

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

[under regulation 29 (3) of the Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) Regulations, 1992]

AGAINST M/s. RAJKUMAR CHAINRAI BASANTANI, TRADING MEMBER, NATIONAL STOCK EXCHANGE, IN THE MATTER OF SOUNDCRAFT INDUSTRIES LTD

Sound Craft Industries Ltd. (herein after referred to as SIL) was incorporated on 22.01.1985 with Registered and Corporate Office at Narayan Building, 23, Lakhamshi Napoo Road, Dadar (East), Mumbai – 400 014. As per the Annual Report and other records submitted by the company, it has been stated that SIL is mainly engaged in the business of exporting diamonds, precious stones, granites, computer software and hardware (CD Roms), electronics etc., to the Middle East, West Asian and African Countries. Shri Rajkumar Chairai Basantani (hereinafter referred to as "Shri Basantani") is the chief promoter of SIL along with his wife Ms Seema Basantani. SIL was earlier known as Sound Craft Marketing Products and Finance Limited.

As per the Distribution Schedule submitted to the Stock Exchange during the year 1999 - 2000, the Board of Directors of SIL comprised of the following persons:

Name of the person Official relation ship with the company

Shri Raj Kumar Chainrai Basantani Director/Chairman

Smt. Seema R. Basantani Director

Shri Vinod Hingorani Director

SIL follows a July to June accounting year. As per the Annual Report of SIL for the financial year ended 30.06.2000, the Board of Directors of SIL are as follows:

Shri Rajkumar C Basantani - Chairman

Shri Hareesh R Teckchandani - Whole- time Director

Shri Sanjeev G Mansotra - Director

Shri RC Sheopuri - Director

Shri Vinod Hingorani - Director

Dr. Swamy Pravin Karthikswamy - Director

*Ms. Seema Basantani resigned from the Board during the year 2000.

Shri Basantani is also the sole proprietor of M/s Rajkumar Chainrai Basantani, (hereinafter referred to as "the Member") individual trading member operating on the Capital Market Segment of the National Stock Exchange of India with effect from 05.10.1995 and has been operating from Mumbai and has no branches.

As a part of market surveillance operations, NSE observed phenomenal rise in price and traded volumes in the scrip of SIL during the period December 1998 to July 1999. The closing price as on 22.12.98 was Rs. 265/- with average volume of 6, 171 shares. The scrip price moved upwards to touch Rs. 291 as on 31.12.1998. For the period 01.01.1999 to 09.02.1999, the price moved in the narrow band of Rs. 290 to Rs. 309. Thereafter, there was a steady movement in the scrip price and as on 05.03.1999, the closing price of SIL recorded at NSE was Rs. 339/-. At NSE, the scrip was in No Delivery from settlements 1999016N to 1999018N (i.e., from 21.04.1999 to 11.05.1999). SIL had come out with a 1:3 bonus during April 1999. The ex-bonus date for the scrip was 21.04.1999 and the record date for the bonus was fixed on 20.05.1999.

For the period 22.12.1998 to 31.12.1998 the average traded volume in the scrip at NSE was 6, 171 shares. For the period 01.01.1999 to 09.02.1999 the average traded volume in the scrip was 5, 896 shares. Thereafter, the volumes in the scrip suddenly showed increasing trend and as on 18.02.1999 the traded volumes in the scrip was 12, 100 shares. For the period February 1999 to March 1999, the average traded volume was in the range of 12, 000 shares. The volumes subdued during the 3rd week of March 1999 and for the period 10.03.1999 to 20.04.1999 the average traded volume in the scrip was 6, 165 shares. The volumes once again started increasing from the last week of April 1999 and to the later part of May 1999.

At BSE, there has been corresponding increase in the scrip price and volume during the above-referred period. The scrip of SIL was in a no-delivery period at BSE from 26.04.1999 to 14.05.1999. The price, which was in the range of Rs. 274/- as on the first week of December 1998, touched a high of Rs. 350/- during April 1999. The volumes too increased substantially between the period December 1998 to June 1999.

It can therefore be seen from the above that the scrip of SIL witnessed movement both in terms of price and volume during the period December 98 to July 99 and this was observed uniformly at both the exchanges viz. BSE and NSE.

In light of the above, an investigation was ordered to be conducted by SEBI into the affairs relating to dealing in the shares of SIL vide Order dated 31.08.2000

A detailed investigation was conducted and the investigation report dated 29.12.2000 was submitted. Based on the findings of the investigation, vide order dated 11.01.2001 an Enquiry Officer was appointed to enquire into the alleged violations by the Member, of the following Regulations

- a. Securities and Exchange Board of India Act, 1992, Securities and Exchange Board of India (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as "the said Regulations") and various Rules and Regulations, guidelines and notifications issued thereunder.
- b. Securities Contracts (Regulation) Act, 1956 and Rules and Notifications issued thereunder.

The Enquiry Officer issued a notice of enquiry dated 17.04.2001 to the Member, for the alleged violation of Clause A(1), A (2), A(3) and A(4) of Code of Conduct prescribed for Stock Brokers laid down in Schedule II to Regulation 7 of SEBI (Stock brokers and sub brokers) Regulations, 1992 along with the findings of investigation report. The Member vide letter dated 15.05.2001 through Akhiklesh R Bharghava & Co, Chartered Accountants, authorized representative, (hereinafter referred to as "authorized representative") replied to the above notice of enquiry. A hearing was given to the Member by the Enquiry Officer on 03.10.2001. The Member, made further submissions vide letter dated 03.10.2001, through his authorised representative.

The Enquiry Officer after conducting the enquiry in accordance with the said regulations submitted his report dated 07.11.2001. He found that the member indulged in the manipulation of the scrip of SIL which resulted in violation of Clauses A(1), A (2), A(3) and A(4) of the Code of Conduct prescribed for Stock Brokers laid down in Schedule II to Regulation 7 of SEBI (Stock brokers and sub brokers) Regulations, 1992 and recommended that the registration of the member be suspended for a period of six months in terms of Sub-Regulation (7) of Regulation 28 of SEBI (Stock Brokers and Sub Brokers) Regulations 1992.

Pursuant to the above, as required under Regulation 29 of the said Regulations a show cause notice dated 22.11.2001 was issued to the Member. The Member through authorized representative replied vide letter dated 13.12.2001. In the said reply he relied on the earlier submissions made vide letter dated 03.10.2001. He also sought for certain documents, which were given to him vide letter dated 19.12.2001.

The contents of the above mentioned letter dated 03.10.2001 are as follows

"The case concerns M/s. Rajkumar Basantani - Member NSE (hereinafter referred to as RCB-NSE) and trading in the shares of Soundcraft Industries Limited (hereinafter referred to as SIL). Both these concerns incidentally have a common prime mover and chief promoter viz., Mr. Rajkumar Basantani and it is therefore important at the very outset to place the relevant facts of the firms on record. The purpose of stating these undisputed facts, is to ensure that the factual matrix of the case, is considered, analysed and scrutinised, with these facts in the backdrop, so as to arrive at just and fair conclusions. The purpose is to also ensure that the sequence of events, which have been analysed by the Investigating Officer, often in isolation, are viewed with reference to these facts, so as to link them up with the true picture and to realise that the impugned transactions had no malafide intent.

FACTS ABOUT RCB-NSE

- a) A very reputed stock broking firm, with a strong and growing base of customers.
- b) A regular and clear track record, with both clients as well as the Exchange authorities.
- c) No instance of any investor complaints to the regulatory authorities.
- d) A strong financial position.
- e) Day to day operations have been delegated to a team of persons, with large operating freedom and independence.
- f) The key employees are well trained and experienced in capital market operations.
- g) No instance of any defaults in payments.
- h) Growing volumes of turnover and business.

FACTS ABOUT SIL

- a) A large, reputed and growing corporate conglomerate, which is consistently ranked among the top Indian companies.
- b) Diversified range of activities, each treated as a distinct profit centre, under a dedicated management team.
- c) Decentralised and deregulated management, with each of the profit centre heads, regularly reporting to Mr. Rajkumar Basantani.
- d) Fast growing company with growing profitability.
- e) A very sound financial position and trade repute, with a fund base of over Rs. 150 crores, which is humongous, as compared to the size of the transactions involved.
- f) A large and stable market capitalisation.
- g) Apart from the existing business of merchant exports of a wide range of products, also entering into sunrise areas of biotechnology and urban infrastructure (urban waste to energy projects).
- h) Progressive management team - among the few export houses, which have an ISO 9002 certification.
- i) A wide range of businesses, with a global reach.
- j) Excellent track record of legal and statutory compliances.

- k) Professional management team, under the stewardship of Mr. Rajkumar Basantani.
- l) FIEO award winner for export performance.

Both the above firms, are large, active and growing. They are under the management of key personnel, ably supported by a team of advisors. Mr. Rajkumar Basantani is not involved in the day to day nitty gritty of RCB-NSE, but actually looks after business strategy and development, financial structuring and review and management of funds flow.

PRICE BEHAVIOUR AT NSE AND BSE:

In paras 1 to 5 of the earlier letter of our client, the allegations of 'abnormal' trading and price patterns in the SIL scrip, during the impugned period, were clearly proved to be wrong, with reference to the overall movements in the capital markets, during that period. Apart from debunking the charge that an 'artificial' market was sought to be created, based on such overall market trends, it was stated that since SIL is an integral part of the BSE and the NSE, its trading patterns are obviously affected by the trading sentiments in both these exchanges. Volume and price patterns are not an isolated event, but are linked to the overall market position. The volumes and prices of the SIL scrip during the referred period, moved in tandem with the general market pattern. Such being the case, the following allegations against our client, are baseless and the proposed charges must therefore be dropped:-

- a) That trading was done in the scrip, in order to generate artificial volumes and maintain the scrip price. A spurt in volumes based on secondary market trends, cannot be given a manipulative taint, on mere suspicion.
- b) That the trading volumes in the scrip, showed an inexplicable interest of our client. It may be noted that the trading volumes of our client in the scrip, under these circumstances are not material enough, so as to support the charge that our client showed an inexplicable interest in the scrip, during the period under investigation.
- c) That the trading volumes were abnormal.
- d) That there was no general market interest in the scrip and the volumes generated by the scrip by a few set of brokers was artificial, so as to induce or create interest in the minds of the ordinary investors to trade / invest in the scrip. It may incidentally be noted, that the trading in the shares of SIL continues in the same manner and has not resulted in any significant change in its shareholding pattern.

We reiterate that since the basic allegations of building artificial volumes does not stand the test of facts and law, the charges sought to be framed thereunder, are patently wrong and baseless. The analysis of the facts and the intentions therein as imputed by the investigating officer are thus infructuous.

COMMENTS ON FACTUAL ANALYSIS

The analysis of facts, conducted by the investigating officer, is without substantiation / proof and is largely speculative in nature. Serious allegations have been levied, on the basis of mere surmise and conjecture, without seeking to look into the intent of routine and purely coincidental acts. A bonafide trading pattern has been overlooked and a manipulative intent has been imputed therein, without appreciating the fact that it has not resulted in any material gain or profit, to the putative perpetrators of 'artificial' volumes and price building. While the facts in a case cannot be disputed, it is a biased and malafide interpretation thereof, which is highly objectionable in a case like this. Our comments in this regard are as follows:-

- a) The allegations of building of artificial volumes/liquidity and price levels by our client are wholly unsubstantiated and the attempt to link it to a manipulative intent is wholly speculative. Intent as a state of mind cannot be equated with actual deeds and subjected to punishment.
- b) The so called artificial volumes of trade are not abnormal as linked /compared with the then prevailing trends and conditions in the stock market and cannot be termed as manipulative.
- c) The following allegations of the investigation officer are totally unsubstantiated
 - i) That a consideration must have been paid to the parties by our client outside the books.
 - ii) That the parties concerned are name lenders.
- i. That the trading parties are front entities of our client.
 - iv) That the trading was done by a vested front headed by our client.
 - v) That huge trade volumes were built, without appreciating the fact that 'huge' is a relative term.

In case any third party evidence or statement has been relied upon in this regard, we request you to produce such evidence or persons before us, for our objective cross examination and verification.

d) Any trading can be termed as manipulative, if its author has benefited out of it in any manner, at the expense of someone else. The enquiry has failed to establish the gains / benefits to our client arising out of the impugned transactions. The fact is that the trading was not to our client's benefit and nor was it to the detriment of a third party. The fact that the extensive investigation failed to establish the gains to our client and the losses to someone

else, itself proves the absence of any manipulative intent. In the absence of any gains to our client, intent is of mere academic interest and is irrelevant to the issue.

e) The trading patterns were wholly independent and were not linked to any IPO or preferential allotment of shares to a non promoter group, linked to the market price of the shares. Thus they have not resulted in any gains even to the Company, per se, or to its promoters.

f) The acts of our client have been bonafide and regular, in the course of its routine business of a stock broker. No malafide intent therein has been proved.

g) Our client has not been directly involved in such cases of funds transfer, which are sought to be relied upon as critical evidence of manipulation. It may also be noted that the amounts involved are paltry as compared to the overall business and funds flow of our client and cannot be the basis of interpreting its acts. The character of such a miniscule, even if adverse, cannot be foisted on the whole which is clean and untainted.

h) A number of acts such as common bank branch of clients are due to the need for speedy fund transfers. It was also done with a view to offering better service to the customers, in order to build broking business, which is facing cut throat competition.

i) The fund transfers are again of an accommodation nature and are not reflective of the overall conduct and nature of operations of our client's business.

j) The price movements and trading in the SIL scrip at the time of the bonus declaration were utterly normal and did not result in any material pecuniary gains to our client.

k) The usage of our client's address for coordination of shares related transactions is for mere convenience and a highly circumstantial and weak evidence, if at all any.

l) Our client was a mere conduit for trading and cannot be held responsible for the acts of others, over which it has no control.

In view of the above, the following statements of the investigating officer, are wholly speculative and unsubstantiated: -

a) That the only intention seems to be to deceive the mindset of the genuine investors and distort the market equilibrium.

b) RCB-NSE clearly had manipulative intentions as can be seen from the manner in which he had executed these type of transactions on a large scale.

c) RCB-NSE is clearly guilty of unprofessional and unbusinesslike conduct and largely responsible for creation of a false market in the scrip of SIL.

Our client has not created a false market on his own or in concert with others and it has not indulged in any act which is detrimental to the interest of the investors or which leads to an interference with the smooth functioning of the market. We therefore state that our client has not violated clauses A(I) to (4) of the prescribed code of conduct for stock brokers as laid out in Schedule II regulation 7 to the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

In view of the foregoing, we now submit as follows :-

a) Integrity - Our client has been a regular trading member of the NSE since 1995. It has an unblemished track record of pay ins and payouts and has not had a single investor complaint. Our client has always met its financial commitments. It has a reputation for fair play in business and has a loyal and growing base of customers. These transactions do not by any reasoning reflect on our client's integrity adversely. Attempting to cast aspersions on our client's integrity, based on unproved intent would be patently unfair and unjust.

b) Exercise of due skill and care - Our client has a well qualified team of professionals, who have the requisite experience in capital market operations. Due skill and care in operations is exercised and apart from ensuring a proper conduct of operations, all statutory compliances are done in routine course. The impugned transactions do not in any manner test and reflect the levels of due skill and care by our client. The fact that our client has not had any disputed or irregular transactions, either with its clients or with the stock exchange or the regulatory authorities, since inception, itself speaks volumes of its levels of skill and care.

c) Manipulation - The so called artificial volumes as alleged by the enquiry, have neither distorted the market equilibrium, nor has it resulted in any personal gains to our client. At no point has the extensive enquiry been able to establish personal gains or market distortion, by the conduct of our client. Any penal action on our client, based on surmises/conjectures, would not be fair and would result in a miscarriage of justice. Any act, in order to be termed as a manipulation, must necessarily be linked to mens rea and illegal gains, which has not been established by the enquiry.

d) Malpractice - Our client's conduct in the impugned transactions has not been detrimental to the interest of investors and neither has it interfered with the fair and smooth functioning of the market. The transactions are also not in the nature of excessive speculative business in the market beyond reasonable levels, not commensurate with the financial soundness of our client. Malpractices must be linked with dishonesty, which is not so in this case.

The fact is that our client has never had any malafide or manipulative intent in the impugned transactions, which anyway constitute a miniscule of its operations. A small irregularity cannot be the basis of judging the overall conduct and character of our client, which has been exemplary. Truth is above law and a bonafide factual position, must necessarily override the legal canvas even if it is dotted with minor unintended legal lapses, if any.

In view of the foregoing, any penal action as proposed by you would be patently unfair and you are requested to drop the proposed proceedings. We remain at your disposal, for such further clarifications or information as may be needed by you in this regard".

The Member vide letter dated 07.01.2002 filed another reply inter alia submitting as follows

"1. An impartial scrutiny of the statement of Mr. Dinesh Patel and Mr. Nagraj Kunder, as were recorded during the course of the impugned investigation, clearly shows no nexus at all between these persons and M/s RCB-NSE. No direct or indirect link is established between them and it is patently incorrect to infer the same, so as to draw an adverse inference, to the prejudice of M/s RCB-NSE.

2. It will be grossly unfair to penalise M/s RCB-NSE, by establishing a link between these parties, which they have themselves denied in the statements recorded. Our detailed comments in respect of the statements recorded, for each of the above parties are enclosed. In the interests of justice, we request you to desist from any adverse action on our client M/s RCB-NSE as proposed by you, should you need any further clarifications or information in this regard, kindly contact us unhesitatingly.

Comments on Statement of Mr. Nagraj Kunder recorded on 24.10.2000.

1. Neither was Mr. Kunder asked and nor does he at any stage accept or indicate any nexus or relationship with M/s RCB-NSE. No direct or indirect relationship to impute him as acting for or on behalf of M/s RCB-NSE has been established during the course of interrogation.
2. He has clearly stated that he has dealt with brokers as a client only and for and on behalf of himself. The investigating officer has not doubted the same in any manner.
3. He has at the first instance on being asked given his own residence (care of) telephone number and then on being prodded in a biased manner, he has given the telephone number of M/s RCB-NSE.

As in the case of Dinesh Patel, no nexus is established between Kunder and M/s RCB-NSE. It is also worth noting that the statement does not indicate that it was recorded voluntarily or not.

Comments on the statement of Mr. Dinesh Patel

Our observations upon scrutiny of the statement of Mr. Dinesh Patel, recorded on 22.11.2000 are as follows:

1. At no point in the course of interrogation, has Mr. Dinesh Patel, whether directly or indirectly stated that he knows Mr. Raj Kumar Basantani or that he is acting on his behalf in any manner whatsoever. His answers do not reflect any nexus with Mr. Rajkumar Basantani (RCB), in the matter of trading in shares of Soundcraft Industries Ltd. (SIL) or otherwise, as has been imputed in the report, of the Enquiry Officer. His relationship with M/s RCB-NSE, is that as in the case of any normal broker - client relationship and does not lead to the inferences drawn by even the investigating officer. Since this matter was factually apparent even the Investigating Officer, did not ask him a question directly to this effect.
2. Mr. Patel at the first instance mentioned his telephone no. as that of his residence and apparently on being prodded mentioned that of M/s RCB-NSE. His initial response being the immediate one, thus must be given credibility.
3. He clearly states that he works for no one, which inherently establishes his independence and the fact that he neither acted for anyone, nor was he a front for anyone.
4. The dealings in transactions conducted by him were normal and not unusual by any measure.
5. The questioning was obviously biased and with a pre-conceived notion, as is apparent from the fact that he was asked to furnish such specific details as distinctive numbers, date of transaction etc. after a lapse of almost two years thereof. This bias is further established by the fact that information was called for in respect of data / documents which had been already requisitioned by SEBI and in respect of which the investigating officer had full knowledge.
6. It is an accepted and recognised fact that in India, only a miniscule of trades in shares result in the delivery thereof. There can be no adverse inference to the same as has been attempted during the course of the enquiry. Moreover the decision to square off or take delivery of shares is a matter of availability of resources as well as the view of the speculator on the future movement of the scrip. No fault can be found therein when Mr. Patel has clearly stated that he traded for himself and no anomaly was found in the statement of his.

It is thus clear that the statement of Mr. Patel which was found to be factually correct by the Investigations and Enquiry Officer does not establish any nexus between him and M/s RCB-NSE. It may be noted that no fault has been found by SEBI with the statements recorded.

Further the Member vide letter dated 25.01.2002 reiterated the submissions made in his letter dated 03.10.2001. A personal hearing before me, was fixed for 19.07.2002 at 3.00 pm. The same was informed to the Member vide letter dated 04.07.2002 for which neither the Member nor any representative appeared. However, the representative of Shri. Rajkumar C Basantani, Promoter and Chairman SIL appeared on the said date. Further a letter dated 22.07.2002 was received on 23.07.2002 on his behalf stating as follows

"a) Our client has a gross broking billings of about Rs. 5 lakhs per month. The volume of business is too high. In view of the same, internal control procedures for targeting and monitoring irregular trades are only in respect of those which exceed Rs. 10 lakhs. Since all the transactions referred to by you under investigation, our client could not have located and controlled the same, and was thus unaware of their existence.

b) In view of the small size of the impugned transactions as compared with the size of the business of our client, you will appreciate that was no need or incentive at all for our client to indulge in the kind of trades as alleged by you.

c) Our client cannot be held liable for the conduct of the brokers and other clients who conduct trading of operations through him, particularly when the volume and prices were not unusual so as to attract his attention.

In view of the facts of the case and the bonafied conduct of our client, a lenient and considerate view in the matter is requested. We do remain at your disposal for such further information and explanations as may be needed in this regard by you."

The Member also submitted a letter dated 23.07.2002 through his authorized representative, requesting for another hearing and to refrain from passing an ex-parte order. An opportunity of oral hearing before me was given to the member which he failed to avail. Adequate opportunity was given to the member to defend his case. He replied to the show cause notice dated 22.11.2001 issued to him along with a copy of the enquiry report. Therefore, no further opportunity of oral hearing is warranted as it is only delaying tactics.

I have carefully, considered the findings of the enquiry officer and the submissions made by the member. I find that:

- A. At BSE, the top five members who were very active in the scrip of SIL had generated 90% to 95% of the total volume in the scrip during the period under consideration. At NSE, the combined volume generated by the top five trading members in the scrip was around 96% to the total trading volume recorded in the scrip at the exchange. The trading in the scrip of SIL was concentrated among top five trading members, prominent traded broking entity being the Member i.e., M/s. Rajkumar Chainrai Basantani, with an average trading volume of around 35% of total volume traded at NSE in the settlements covered during the period under investigation. Shri Basantani also being the promoter of SIL had shown inexplicable interest in the scrip during the period under consideration.
- B. The volumes recorded at these exchanges have been termed as abnormal in view of the fact that at both the exchanges the scrip was not very active prior to December 1998. In some of the settlements, a set of brokers contributed 100% volume at the exchange. This indicated that there was no general market interest in the scrip and the volumes generated in the scrip by a few set of brokers appeared to be artificial so as to possibly induce or create interest in the minds of the ordinary investors to trade / invest in the scrip.

The transactions were squared off either by the end of the day or by the end of the settlement period. On an average, the over all net delivery obligation of the brokers at the exchange was hardly 1 % of the total volume at the exchange. For instance, in settlement No. 8, the total gross volume of the members at NSE was 1, 36, 400 shares (both buy and sell) where as the net delivery obligation at the exchange was just 400 shares, which constitutes 0.02% of the gross volumes. This type of trading pattern was seen unanimously employed by all the brokers / clients of both NSE and BSE during the period of investigations.

- C. The same set of clients who had traded in the scrip of SIL through NSE members also enrolled as clients to the BSE top traded members and traded in the scrip. The timing of the introduction of these clients to the members of BSE and NSE suggested that most of the clients were introduced to the members on or around December 1998. These clients were introduced to the members / sub brokers either by Shri Rajesh Sharma (who is a key employee of the Member) and / or Shri Vinod Hingorani who was an employee of the Member and currently a director on the board of SIL. Authorized representative on behalf of the clients in his statement given to the investigating team on 20.12.2000 confirmed the above fact.

The clients who had traded in the scrip of SIL through the BSE and NSE members have furnished their contact telephone number as 6481355. This telephone number incidentally is also the telephone number of the Member. Even in their acknowledgement given to the courier authorities in respect of the letters / Summons issued to them, these clients chose to furnish this number as their contact reference. When the Member was queried on the subject matter, the Member stated that he did not wish to comment any thing. This clearly indicates the role played by the clients in the subject matter and their relationship with Shri Basantani.

Some of these clients hailed from places such as Jogeshwari, Mira Road etc. However, these clients have chosen to open their bank accounts at places such as Corporation Bank Khar West, Vysya Bank Bandra etc. Incidentally, SIL and the Member also maintained account(s) with these banks/branches. The records further revealed that some of the clients were introduced to the above banks on or around December 1998 and by none other than Shri Basantani.

The above mentioned clients mainly traded in the scrip of SIL during the stated period. This clearly establishes that the clients were enrolled primarily to trade in the scrip in which Shri Basantani is interested.

The connection of the aforementioned clients with Shri Basantani was evident from the manner in which funds flow had taken place from the account of Shri Basantani (Current Account No 385 maintained with M/S. Vysya Bank 32nd Road, Bandra West Branch) to the account (s) of these clients (either directly or indirectly). The bank records collected from the clients also revealed that the clients have transferred the funds to the account of Shri Basantani (CA 385) after they received the pay out proceeds from the brokers. The study of the funds flow / bank account submitted by the clients revealed that the real destination of the payments / receipts in respect of their dealings in the scrip of SIL have come from an account none other than that of Shri Basantani. A few instances of fund transfers that had taken place from the account of the Member (CA 385) to the account of these clients are enumerated as under:

- On 22.01.1999 an amount of Rs 20, 000 was transferred from CA 385 (of Shri Basantani) to SB A/c 16799 maintained by Shri Suhas Patil with M/s Vysya Bank, Bandra. On the same day, Shri Suhas Patil issued a cheque for Rs 20,000 favoring M/s Key note Capitals Ltd. against the pay in towards the dealings in the scrip of SIL of Shri Nagraj Kunder (client of Keynote Capitals)
- On 05.04.1999 an amount of Rs 60, 000 was transferred from CA 385 to SB A/c 16799 of Shri Suhas Patil. Shri Suhas Patil issued a cheque for Rs 61, 000 favoring M/s Sharedeal Consultants, BSE member (towards the dealings of Shri Dinesh Patel in the scrip of SIL)
- On 10.05.1999 an amount of Rs 1, 30, 000 was transferred from the account of Shri Basantani (CA 385) to the account of Shri Suhas Patil (SB 16799). On the same day Shri Suhas Patil issued a cheque for Rs 1, 30, 070 favoring M/s MP Vora Securities Ltd (towards his dealings in the scrip of SIL with MP Vora Securities). Shri Suhas Patil was a client of M/s MP Vora Securities, BSE and had dealt in the scrip through the BSE member.
- On 27.02.1999 and 04.03.1999 an amount of Rs 1, 64, 000 and Rs 1, 30, 000 was seen credited into the account of Shri Dinesh Patel with Corporation Bank Khar West Branch (SB 8779). M/s Sharedeal Financial and Consultants, BSE Member issued these cheques to Shri Patel after the pay out at BSE. (Shri Dinesh Patel traded in the scrip of SIL at BSE through Sharedeal Consultants). On 04.03.1999, an equivalent amount was seen transferred from the account of Shri Dinesh Patel SB 8779) to the account of Shri Basantani which suggests that that pay out proceeds were passed on to Shri Basantani.
- Shri Dinesh Patel, residing at Roopalane, Chandanwadi, Kalbadevi, Mumbai – 400 002 was registered as a client of the Member and M/s Share deal Consultants Pvt Ltd., Member, BSE. He dealt in the scrip through the aforesaid two members. As per the details furnished by the Member, Shri Dinesh Patel is the only client for whom they had traded in scrip of SIL during the referred period.

On perusal of Shri Dinesh Patel's bank accounts, it was observed that he had issued cheques from his Corporation Bank A/c (Khar West Branch) to Shri Basantani during the month of March 1999. The details of these cheques issued are as follows:

DATE CHEQUE NO. AMOUNT (Rs.)

04.03.1999 746399 150000

06.03.1999 783321 200000

20.03.1999 789322 125000

The details of the above cheques were not appearing in the Ledger statement of Shri Dinesh Patel in the books of the Member which suggests that these cheques were issued by Shri Dinesh Patel to Shri Basantani after he received the proceeds (after pay out at BSE) from M/s Sharedeal Consultants of BSE. It appeared from the records submitted by M/s Sharedeal Consultants that they had made payments to Shri Dinesh Patel against his credit balance, which was utilised by Shri Dinesh Patel to issue cheques to Shri Basantani. This indicates the interest of the Member behind the transactions of Shri Dinesh Patel with Share Deal Consultants, BSE. It is clear from the above that Shri Dinesh Patel dealt in the scrip of SIL through Sharedeal Consultants, BSE solely on behalf of Shri Basantani.

Shri Dinesh Patel has issued a cheque for Rs. 1, 60, 000 (from his Corporation Bank account, Khar west) to M.P. Vora Shares & Secs. Pvt. Ltd., against the debit balance of Shri Suhas Patil (who was a client of MP Vora). Similarly, Shri Suhas Patil has issued the following cheques from his bank account maintained with Vysya Bank, Bandra West Branch to M/s Share Deal Financial & Consultants Pvt. Ltd., BSE against the debit balances of Shri Dinesh Patel. The bank statement of Shri Suhas Patil indicated that prior to making these payments on behalf of Shri Dinesh Patel, he had received equivalent amount transferred from the account of Shri Basantani (CA 385 with Vysya Bank, Bandra West). The cheques issued from the account of Shri Suhas Patil favouring M/s Sharedeal Consultants are as under:

DATE CHEQUE NO. AMOUNT (Rs.)

14.12.1998 70739 20000

07.01.1998 70740 70000

24.03.1998 80812 26000

The top traded brokers / members of BSE and NSE confirmed that in respect of SIL they had accepted third party cheques on a few occasions. As per the ledger statement of Shri Dinesh Patel, furnished by the Member the credit balance standing against the name of Shri Dinesh Patel was adjusted against the debit balance of Shri Suhas Patil with other brokers. In other words, cheques were seen issued by the Member to Shri Suhas Patil against the credit balance of Shri Dinesh Patel e.g., the following instances

Date CHEQUE NO. AMOUNT (Rs.)

22/11/1999 40655 20000

04/05/1999 45043 39000

The pay in obligations of Shri Suhas Patil was met by Shri Basantani in the above manner. The fund transfers also took place directly between the Member and Shri Suhas Patil.

As per the records submitted by the company, Shri Dinesh Patel was eligible for bonus shares in the bonus issue announced by SIL during April, 99. It clearly appeared that Shri Dinesh Patel only acted as front to the Member as regards dealings in the scrip of SIL.

D) Shri Suhas Patil residing at No 1, Cosmos Building, Khar(W), Mumbai traded through DGP Securities. Ltd., NSE and M/s M.P. Vora Shares & Securities Ltd., BSE. As per the information furnished by M/s DGP Securities. Ltd and M.P. Vora Shares and securities Pvt. Ltd., Shri Suhas Patil was the only client who has traded in the scrip of SIL through them during the period. Therefore, the total transactions of the above brokers in SIL can be treated as the transactions of Shri Suhas Patil.

Shri Rajesh Sharma who is a key employee of the Member introduced Shri Suhas Patil to M/s DGP Securities Ltd, NSE.

As explained in the paragraph mentioning about the role of Shri Dinesh Patel, Shri Suhas Patil had issued cheques from his bank account (maintained with Vysya Bank Bandra West Branch) against the debit balances of Shri Dinesh Patel with M/s Sharedeal Financial Consultants, BSE. Similarly, Shri Dinesh Patel had issued cheques to M/s M.P. Vora Shares and Securities Pvt. Ltd. against the debit balance of Shri Suhas Patil. A perusal of the respective accounts of Shri Suhas Patil and Shri Dinesh Patel revealed payments/ transfers from the account of the Member prior to the transactions made by them. This indicated the relation ship of Shri Suhas Patil with Shri Dinesh Patel and also the fact that the Member is ultimately interested in the transactions of both Shri Suhas Patil and Shri Dinesh Patel.

Shri Suhas Patil had received payments and also issued cheques to the Member through his bank account maintained with Vysya Bank, Bandra West Branch. A perusal of this account indicated that Shri Suhas Patil had received credits from the account of the Member and simultaneously, he issued cheques to various members / entities / individuals who have dealt in the scrip of SIL during the period under investigation. Instances of such fund transfers received from the account of the Member and simultaneous payments made by Shri Suhas Patil to various brokers /entities etc are explained as under:

Cheques Recd By Suhas Patil From RCB	Amount (in Rs.)	Corresponding Cheques Issued by Suhas Patil to various entities	Cheque No.	Amount (in Rs.)
40655	20, 000	Keynote Capitals Ltd.,	80804	20,000
42385	2, 00, 000	Ramila Jain	80805	2, 00, 000
43958	60, 000	Sharedeal Financial Con.	80814	61, 000
43960	25, 000	DPG Securities	80815	23, 691
45055	1, 30, 000	M. P. Vora Shares and securities	80819	1, 30, 070
46136	1, 40, 000	DGP Securities	86141	1, 40, 000
45091	36, 000	M.P. Vora Shares	86144	36, 000
45097	50, 000	Subecha Securities	86145	55, 000

Shri Suhas Patil had received the following cheques from M. P. Vora Shares and Securities and the same was passed on to the Member and other entities.

Cheques Recd. By Suhas Patil From various entities	Amount (in Rs.)	Corresponding cheques Issued by Suhas Patil to Various entities	Cheque no.	Amount (in Rs.)
M.P. Vora Shares & Sec. Pvt. Ltd.	9, 33, 312	Subecha Secs P L	80807	55, 000
		Jain Investments	80808	83, 330
		RCB	80809	8, 00, 000
M.P. Vora Shares & Securities	6, 48, 574	RCB	80811	6, 00, 000

The above transactions clearly explain the role played by Shri Suhas Patil and his relationship with the Member. It also indicates that funds were transferred from the account of the Member to the account of Shri Suhas Patil who in turn made payments to various other entities who dealt in SIL (presumably to meet the pay in obligation of these entities). Some instances were also noticed wherein the Member used to issue cheques to M.P. Vora Shares & Sec. P Ltd. directly against the debit balance of Shri Suhas Patil, the details of which are furnished below:

Cheque issued by RCB to M.P. Vora DIRECTLY against the debit balance of Suhas Patil Cheque No.	Date	Amount
43872	31/03/1999	250000
43979	15/04/1999	981.5
43990	15/04/1999	600000

In light of above fund transfers that have taken place, the role played by Shri Suhas Patil is apparently clear. It is also clear that the Member has masterminded all the transactions in the scrip of SIL and the clients merely played supportive role.

E) Shri Nagaraj Kunder, residing at D-63, Punarvasu, Sector III, Shrishti Complex, Mira Road traded in the scrip through M/s Keynote Capitals Ltd., Member, NSE and also through M/s Subecha Sec. Pvt. Ltd., an unregistered sub-broker of M/s Betala Stock Broking Ltd, member NSE. At BSE, Shri Kunder traded in the scrip once again through M/s Subecha Securities Pvt Ltd., who were registered sub-brokers of M/s SVS Securities P Ltd., Member, BSE.

On perusal of bank records/statements submitted by Shri Nagaraj Kunder, it appeared that Shri Suhas Patil made payments on behalf of Shri Nagaraj Kunder during the period under consideration. The following are the instances wherein Shri Suhas Patil had issued cheques to M/s Keynote Capitals Ltd. and M/s Subecha Sec. Pvt. Ltd. against the debit balance (s) of Shri Nagaraj Kunder.

DATE	CHEQUE NO.	AMOUNT (in Rs.)	Chques issued by Shri Suhas Patil against the debit balance of Shri Nagaraj Kunder- issued to
22/01/1999	80804	20, 000	KEYNOTE
20/04/1999	80816	3, 2709	-DO-
24/05/1999	80820	4, 39, 000	-DO-
15/06/1999	80807	55, 000	SUBECHA SECURITIES

The account statement of Shri Suhas Patil revealed that Shri Suhas Patil had received equivalent payments from the Member prior to issuing these cheques to Keynote Capitals and Subecha securities.

Shri Nagaraj Kunder was introduced to M/s Keynote Capitals Ltd. by Shri Rajesh Sharma, an employee of the Member.

Shri Nagaraj Kunder has given the contact telephone number of Smt. Seema Basantani, wife of Shri Basantani. This telephone number relates to the Member's broking outfit at Khar. Shri Basantani also introduced Shri Nagaraj Kunder's account with the Vysya bank. This shows the relationship of Shri Nagaraj Kunder with Shri Basantani.

On perusal of Bank account of Shri Nagaraj Kunder with M/s ICICI Bank, Mira Road Branch, it was observed that Shri Kunder had issued a high value cheque for Rs. 4, 00, 000 in favour of the Member.

Shri Nagaraj Kunder and Ms. Jaya Kunder having the address of 12, Jumbo Darshan, Kol Dongri, Andheri, Mumbai appeared in the client list of the Member. The address matched with the address furnished by Shri Nagaraj Kunder to Vysya Bank, Bandra West Branch.

Shri Nagaraj Kunder appeared as a common client in the books of M/s Keynote Capitals Ltd and M/s Subecha Sec. Pvt. Ltd. It appeared that he along with Shri Suhas Patil had played a crucial role in facilitating Shri Basantani in the exercise of creating / generating artificial volumes in the scrip. It appeared from the records that Shri Nagaraj Kunder was simultaneously putting both buy and sell orders in the scrip through the above mentioned brokers so as to generate artificial volume.

F) Shri Yogesh Panchal residing at B.N. Shukla Chawl, No.1, Room No. 10, Subash Nagar, Jogeswari, Mumbai, had traded in the scrip through M/s Subecha Sec. Pvt. Ltd. an unregistered sub-broker of M/s Betala Stock Broking Ltd., NSE. The following instances of fund transfers were noted from his bank account maintained with Vysya Bank, Bandra Branch to Shri Basantani.

DATE	CHEQUE NO.	AMOUNT (IN RS)
05/06/1999	76221	93, 000
29/06/1999	76222	4, 53, 000

As per the details submitted by M/s Subecha Sec. Pvt. Ltd., Shri Yogesh Panchal had only offered shares in auction and he has not traded regularly in the SIL during the period under consideration.

As per the bank records of Vysya Bank Bandra West Branch, Shri Vinod Hingorani, the director of M/s Soundcraft Industries Ltd, introduced the account of Shri Yogesh Panchal to the bank. The Savings Bank A/c was opened on 27.08.1998 i.e., just before the spurt in volumes and price was witnessed. Shri Nagraj Kundar who has traded substantially in the scrip of SIL introduced Shri Yogesh Panchal to M/s Subecha Sec. Pvt. Ltd. Shri Yogesh Panchal had dealt with the Member and had stopped trading through him from March, 1997.

In light of the above, it is clear that Shri Yogesh Panchal is having clear nexus with the directors of SIL and was acting as front entity to Shri Basantani and Shri Vinod Hingorani. He was enrolled as a client to exclusively offer the shares of SIL in the auctions.

G) On analysis of the order logs in the scrip of SIL, it was observed that the Member, used to place orders with huge volumes at a substantially lower price in comparison with the ruling price / last traded price at the NSE. Similarly, the Member also used to place sell orders of huge volume at substantially higher rate than the ruling price/last traded price. This was consistently observed in respect of the orders placed by the Member in the scrip during the period under consideration. The purpose behind such transactions was to create artificial liquidity/volume in the scrip of SIL, which is substantiated from the manner in which the orders were executed. The scrip price was conveniently maintained by employing the above exercise. The Member misused the circuit filter mechanism of the exchange to the best of their advantage. Generally, these orders (of huge quantities) were placed at a price near to the price bands for the day decided by the stock exchange. Most of the times, these orders were not executed. For instance, on 1st March, 1999 at NSE, there were 4 buy orders for 52, 100 shares at below Rs. 320/- and 3 sell orders for 28, 900 shares above Rs. 3, 551/-. However, the average price quoted on 1st March, 2000 was Rs. 335/- with a gross volume of 28, 600 shares recorded at the exchange on that day. The study of order logs by the investigating team revealed plenty of instances of such type of orders put by the Member. The above trading practice is intended to create artificial depth so as to misguide the genuine investors who innocently trade in the scrip of SIL.

It is further observed that the Member placed voluminous buy as well as sell orders in the scrip during the period of scrutiny and most of the orders did not result into trades. In some cases large orders were intentionally placed by the Member on or around the opening session. These orders were placed by the Member for large quantities probably to misguide the genuine investors. A study of the unexecuted orders in the scrip of SIL made by the investigating team during the investigation period revealed that orders to the tune of approximately 20, 70, 000 shares in the account of the Member did not result into trades during the referred period. The gross turnover of the Member in the scrip of SIL during the period under consideration was around 8, 00, 000 shares. From the above, it was clear that the Member had manipulative intentions behind these transactions and the only motive was to generate artificial volume in the scrip which will also facilitate a slow movement in terms of scrip price. The above clearly indicates the role played by the Member in the creation of artificial market for the scrip of SIL.

H) Analysis of the trading pattern in the scrip revealed that top five brokers of BSE and NSE had formed a Cartel and indulged in "circular trading" in scrip so as to create artificial market in the scrip and also to maintain the price quote. During the period under investigation, on an average the Member has contributed 62.3% of the gross volume at NSE in connivance with other members (buy / sell). In some settlements his role was more than 70% of the total volume generated at the Exchange. For instance in settlement no. 8, he has contributed 80.33% of the gross volume of the exchange along with other members such as Keynote, Betala Securities and DGP Securities. This type of trading pattern shows the apparent interest of the Member in increasing /maintaining the price and volumes for the scrip. This is further substantiated from the fact that the clients of the counter party brokers are directly/indirectly related to the key player i.e., the Member. The flow of funds from the account of Shri Basantani to the account of these clients and vice versa are clear indications of the relationship between the parties. The fact that the buy orders placed by one broker getting consistently matched with the corresponding sell order placed by other brokers gives clear indications of the circular trading that has taken place in the scrip during the referred period. It is clear that the trades were done primarily to maintain the price level in the scrip and to create artificial liquidity /market. The Member is clearly guilty of indulging in "Circular Trading" in the scrip in connivance with other members of NSE such as Keynote Capitals, Betala Securities etc.

I) It was observed that some of the members of BSE and NSE executed transactions in the scrip, which are fictitious in nature whereby both buy and sell orders in the scrip were executed by the same member apparently for the same client and at the same time. The dealer who had punched the buy and the sell order for the related transaction was also the same implying that these are fictitious transactions essentially to generate artificial volumes. These type of transactions were seen executed on a large scale at NSE and the Member indulged in these type of transactions on a significant note. In some of the settlements the percentage of such type of transactions executed by the Member was alarmingly high. A few instances of such type of transactions are shown below:

a) In settlement No 1999006 a transaction for 100 shares was seen executed wherein both buying and selling member was M/s Rajkumar Chainrai Basantani and the client (both buying and selling) was Shri Dinesh Patel. This transaction was seen executed at 10 hrs.02 min. 52 secs.

b) In settlement No 1999017 12 separate transactions for a total of 2200 shares was seen executed wherein both buy and sell member was shown as M/s Rajkumar Chainrai Basantani and the client (buy and sell) was Shri. Dinesh Patel. This transaction was seen executed at 11 hrs, 7 minutes and 45 secs. The above are only a few instances of such transactions that were observed at NSE. The records revealed that there were large number of such transactions that was executed in the above manner from the counter of the Member and these transactions cannot be attributed as squaring of nature. In a squaring of transaction there must be two transactions at different times which may involve two members or atleast two clients with one member. Some of these transactions were seen initially placed at rates slightly higher than the previous days closing rate. For instance, a transaction for 500 share of SIL took place between M/s Rajkumar C. Basantani (both buying and selling) for the same client, Shri Dinesh Patel, on 31.12.1998 at 10:07:50 at Rs. 295 whereas the last traded price was Rs.288. 5 (on 30.12.1998) 15:15:70. These type of trades normally took place at rates on or round the last traded price. However, as cited above, some transactions took place at substantially higher than the last traded price. These transactions were entered to create artificial liquidity and influence the judgement/mind set of the genuine investors by generating trading interest in the scrip.

J) It is observed that at NSE, there were numerous occasions of the buy orders of a particular member broker getting matched with the sell orders of the other members. The time lag between the buy and sell order of two members was very less i.e., few minutes and sometimes-even seconds. This was consistently seen in the case of orders put by M/s Rajkumar Chainrai Basantani and M/s Key Note Capitals at NSE. For example, M/s Key note capitals Ltd., had put a sell order for 2, 500 shares on 3rd March, 1999 at 11 hrs-23-min 10 secs. M/s Rajkumar Chainrai Basantani absorbed the total order with a buy order at 11-24-05 on the same date. There is hardly a gap of 45 seconds between these two orders. Since the clients of Keynote Capitals and M/s Rajkumar Chainrai Basantani are related to the key operator i.e., M/s Rajkumar Chainrai Basantani, it can very well be construed that Circular trading in the scrip has taken place on a large scale. These type of transactions are intended to create artificial volume and maintain the scrip price. The modus operandi was that these orders through the brokers are placed simultaneously either by a single person / entity or say two persons jointly acting in concert with M/s Rajkumar Chainrai Basantani.

K) During the period under consideration since the delivery based business was less very few auctions in the scrip had taken place at both BSE and NSE. A few auctions that had taken place in the scrip where as a result of short sellers being trapped. The persons / entities who have offered the shares in the auctions were the same clients who had traded in the scrip of SIL i.e., S/Shri Nagraj Kundar, Yogesh Panchal Suhas Patil, Dinesh Patel etc and whose link with the Member has been clearly established. It can therefore be said that the promoter of SIL by adopting the above tactics might have induced short selling in the scrip as can be seen from the manner in which the auctions in the scrip had taken place during the period.

The Member apart from generally denying the allegations has made the following submissions:

(i) the transactions have neither distorted the market equilibrium, nor have resulted in any personal gains to the Member and that any act in order to be termed as manipulation, must necessarily be linked to mens rea and illegal gains and

(ii) it has to be appreciated that such a large scale of operation needs complete devotion of time and effort from Shri Basantani, and it is therefore necessary for him to leave the working of his other ventures to a professional team. M/S Rajkumar Chainrai Basantani (TM --NSE) must therefore be necessarily viewed as a separate entity as distinct from Shri Raj Basantani, entrepreneur. The action of M/S. RCB must not and can not be viewed as those of Shri Raj Basantani, Entrepreneur. It would be gross miscarriage of justice to impute motives to transactions of M/S. RCB as those arising out of Shri Raj Basantani. M/s. RCB is a separate independent identity wherein in Shri Raj Basantani does not involve himself in the day to day management. The running of M/S. RCB is left to a team of professionals who independently look after M/S. RCB. Whilst Shri Raj Basantani may be signing certain documents, papers and cheques, this is done purely on the advise and at the behest of his senior professionals who run the organization

The above submissions are not convincing and acceptable as it is not necessary that the acts should always result in loss or gain. The act of manipulation per se is illegal. The member is trying to escape from responsibility by passing on the blame to his subordinate staff. There is no difference between the Member and Shri Basantani as far as the transactions covered hereinabove are concerned as it is a concerted action. Further, the Member also being the chief promoter of SIL is very much vitally interested in the promotion of the scrip of his company. This was easily facilitated through his stock broking arm.

From the aforesaid discussion I find that the member has indulged in manipulative trading by creating artificial volumes and price in the scrip of SIL and interfered with the smooth functioning of the market. He has acted in a manner which erodes the confidence of the investors and adversely effects the integrity and healthy growth of the securities market. The member has failed to controvert the charges against him. He has admitted the facts but only maintained that the interpretation placed on the facts is biased and malafied. This is highly misplaced in view of the detailed and logical analysis made herein above. The findings are based on clinching evidence and hence his argument that the allegations were made on the basis of mere surmise and conjecture is devoid of merit. The clients mentioned above have acted hand-in-glove with the Member in the manipulative practices and it was patently noticeable from the scrutiny of the bank account of the Member that fund flow had taken place consistently to the accounts of these clients prior to the placement of transactions in the scrip. The other indicators such as common introducer, common telephone number only substantiate the finding that these clients were merely acting as front to the Member. Vague defenses such as that the clients had no connections with the Member whatsoever as put forth by the Member therefore cannot be accepted. The said conduct of the Member is, therefore, detrimental to the interest of the investors and the securities market.

In view of the above, I conclude that the Member is guilty of violating Clause A (1), A (2), A (3) & A (4) of the Code of Conduct as provided in Schedule-II read with Regulation 7 of the said regulations which reads as follows:

"A: General

(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(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.

(3) Manipulation: A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.

(4) Malpractices: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stock-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness."

As a registered market intermediary, the member is under a positive obligation to abide by the Code of Conduct. Conforming to the Code of Conduct is a condition precedent for continuation of his registration. The misconduct of the member, therefore, warrants

imposition of a penalty in terms of regulation 26(1)(i), regulation 26(1)(ii); regulation 26(1)(v); regulation 26(1) (vi) and regulation 26(1) (ix) of the said regulations. The relevant portions of regulation 26(1) of the said regulations, which lays down the circumstances in which the certificate shall be liable to be suspended, read as under:

"26 (1). A penalty of suspension of registration of a stock broker may be imposed if:-

- (i) the stock broker violates the provisions of the Act, rules and regulations;
- (ii) the stock broker does not follow the code of conduct annexed at Schedule II;
- (iii)
- (iv)
- (v) the stock broker indulges in manipulating or price rigging or cornering activities in the market;
- (vi) the stock broker is guilty of misconduct or improper or unbusinesslike or unprofessional conduct;
- (vii)
- (viii)
- (ix) the stock broker violates the conditions of registration;
- (x)

(2)

- (i)
- (ii)
- (iii)"

Therefore, in the interest of the investors and the securities market and in exercise of the powers conferred upon me under sub-section (3) of Section 4 of the SEBI Act, 1992 read with sub-regulation (3) of Regulation 29 of the said Regulations, I hereby order that the registration of M/s Rajkumar Chainrai Basantani, (SEBI Reg No INB230649415) Member, National Stock Exchange, be suspended for a period of six months.

This order shall come into force with effect from 2nd September 2002.

PLACE: MUMBAI

DATE : 22nd August 2002

Sd/-

G. N. BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA