volumes in the SIL scrip by deleting orders/volumes.**

#### **E. MODUS OPERANDI FOR CAUSING SELF TRADES**

36. The modus operandi as seen from a few instances discussed below was to place buy/ sell orders with a clear intent to cause self trades, and immediately thereafter delete the pending buy/ sell order. Some of such instances together with the reply of the Noticees and the findings vis-à-vis the same are discussed below:

***I. Self Trades of JV Stock through SPFL on July 23, 2009 for 975, 1000 and 997 shares***

- a) Vide Order id 12000047031301, JV Stock had placed a buy order for 1,000 shares at Rs. 64 at 15:27:28.646442. Immediately 1 second later at 15:27:29.884389, vide order id 23000048039445, JV Stock had placed a sell order for 1,000 shares at the same rate as

the buy order rate i.e. Rs. 64. At 15:27:30.000000, 975 shares of sell order id 23000048039445 matched with the buy order placed vide buy order id 12000047031301, resulting in self trade for 975 shares.

b) Vide Order id 13000042030923, JV Stock had placed a sell order for 1,000 shares at Rs.64.50 at 15:09:27.512083. Immediately 1 second later at 15:09:28.643510, vide buy order id 23000048036666, JV Stock placed a buy order for 1,000 shares at the same price as the sell order rate i.e. Rs. 64.50. At 15:09:29.000000, 1000 shares of buy order id 23000048036666 matched with the sell order placed vide sell order id 13000042030923 at Rs. 64.50 resulting in self trades for 1000 shares.

c) Vide Order id 12000047028684, JV Stock had placed a sell order for 1000 shares at Rs. 67.80 at 15:05:39.448538. Immediately 1 second later at 15:05:40.926583, vide buy order id 23000048036332, JV Stock placed a buy order for 1000 shares at the same price as the sell order rate i.e. Rs. 67.80. At 15:05:41.000000, 997 shares of buy order id 23000048036332 matched with the sell order placed vide sell order id 12000047028684 at Rs. 67.80 resulting in self trade for 997 shares. Immediately after the self trade was executed, at 15:05:58.537730, JV Stock reduced the sell order rate of sell Order id 12000047028684 to Rs. 67.55 and added 590 shares to the balance 3 shares of the said sell order. At 15:06:16.599007, the sell order rate was further reduced to Rs. 67.45 and finally at 15:10:41.709484, JV Stock deleted the balance 593 shares.

***II. Self Trades of JV Stock through SPFL on January 07, 2010 for 500 shares***

Vide Order id 14000069030482, JV Stock had placed a sell order for 500 shares at Rs. 84 at 12:14:06.591823. Immediately thereafter at 12:14:15.907500, i.e. 9 seconds later, vide order id 12000060035468, JV Stock placed a buy order for 500 shares at the same rate as the buy order rate i.e. Rs. 84. At 12:14:15.946320, 500 shares of buy order id 12000060035468, matched with the sell order placed vide sell order id 14000069030482, resulting in self trade for 500 shares.

***III. Self Trades of JV Stock through SPFL on December 21, 2009 for 490 shares***

Vide Order id 14000027027432, JV Stock had placed a sell order for 500 shares at Rs. 88.55 at 12:44:36.561416. Immediately thereafter at 12:45:07.340115, i.e. 31 seconds

later, vide order id 12000026024039, JV Stock placed a buy order for 2,000 shares at the same rate as the buy order rate i.e. Rs. 88.55. At 12.45.07.647354, 490 shares of buy order id 12000026024039, matched with the sell order placed vide sell order id 14000027027432, resulting in self trade for 490 shares. At 12.45.07.647731, 1 share vide buy order id 12000026024039 matched with sell order of another client. At 12:45:45.861727 i.e. 38 seconds later, JV Stock deleted the pending buy order for 1509 shares. Thus, it is observed that JV Stock had placed the buy order for 2,000 shares only with the intention to execute self trade so as to create artificial volume in the scrip.

**IV. Self Trades of JV Stock through SPFL on October 26, 2009 for 436 shares and 1 share**

Vide Order id 23000058036298, JV Stock had placed a sell order for 437 shares at Rs. 102.65 at 15:42:29.065022. Thereafter at 15:54:17.226247, vide order id 11000050002618, JV Stock placed a buy order for 1 share at the same rate as the sell order rate i.e. Rs. 102.65. Again at 15:58:03.712140, vide order id 23000058036447, JV Stock placed another buy order for 436 shares at the same rate as the sell order rate i.e. Rs. 102.65. At 15.54.17.000000, 1 shares of buy order id 11000050002618, matched with the sell order placed vide sell order id 23000058036298, resulting in self trade for 1 share. Subsequently at 15.58.04.000000, 436 shares of buy order id 23000058036447 matched with pending sell order 23000058036298 for 436 shares resulting in self trade for 436 shares. Thus, it is observed that JV Stock had placed the sell order for 437 shares and buy order for 1 and 436 shares only with the intention to execute self trade so as to create artificial volume in the scrip.

**V. Self trade of JV Stock through SPFL on February 06, 2009 for 501 shares**

**❖ Self trade for 1 share**

- ➔ Vide Order id 325521000000000667, JV Stock through SPFL had placed a buy order for 200 shares at Rs. 88.50 at 11:27:56.273999, when the last traded price was Rs. 87;
- ➔ Immediately thereafter at 11:28:05.501279 i.e. 9 seconds later, vide order id 325521000000000668, JV Stock through SPFL placed a sell order for 200 shares again at Rs. 88.50;

- ➔ At trade time 11.27.56.319274, i.e. almost instantaneously after the aforesaid buy order was placed, 199 shares out of buy order no. 325521000000000667 got matched with pending sell order of a third party at Rs. 87/-. The balance 1 share out of the buy order no. 325521000000000667 matched at 11.28.05.988217 with sell order no. 325521000000000668 resulting in self trade for 1 share and resulting in positive LTP difference of Rs. 1.50 and raising the price of the scrip to Rs. 88.50;
- ➔ Immediately thereafter at 11:28:33.627079, i.e. 23 seconds after placing the sell order no. 325521000000000668 for 200 shares at Rs. 88.50, JV Stock through SPFL reduced the sell order price to Rs. 88.40;
- ➔ It is observed that JV Stock reduced the sell order price to Rs. 88.40, even before any further trade could happen after its own trade as aforesaid, which had moved the price up by Rs. 1.50 to Rs. 88.50;
- ➔ Further, at 11:28:52.439372, i.e. within 19 seconds of reducing the price of the sell order as aforesaid, JV Stock through SPFL deleted the balance 199 shares out of the sell order for 200 shares placed at 11:28:05.501279;
- ➔ Thus, it becomes clear from the above that the intent of JV Stock of placing the sell order for 200 shares was clearly to cause self trade with its own buy order for 200 shares, however, since the buy order for 200 shares placed at the same price as sell order just a few seconds earlier got matched with third parties, JV Stock through SPFL within seconds first reduced the sell order price and subsequently deleted the pending sell order;

**❖ Self trade for 150 and 250 shares**

- ➔ Vide sell order id 325520500000512485, JV Stock through SPFL placed a sell order for 470 shares at sell order rate of Rs. 88.45 at 11:28:23.216700;
- ➔ Vide buy order id 325520600000057198, JV Stock through SPFL placed a buy order for 400 shares at Rs. 86.60 at 11:28:50.223916;
- ➔ Again vide sell order id 325501000000008383, JV Stock through SPFL placed a sell order for 200 shares at Rs. 86.50 at 11:28:52.026412. The last traded price prior to the placing of the sell order id 325501000000008383 was Rs. 88.50, which was due to JV Stock's aforesaid self trade for 1 share through SPFL. Even prior to the same, trade rate was at Rs. 87 and above right from trade time 10.43.09.924040. Despite the same, JV Stock had placed the sell order at 11:28:52.026412 at a huge discount to the current trade rate;



- ➔ At trade time 11.28.52.064455, 50 shares out of sell order id 325501000000008383 matched with third party bringing the trade rate down by Rs. 1.90 (-2.19%) to Rs. 86.60, before self trade for 150 shares occurred at trade time 11.28.52.064841, whereby buy order id 325520600000057198 matched with sell order id 325501000000008383 at Rs. 86.60;
- ➔ Subsequently, at 11:33:24.056090, the buy order price of balance 250 shares from buy order id 325520600000057198 was increased to Rs. 87.15, even though the last traded price was Rs. 86.60;
- ➔ Immediately thereafter at 11.33.24.398140, balance 250 shares out of buy order id 325520600000057198 matched with pending sell order id 325520500000512485, resulting in self trade for 250 shares, which increased the last traded price by Rs. 0.55 (0.63%).

**❖ Self trade for 100 shares**

- ➔ Vide sell Order 325520900000001663, JV Stock through SPFL placed a sell order for 100 shares at Rs. 88.85 at 14:20:37.269599 and thereafter reduced the said sell order rate to Rs. 88.70 and Rs. 88/- at 14:22:08.929315 and at 14:51:53.602074 respectively;
- ➔ Immediately after reducing the sell order rate to Rs. 88/-, vide buy Order id 3255206000000058533, JV Stock through SPFL placed a buy order for 100 shares at Rs. 88 at 14:52:00.972237 i.e. within 7 seconds after reducing the sell order rate to Rs. 88/-;
- ➔ At 14.52.01.654906, 100 shares of sell order id 325520900000001663 matched with 100 shares of buy Order id 3255206000000058533, resulting in self trade. This self trade again brought down the trade rate by Rs. 0.80 (-0.9%) from the last traded price.

37. Though the Noticees have contended that they had no malafide intentions whatsoever, it is noted from the aforesaid instances that the buy and sell orders were placed in such a manner with a clear intent to execute self trades. Besides, the aforesaid pattern of placing of the orders by the Noticees whereby – (i) orders placed even for odd number of shares were exactly matched with respect to buy and sell quantity as well as price; (ii) balance unexecuted shares which did not result in self trade were immediately deleted; and (iii) buying shares at a higher price and selling shares at a lower price clearly indicating that the trades executed were not normal trades; strongly supports the case that self trades of JV Stock were not mere coincidence, but, with a prior intent of the Noticees to execute the same. Besides, the

aforesaid instances are merely illustrative in nature to demonstrate that the self trades executed by JV Stock for 14,235 shares (7.65% of its total traded quantity) were not mere coincidence as stated in the replies of the Noticees. In fact, it is seen from the manner in which the orders were placed and deleted that the purpose with which the orders were placed by JV Stock through SPFL was to create artificial volumes by causing self trades/ inflating the order book. And on detailed analysis, as has been brought out above, it stands established that JV Stock through broker SPFL was creating artificial volumes in the range of 12% to 24% of the total market volume in SIL scrip on the days it executed self trades (taking into consideration the 9 trade days when self trades were more than 500 shares during the investigation period).

38. Further, I note that ***the Hon'ble Securities Appellate Tribunal (SAT), in the case of Anita Dalal vs. SEBI (Order dated 03.12.2012)*** has held that:

*"7. The appellant has been found guilty of self trade as well. Self trades admittedly are illegal. This Tribunal has held in several cases that self trades call for punitive action since they are illegal in nature. In Jayantilal Khandwala & Sons Pvt. Ltd. vs. Securities and Exchange Board of India (Appeal no. 24 of 2011 decided on June 8, 2011) this Tribunal has held that "one cannot buy and sell shares from himself. Such transactions are obviously fictitious and meant only to create false volumes on the trading screen of the exchange."*

39. Also, the ***Hon'ble Securities and Appellate Tribunal (SAT) in Chirag Tanna vs. the Adjudicating Officer dated June 16, 2011*** has held as follows:

*"..we have on record the trade and order logs from which it has been pointed out by the learned counsel for the respondent Board that the appellant had executed self trades i.e. trades in which he was both the buyer and seller. Such trades are, admittedly, fictitious and create artificial volumes in the traded scrip."*

40. I find here that SPFL has submitted that since JV Stock had more than 90 traders/ jobbers/ arbitragers doing share business on their behalf and these traders/ jobbers/ arbitragers had been allotted sub-ids out of the main CTCL, there is a possibility that some trades ordered from different sub-ids may have been traded among the traders/ jobbers/ arbitragers of JV Stock, but, without any malafide intention. I note here that the different CTCL ids belong to

the same legal entity i.e. SPFL, and matching of trade between them, constitutes 'self trades' executed by SPFL on behalf of its client.

41. It is pertinent to mention here that the ***Hon'ble Securities Appellate Tribunal (SAT) in a similar matter of H.J. Securities Pvt. Ltd. vs. SEBI (Appeal No. 76/2012) dated May 11, 2012*** has observed as follows:

*"The modus-operandi of the appellant in operating through the 19 jobbers from different locations has resulted in fictitious trades / self trades where the buyer and the seller are the same party. Such trades create artificial volume in the traded scrip and send wrong signal to the lay investor with regard to trading in the scrip. The Board has come to a definite finding that the appellant had executed self trades on the day of listing for 2,00,725 shares which was 7.08% of its total quantity i.e. one in every fourteen trades of the appellant's total buy quantity on that day was a self trade on its proprietary account in terms of volume. Similar is the situation on the sale side. It is further noted by the Board that trading pattern in the subsequent day also reflects that one out of eleven trades of the appellants' total buy quantity was a self trade on its proprietary account in terms of volume. This finding of the Board is not disputed by the appellant. If the appellant was operating through jobbers from different terminals, he should have placed some mechanism in place to ensure that his trades do not result in self trades. Simply because the number of such self trades is not large by itself cannot justify execution of self trades. The appellant is free to adopt any business model but he has to ensure that whatever business model he adopts, it is in conformity with the regulatory framework. Since the business model adopted by the appellant has resulted in self trades which are considered to be fraudulent, we cannot find any fault with the impugned order which has held the appellant guilty of violating the provisions of FUTP regulations as well as code of conduct for the stock brokers. We are, therefore, not inclined to interfere in the matter."*

42. I further find that JV Stock in its reply has submitted that the total traded quantity of JV Stock through SPFL in the scrip of SIL during the investigation period was approx. 3.72 lakh shares, of which 14,235 resulted in self trades, thus, the percentage of self trades of JV Stock through SPFL in SIL in relation to the total traded quantity was 3.83%. I, however, find here that JV Stock by comparing gross total traded quantity (purchase + sell) i.e. two sided trade data with one-sided data of self trades has tried to understate the self trades executed by it in the scrip

of SIL to 3.83%, instead of the actual percentage of 7.65%. **Thus, it is observed that the facts of the present case clearly brings out a case of placing fictitious trades for 14,235 shares i.e. 7.65% of total traded quantity by JV Stock through SPFL during the investigation period. I also find that such self trades comprised 70%, 49%, 27%, 21%, 15%, 10% and 8% of the total market traded volume for the day on June 25, 2009, July 23, 2009, October 26, 2009, July 17, 2009, July 24, 2009 and September 09, 2009 respectively during the investigation period.** The said details are as brought out below:

Date	Total Market Volume	Total Self trade qty	% Self trades to Total Market Volume
06/25/2009	1,905	1,350	70.87
07/23/2009	6,022	2,972	49.35
10/26/2009	1,603	437	27.26
06/24/2009	4,635	1,000	21.57
07/17/2009	3,176	500	15.74
07/24/2009	5,532	600	10.85
09/09/2009	15,300	1,316	8.60

The self trades so executed defeats the purpose of anonymity of the trading system of the stock exchange.

43. Further, I note from the analysis below that self trades of JV Stock through SPFL were also more than 50%, 20%, 10% and 5% *of the total buy quantity* of JV Stock through SPFL on 5, 9, 13 and 17 trade days respectively, out of the 33 trade dates when the self trades were executed by it. Similarly, the self trades were more than 50%, 20%, 10% and 5% *of the total sell quantity* of JV Stock through SPFL on 5, 10, 13 and 19 trade days respectively out of the 33 trade dates when the self trades were executed by it. In fact, I note from the analysis below that self trades were observed to be more than 95% *of the total sell quantity* of JV Stock through SPFL on 4 trade days:

Sl. No.	Date	Total Self trade qty	Total buy trade qty	% of self trade qty on buy side	Total Sell Trade qty	% of self trade qty on sell side
1)	2/18/2010	902	7,826	<b>11.52</b>	7,826	<b>11.52</b>
2)	2/17/2010	2	2,701	<b>0.07</b>	2,701	<b>0.07</b>

Sl. No.	Date	Total Self trade qty	Total buy trade qty	% of self trade qty on buy side	Total Sell Trade qty	% of self trade qty on sell side
3)	2/16/2010	1	1,347	<b>0.07</b>	1,547	<b>0.06</b>
4)	2/15/2010	1	7,820	<b>0.01</b>	7,720	<b>0.01</b>
5)	2/11/2010	203	12,535	<b>1.61</b>	12,436	<b>1.63</b>
6)	2/10/2010	267	13,027	<b>2.04</b>	13,027	<b>2.04</b>
7)	2/9/2010	17	3,254	<b>0.52</b>	3,491	<b>0.48</b>
8)	1/7/2010	500	5,836	<b>8.56</b>	5,836	<b>8.56</b>
9)	1/6/2010	188	2,954	<b>6.36</b>	2,954	<b>6.36</b>
10)	1/5/2010	200	4,405	<b>4.54</b>	4,404	<b>4.54</b>
11)	1/4/2010	1	7,397	<b>0.01</b>	7,397	<b>0.01</b>
12)	12/21/2009	912	4,723	<b>19.31</b>	13,145	<b>6.93</b>
13)	12/18/2009	713	16,894	<b>4.22</b>	8,472	<b>8.41</b>
14)	12/15/2009	143	4,517	<b>3.16</b>	3,910	<b>3.65</b>
15)	10/26/2009	437	874	<b>50.00</b>	437	<b>100</b>
16)	1/21/2009	10	543	<b>1.84</b>	543	<b>1.84</b>
17)	10/22/2009	15	185	<b>8.10</b>	185	<b>8.10</b>
18)	10/16/2009	500	2,103	<b>23.77</b>	2,103	<b>23.77</b>
19)	9/9/2009	1316	6,291	<b>20.91</b>	7,784	<b>16.90</b>
20)	9/8/2009	204	5,574	<b>3.65</b>	3,586	<b>5.68</b>
21)	9/7/2009	3	4,461	<b>0.06</b>	4,461	<b>0.067</b>
22)	8/11/2009	3	1,527	<b>0.19</b>	416	<b>0.72</b>
23)	7/24/2009	600	999	<b>60.06</b>	2,637	<b>22.75</b>
24)	7/23/2009	2972	4,635	<b>64.12</b>	2,997	<b>99.16</b>
25)	7/17/2009	500	1,201	<b>41.63</b>	625	<b>80.00</b>
26)	6/25/2009	1350	1,600	<b>84.37</b>	1,375	<b>98.18</b>
27)	6/24/2009	1000	2,000	<b>50.00</b>	1,012	<b>98.81</b>
28)	6/17/2009	100	1,322	<b>7.56</b>	322	<b>31.05</b>
29)	2/16/2009	176	637	<b>27.63</b>	638	<b>27.58</b>
30)	2/12/2009	482	2,450	<b>19.67</b>	2,250	<b>21.42</b>
31)	2/10/2009	15	1,891	<b>0.79</b>	1,891	<b>0.79</b>
32)	2/9/2009	1	2,053	<b>0.04</b>	2,053	<b>0.04</b>
33)	2/6/2009	501	3,967	<b>12.62</b>	4,067	<b>12.31</b>

44. Regulation 3 of PFUTP Regulation prevents any person from buying, selling or dealing in securities in fraudulent manner, use or employ any manipulative or deceptive device in contravention to the provisions of the Act, employ any device, scheme or artifice to defraud in connection with dealing in securities or engage in any act, practice, course of business

which operates as fraud or deceit upon any person in connection with any dealing in or issue of securities. Regulation 4(1) of PFUTP Regulation lays that no person shall indulge in a fraudulent or an unfair trade practice in securities. Regulation 4(2) (a) of PFUTP Regulation, prohibits a person from indulging in an act which creates false or misleading appearance of trading in the securities market. Regulation 4(2)(g) of PFUTP Regulation *inter alia* prohibits entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security. Clause A (2) of Code of Conduct in the Stock Brokers Regulations states that a broker shall act with due skill, care and diligence in the conduct of all his business.

45. The submission made by the Noticees can't suffice for their inability and non complicity in the aforesaid transactions and can't establish that they were not guilty of the violation of the aforementioned allegations. Therefore, I don't find the explanations of the Noticees satisfactory. Further, SPFL being a stock broker, understands the implications of his actions well, and, should have been vigilant enough so as to avoid the trades of JV Stock through SPFL from resulting in self trades. Every broker has the responsibility to exercise due care and diligence. Thus, the Noticees cannot absolve from their liabilities on the ground of "*mere coincidence*".
46. Further, the usual rule of thumb is that jobbing or any other purchase / sell activity in securities market has to follow the basic rule viz. buy cheap and sell costly to earn a profit. The same was also observed by the ***Hon'ble SAT in the matter of Angel Broking Ltd. (Order dated October 1, 2014)***. JV Stock vide its reply dated December 16, 2014 has also *inter alia* argued that a dealer who is trading on their behalf can place the buy and sell order for the same stock in one day to get advantage of intra-day price movement, but, without knowing that the orders might get matched. However, as demonstrated in para 35 above, it is observed that JV Stock through SPFL was placing buy and sell orders at the same rate/ price, just a few seconds apart. In such a case, I am unable to accept the argument of the Noticees that the self trades which got executed were mere coincidences while they were trying to take advantage of intra-day price movements resulting out of normal trading/ jobbing/ arbitrage transactions. On the other hand, the manner in which buy and sell order rates of orders placed a few second apart were matched with each other, only strengthens the case against the

Noticees that the self trades were executed by the Noticees to defeat the purpose of anonymity of the trading system of the stock exchange.

47. I find here that the Hon'ble SAT while remanding the matter for fresh decision on merits vide Order dated February 25, 2016 had *inter alia* observed that adjudication Order dated March 12, 2015 did not set out as to what kind of mechanism ought to have been installed by the stock broker to prevent self trades. The Hon'ble SAT vide the said Order had further remarked that in absence of any finding to that effect the stock broker could not be said to have carried on business without due care, skill and due diligence.
48. I find here that the AR of SPFL at the hearing held on June 09, 2014 had *inter alia* submitted that SPFL had asked their clients to develop a mechanism at their end so that no self trades are executed between their jobbers/ arbitragers. Further vide letter dated June 13, 2014, SPFL provided a copy of JV Stock's letter of the same date whereby JV Stock has stated that they had assigned one scrip to each trader/ jobber/ arbitrageur doing business on their behalf, so that no self trades are executed which had occurred in the past without any malafide intention. Thus, I find that the Noticees themselves (both stock broker SPFL and JV Stock) have admitted to the fact that they have put a mechanism in place to prevent self trades from happening, however, the same was done by the Noticees at a later stage.
49. Further, though JV Stock has stated that self trades had occurred in the past without any malafide intention, detailed analysis of a few instances of self trades brought out in the earlier paras of this Order indicate that these self trades had not occurred due to mere coincidences. In fact, most of the buy and sell orders were either synchronized or structured, which were placed just a few seconds apart. Also, it is observed that remaining part of the buy/ sell order that did not match as intended was immediately deleted thereafter within a few seconds. Further, where the orders were not synchronized/ structured, JV Stock through SPFL was observed to be selling shares at lower price and/ or buying shares at higher price, which is contrary to normal jobbing, wherein, normally shares are bought at lower price and sold at a higher price. This coupled with the fact that self trade was not a solitary instance, but, had occurred repeatedly on 33 trade days during the investigation period and involved 79 trades, of which 16 trades for total quantity of 6,935 shares were found to be synchronized, should have alerted the broker SPFL. Also, it was observed that both buy and sell trades of JV Stock

were executed from the same terminal for a traded quantity of 3,243 shares, of which trades for 1,506 shares were synchronized.

50. The premise that SPFL did not act with due skill, care and diligence and was not vigilant enough gets further strengthened from the fact that:

- SPFL did not get alerted despite the fact that JV Stock's self trades comprised 70%, 49%, 27%, 21%, 15%, 10% and 8% of the Market traded volume for the day on 7 trade days respectively;
- Also, the fact that JV Stock was deleting about 39% to 47% of its Added Orders/Volumes, especially on the days when self trades executed by JV Stock were more than 500 shares, did not raise a red flag with SPFL.

51. The due diligence that was expected of SPFL as a stock broker in the given case was such diligence or care that a reasonable and prudent person would employ in a given situation. In this regard, I would like to refer to ***Hon'ble SAT Order dated May 13, 2016 in the matter of Almondz Global Securities Ltd. Vs. SEBI***, wherein SAT has observed as follows:

*"...Degree of such care or diligence would, undoubtedly, differ from case to case and no straight-jacket formula can be prescribed by law. As already noted, the principle of due diligence is, by nature, incapable of being defined in precise terms and has, therefore, been left open or flexible to be determined in each case as per the existing facts and circumstances."*

52. In the extant case, I find that even a bare look at these transactions being executed by JV Stock in an illiquid scrip, would have alerted any broker who is vigilant and acted as a 'red flag'. I find here that detailed analysis of a few orders brought out at Para 35 above demonstrates that JV Stock apart from placing synchronized/ structured orders, was exactly matching buy and sell quantity as well as price even in respect of orders placed for odd number of shares. Further in case of balance unexecuted shares, if any, which did not result in self trades, JV Stock was observed to be immediately deleting such balance quantity. However, despite the same, SPFL failed to notice these manipulative trades executed by JV Stock. Such failure on part of SPFL tantamounts to negligence, lack of caution and due care, and therefore violative of the Code of Conduct for Stock Brokers.



53. Further, I find that the Noticees have sought to rely upon the Orders dated January 31, 2014, and April 30, 2014 of the Adjudicating Officers in respect of JV Stock to state that such meager quantity and negligible instances of self trades cannot create artificial volumes. In the matter I note that the Adjudicating Officer vide Order dated January 31, 2014, in respect of self trades executed by JV Stock in the scrip of Supertex Industries Ltd. has *inter alia* observed that looking at the trading pattern of JV Stock, the charges as alleged in the SCN could not be established with the required degree of probability. Again, as regards self trades *inter alia* executed by JV Stock through SPFL in the matter of Gayatri Projects Ltd., I note that vide Order dated April 30, 2014, the Adjudicating Officer has concluded that the evidence and material available on record was insufficient to hold that such self trades could create artificial volumes in the scrip (leading to a false and misleading appearance of trading). On the other hand in the instant case of the Noticees, it has been demonstrated by analyzing the pattern in which the orders were placed in a few instances, how JV Stock had placed buy and sell orders in the scrip of SIL through SPFL to intentionally execute self trades so as to create artificial volume in the scrip, by placing buy and sell orders at the same rate/ price just a few seconds apart. Thus, the Adjudicating Officer's Orders referred above do not support the facts of the instant case of the Noticees.

54. The Noticees have also referred to the judgment of the ***Hon'ble SAT in the matter of Krupa Sanjay Soni (Order dated January 24, 2014)*** to submit that a few instances of self trades in themselves would not, *ipso facto*, amount to objectionable trades. In the extant case, it is observed from the analysis of trading pattern at Para 35 above that orders placed even for odd number of shares were exactly matched with respect to buy and sell quantity as well as price. Further in case of balance unexecuted shares, if any, which did not result in self trades, the Noticees have been observed to have immediately deleted such balance quantity. Besides, the buy and sell orders were placed at the same rate/ price just a few seconds apart. All this strongly supports the case that self trades of JV Stock were not mere coincidences, but, with a prior intent of the Noticees to execute self trades, thereby executing fictitious trades to cause artificial volumes in the scrip.

55. I also further note that in the ***same case of Krupa Sanjay Soni (Order dated January 24, 2014), the Hon'ble SAT*** has held that:

*“In addition to the above said, it is noted from the pleadings that there was trading of some shares in a synchronized manner. There was no difference in the buy and sell orders, quantity and price of shares. Such buy and sell orders were placed almost simultaneously within a time gap of less than one minute... Therefore, we do not find any legal infirmity, as far as FUTP charge is concerned, in the impugned order dated September 14, 2012.”*

56. In the case at hand too, as demonstrated at para 35 above, buy and sell orders were being placed at the same rate and quantity, just a few seconds apart. In fact, out of the 79 self trades for 14,235 shares executed by JV Stock through SPFL in the scrip of SIL during the investigation period, 16 trades for a quantity of 6,935 shares were found to be synchronized. In view of the same, I am unable to accept the contention of the Noticees that these self trades were only a coincidence and did not amount to objectionable trades.
57. The Noticees have further stated that the SCN has failed to specify in detail the manner in which the trades of JV Stock have contributed to upward price variation, if any. I note here that the SCN does not allege that the Noticees executed self trades with the intent to inflate the price of SIL scrip.
58. SPFL, I find, has also cited the ***Order of the Hon'ble SAT in the matter of SMC Global Securities (date of Order November 25, 2011)*** to state that SPFL as the broker was not involved in any manipulation. However, I note that the cited case does not pertain to self trades. The charge leveled against the broker in the said case was that the broker had exhibited negligence and lack of due diligence by allowing its clients to take large positions which were beyond their declared income. In the matter, the Hon'ble SAT vide the aforesaid Order has observed that there was nothing untoward in the trades to generate alert on the risk monitoring system, and, in the absence of any alerts, the broker who was having a large client base probably could not anticipate any foul play by the clients. On the other hand, in the extant case of self trades executed by JV Stock through SPFL, it is observed that SPFL was the broker on both sides of the buy and sell transaction executed by JV Stock, and such self trades had occurred not on just one solitary instance, but, on 33 trade days for 14,235 shares which involved 79 trades in the scrip of SIL, of which 16 trades for a quantity of 6,935 shares were found to be synchronized. Further, as brought out earlier at Paras 48 to 52 of this Order, contrary to the aforesaid case referred by SPFL, in the instant case it has been established that SPFL did not act with due skill, care and diligence that a person of ordinary prudence would act in the

normal circumstances in carrying out activities and functions relating to its business, and, did not remain careful and diligent so as to notice the self trades executed by his client JV Stock repeatedly on a large number of days and trades, despite some of such self trades being synchronized. In such a case, I am of the view that the Order of the Hon'ble SAT in the aforementioned case cannot be applied to the extant case.

59. Thus, in the extant case in light of the facts of the case and material available on record, I find that JV Stock executed self trades which created artificial volume in the scrip of SIL, leading to false and misleading appearance of trading of the scrip in the securities market, and thus violated Regulation 3(a), (b), (c) (d), 4 (1), 4(2)(a) and (g) of the PFUTP Regulations. Similarly, SPFL as a broker failed to carry out its business with due skill, care and due diligence in terms of clause A (2) of Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of the Stock Brokers Regulations for the transactions as aforesaid carried out by it on behalf of JV Stock.

60. In view of the facts established as above, the next issue for consideration is what would be the monetary penalty that can be imposed on JV Stock for the violation of Regulation 3 (a), (b), (c) (d), 4 (1), 4(2) (a) and (g) of the PFUTP Regulations. Also what could be the monetary penalty that can be imposed on SPFL for the violation of clause A (2) of Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of the Stock Brokers Regulations. The Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC) held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant..."*.

61. Thus, the aforesaid violations by SPFL makes it liable for penalty under Section 15 HB of the SEBI Act and that of JV Stock makes it liable under Section 15HA of SEBI Act which read as follows:

***"15HA - Penalty for fraudulent and unfair trade practices***

*If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

**15HB - Penalty for contravention where no separate penalty has been provided**

*Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.”*

62. While determining the quantum of penalty under sections 15HA and 15HB of the SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:

**“15J - Factors to be taken into account by the adjudicating officer**

*While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.”*

*“Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”.*

63. It is difficult, in cases of such nature, to quantify exactly the disproportionate gains or unfair advantage enjoyed by an entity and the consequent losses suffered by the investors. I have noted that the investigation report also does not dwell on the extent of specific gains made by the clients or brokers. However, I find that the JV Stock by executing self trades, which implies the trades in which both buyer and seller are the same party and does not result in change of beneficial ownership, created artificial volumes and a misleading appearance of trading in the SIL scrip, thereby sending wrong signal to the lay investors about trading in the scrip. Self trades are, hence, considered to be serious violation, even in the absence of noticeable market effect, because they do not reflect the forces of supply and demand and give a false impression with respect to market liquidity. Besides, I find that such self trades of JV Stock through SPFL comprised 7.65% of its total traded quantity in SIL scrip during the investigation period. I find that such self trades for 14,235 shares were more than 50%, 20%, 10% and 5% of the total buy quantity of JV Stock through SPFL on 5,9,13 and 17 trade days respectively out of the 33 trade dates when the self trades were executed by it. Similarly, the self trades were more than 50%, 20%, 10% and 5% of the total sell quantity of JV Stock through

SPFL on 5, 10, 13 and 19 trade days respectively out of the 33 trade dates when the self trades were executed by it. I further note that self trades were observed to be more than 95% of the *total sell quantity* of JV Stock through SPFL on 4 trade days. Also, such self trades have occurred repeatedly on 33 trade days during the investigation period and involved 79 trades.

64. I note that person found to be guilty of violating PFUTP Regulations can be imposed a penalty of Rs. 25 crore or three times the amount of profit made, whichever is higher, under Section 15HA of the SEBI Act and person found guilty of any regulations where no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees, under Section 15HB of the SEBI Act.
65. Detailed analysis brought out in the Order, of the orders placed by JV Stock through SPFL that resulted in self trades, dismisses the Noticees' version made through its various submissions that the transactions were normal jobbing/ arbitrage transactions. On the contrary, it clearly demonstrates beyond reasonable doubt that JV Stock knowingly engaged in execution of self trades. Further that SPFL did not conduct its business with due care and caution as expected of reasonable and prudent stock broker. I find that this is sufficient to prove that the JV Stock created a false or misleading appearance of trading in violation of Regulation 3(a), (b), (c) (d), 4(1), 4(2) (a) and (g) of PFUTP Regulations and SPFL failed to carry out its business with due, skill, care and due diligence in violation of Regulation 7 read with Clause A (2) of Code of Conduct for Stock Brokers as specified in Schedule II of the Stock Brokers Regulations.
66. Further, it is apparent from the case laws referred above that self trades are, ordinarily and of their nature, baneful practices which will, invariably, have the purpose and, often, the effect of interfering with the integrity of securities market, even though such self trades may be miniscule in quantity. This sort of activity is, therefore, rightly considered to be illegal, and justifiably so. Also, vide ***Order dated October 22, 2013, the Hon'ble Securities Appellate Tribunal (SAT) while upholding the Order passed by the Whole Time Member in the matter of Angel Broking Pvt. Ltd.*** (hereinafter referred to as 'ABL') has held that the argument that the turnover in Sun Infoway Ltd. scrip was miniscule compared to the large turnover of the appellant and hence penalty need not be imposed against ABL cannot be accepted, because imposition of penalty for violating provisions of SEBI Act and regulations made thereunder are not dependent upon total turnover of person violating the provisions of SEBI Act/

regulations made thereunder. The Hon'ble SAT has opined that one who has violated the provisions of SEBI Act and regulations made thereunder, must suffer even if turnover in the scrip in which violations are found is miniscule compared to the total turnover of that person.

67. In the instant case, I find that JV Stock through SPFL has executed such an illegal operation for 33 trade days for 14,235 shares which involved 79 trades in the scrip of SIL, of which 16 trades for a quantity of 6,935 shares were found to be synchronized. Further, such self trades of JV Stock comprised 70%, 49%, 27%, 21%, 15%, 10% and 8% of the Market traded volume for the day on 7 out of the 33 self trade days during the investigation period. It was also observed that the artificial Orders/ volumes created by JV Stock was in the range of 12% to 24% during 9 out of 33 self trade days, when self trades of JV Stock were more than 500 shares. On these 9 trade days, JV Stock was observed to be deleting about 39% to 47% of its Added Orders/ Volumes, and this deletion rate as compared with the market was about 1.75 times the Order-wise as well as Volume-wise Market deletion rate. The conduct of JV Stock in SIL scrip were thus, detrimental to the smooth functioning of the securities market, and hence, deserve to be viewed seriously. Also, I find that carrying out due diligence is the primary responsibility of a stock broker, and since SPFL failed in discharging that duty, I am of the view that the same too deserves to be viewed seriously.

#### **ORDER**

68. After taking into consideration all the facts and circumstances of the case, I impose a penalty of **Rs. 25,00,000/- (Rupees Twenty-five lacs only)** on **J V Stock Broking Private Limited** under Section 15 HA of the SEBI Act for violation of Regulation 3(a), (b), (c) (d), Regulation 4(1) and Regulation 4(2) (a) and (g) of the PFUTP Regulations and of **Rs. 25,00,000/- (Rupees Twenty-five lacs only)** on **SPFL Securities Ltd.** under Section 15 HB of the SEBI Act for violation of clause A (2) of Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Stock Brokers Regulations which will be commensurate with the violations committed by the Noticees.

69. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government

of India”, payable at Mumbai, OR through e-payment facility into Bank Account the details of which are given below:

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

70. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department, SEBI. The Format for forwarding details / confirmations of e-payments made to SEBI shall be in the form as provided at Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is produced as under:

1. Case Name :	
2. Name of Payee:	
3. Date of payment:	
4. Amount Paid:	
5. Transaction No:	
6. Bank Details in which payment is made:	
7. Payment is made for: (like penalties/disgorgement/recovery/Settlement amount and legal charges along with order details):	

71. In terms of rule 6 of the Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

**Date: October 09, 2017**

**Place: Mumbai**

**Anita Kenkare**

**Adjudicating Officer**