

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER UNDER SECTION 11 AND 11 B OF SEBI ACT

Bansal Sharevest Services Ltd., and Associated entities

M/s. Bansal Sharevest Services Ltd is a member of National stock Exchange (NSE) and Uttar Pradesh Stock Exchange (UPSE), (hereinafter referred to as the broking company). Shri Pradeep Kumar Bansal, who is also a director of the broking firm is a member of Calcutta Stock Exchange (CSE), UPSE and Inter-connected Stock Exchange (ICSE) (hereinafter referred to as the broker). Securities and Exchange Board of India (SEBI) had come across information regarding alleged illegal trading in securities by the broking company and the broker. Therefore an inspection of the broking company and the broker was ordered vide SEBI order dated 17th July, 2003.

Inspection was carried out jointly with National Stock Exchange. The inspection was conducted at the offices of the broking company in Mumbai, Bhuj, Kolkatta, Mathura, Bangalore and office of the broker at Calcutta.

Analysis of the data of some of the trades of the member on NSE showed that there were a large number of single trades. These trades appeared to be suspicious as according to market information such single trades are usually recorded on Exchanges by the dabba trader only to establish a benchmark price.

The inspection at Bhuj office of the broking company has been completed. Inspections at other places are still going on and data and information is being gathered. The preliminary information available from the inspecting officers shows the following:-

At Bhuj

The inspecting officers recorded statement of Sonu Agarwal, a director of the broking company and obtained copies of their Sauda books which revealed orders of clients. It was also found that the broking company employed several sub-brokers who appeared to be relatives of Shri Pradeep Bansal. The inspection team found two rough sheets in front of two terminals (supposedly given to Shimpy Garg, one of the sub-brokers) with some transactions written on it. These transactions mentioned in the two sheets were compared with the trades done from those two terminals. These transactions (mentioned in the sheet) did not match with the trades done on the exchange. It was observed that only 50% of the quantity mentioned in the rough sheet were executed on the NEAT, i.e., trading system of NSE. The trades mentioned in the other rough sheet did not match with any trades on the NEAT or the main CTCL terminals. When enquired by the inspecting officer, the representative of the broking company submitted that these transactions were done by sub broker- Shimpy Garg and they were not aware of the nature of these transactions. The representative of the broking company also submitted that sub broker settles the accounts directly with the Bombay office and the Bhuj office does not deal with the sub broker in any way. It was found by the inspecting team that the sub broker is a relative of Shri Bansal, Director of Bansal Sharevest Services Ltd. . The broking company could not give satisfactory explanation to the discrepancy which indicated that while a small amount of order could have been executed on NSE, the large part of the order would have been executed illegally outside the stock exchange. Analysis of the data provides reasonable grounds to believe that the broking company is engaged in illegal trading outside the stock exchanges.

At Bangalore

The inspection team came up with evidence for large number of unexplained trades outside the NSE trading system and also about information of such trades being carried out in Kolkata and other cities by the broking company through a network of sub-brokers reportedly relatives of the Shri Pradeep Kumar Bansal. The inspection team also unearthed the information of a particular file called NSE T Demo stated to be available in the various offices of the broker. Such information was passed on to the inspection team in Kolkata.

The inspection team also came across some information which led them to believe that the broking company could be involved in various kinds of betting operations. The inspection team also found that a Kolkata based software firm viz. The Standard Software Company had supplied specialized software to facilitate trading outside the recognized stock exchange which is popularly known as dabba trading.

At Kolkata

As in the case of Bhuj and Bangalore, the inspection team in Kolkata also came across evidence of large number of unexplained trades outside the recognized stock exchanges which did not match between the orders and the sauda books and corresponding orders executed on the trading system of NSE. The inspection team also got hold of the software file, the lead for which was given by the Bangalore team. The team has been able to access the data. The data is voluminous (several gigabytes) and is being analysed. The inspection team also found several unauthorised terminals of NSE which were given by the broking company.

At Mumbai

At Mumbai too, where the broking company office is in the residence of Shri Pradeep Kumar Bansal, the inspection team has found evidence for unexplained trades outside the recognized stock exchanges. The inspection team also found that the broking company has been dealing with clients who do not have either bank accounts or demat accounts. No contract notes were issued by the broking company. These are reasonable evidences indicative of illegal trades outside the recognized stock exchanges. Carrying of such illegal trading is detrimental to the interest of the investors and securities market. Such trading seriously jeopardizes the safety and integrity of the market. Such activities are prima-facie violation of section 19 of S C (R) Act. The inspection is yet to be completed. Prima-facie evidence shows that such illegal trading outside the recognized stock exchange is being carried out by the broking company and its associated entities in a number of places in the country. It further appears that such illegal trading is being conducted under the cover/auspices of membership of the stock exchanges. It is imperative that such practices be stopped forthwith.

Therefore in exercise of powers under section 11 (1) , 11 (4) (b) and section 11 B of the SEBI Act read with section 3 (4) of the SEBI Act, I hereby order that the broking company , the broker and other associated entities namely M/s. Bansal Sharevest Services Ltd, Member, NSE (cash segment), INB 231064339, M/s. Bansal Sharevest Services Ltd, Member, NSE (derivative segment), INF 231064339, M/s. Bansal Sharevest Services Ltd, Member, UPSE, INB 101064336, Shri Pradeep Kumar Bansal , Member, UPSE, INB 100859813, Shri Pradeep Kumar Bansal , Member, CSE, INB 030859814, Shri Pradeep Kumar Bansal , Member, ICSE, INB 240859810, Shri Pradeep Kumar Bansal , sub-broker, NSE, INS 230664315 be prohibited from, buying, selling or dealing in securities in the stock exchanges or outside the stock exchanges with immediate effect. till the completion of inspection and determination of action on receipt of the report. The Order be served on the above entities through stock exchanges. The entities will be given a post decisional hearing on receipt of request.

G.N. BAJPAI

DATE : 23rd July 2003

CHAIRMAN

PLACE: MUMBAI

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