

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Regulation 13(4) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations 2002 and Regulation 11 of the SEBI(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 read with Section 4(3) of the Securities and Exchange Board of India Act, 1992 against Millenium Equities (India) Private Ltd.

CO/26/ISD/09/2004

1.0 Background

- 1.1 Millenium Equities (India) Private Ltd (hereinafter referred to as the “said broker”) is a member of The Stock Exchange, Mumbai (hereinafter referred to as “BSE”) and a stock broker registered with Securities and Exchange Board of India (hereinafter referred to as “SEBI”) under certificate of registration No. INB 011127256
- 1.2 SEBI Conducted investigation into the transactions in the shares of Global Trust Bank (hereinafter referred to as “GTB”) a Commercial Bank incorporated in 1993 and listed on The Stock Exchange, Mumbai (hereinafter referred to as “BSE”) and on the National Stock Exchange of India Limited (hereinafter referred to as “NSE”). In the course of investigation, it was observed that the prices of the share of GTB had moved very sharply during November 1999 to January 2000 and also during the period 01.04.2000 to 31.08.2000.
- 1.3 The scrip of Shonkh Technologies India Ltd (hereinafter referred to as “STIL”), a company listed on the BSE and Delhi Stock Exchange (hereinafter referred to as “DSE”), witnessed a significant rise in price during the period August to September, 2000. The price of the scrip rose from Rs.70/- and Rs.300/- on the BSE and DSE respectively at the time of

listing to around Rs.460/- by 22.9.2000. In view of this sudden and dramatic rise in price, SEBI conducted investigations into the trading of the scrip on both the above stock exchanges.

1.4 DSQ Software Ltd, a company whose scrips were listed on the Calcutta Stock Exchange (hereinafter referred to as "CSE"), BSE and NSE witnessed a sharp increase in price from Rs.250/- in October 1999 to Rs.2631/- in March 2000 and a sharp fall thereafter to Rs.150/- in March 2001. These fluctuations in price were also accompanied by trading in large volumes on the above mentioned three exchanges. In view of the same, SEBI conducted an investigation into the trading in the scrip of DSQ Software.

1.5 The investigations conducted by SEBI in the above mentioned three scrips showed that the said broker among others had traded in the said scrips in large quantities and also indulged in synchronised / matched trades thereby seeking to create an artificial market for the said scrips and also seeking to defeat the anonymity of the price and order matching mechanism of the stock exchanges.

2.0 Enquiry Proceedings

2.1 In view of the findings of investigations SEBI, vide order dated 3.10.2001 appointed an enquiry officer to enquire into the irregularities if any in the transactions undertaken by the said broker in the aforementioned scrips. The enquiry officer issued show cause notice and conducted enquiry as per the provisions of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations 2002 (hereinafter referred to as the "Enquiry Regulations"). After conducting enquiry as per the enquiry regulations, enquiry officer submitted his report on 3.7.2003.

2.2 The enquiry officer came to findings of irregularity in trading in each of the following scrips as under:

a. Shonkh Technologies India Ltd.

A comparison of the movement of the share price with the movement of the SENSEX indicates that the scrip witnessed unusual movements. The details of the same are as under:

Date	Price of the scrip	Sensex
9.8.2000	Rs.75.55	4317.04
27.9.2000	Rs.440/-	4164
30.10.2000	Rs.220/-	3689.43
22.11.2000	Rs.347.50	3682.39

Similar movement was also observed in respect of the CNX-IT Index which was the Index for shares of Information Technology Companies.

The details of trading in the scrip on 5th and 20th of February, 2001 showed that there were synchronised trades between several brokers including the said broker. Details of these trades are as under:

Trades on 5.2.2001

Qty	Price	Sell member Name	Buy Member Name	Sell Client	Buy Client	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell Order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
5000	274	497	Nirmal Bang Securities	LIPL	CCL	497001000100000609	49803600010005924	15:20:46	11:07:33	5000	5000	274	274
510500	274	497	TSL	LIPL	CCL	497001000100000609	37200100010016505	15:20:46	15:20:39	525000	525000	274	274
20000	274	497	TSL	LIPL	CCL	497001000100000610	37200100010016505	15:21:10	15:21:09	185500	185500	274	274

20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
20000	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
14650	274	497	TSL	LIPL	CCL	49700100 01000061 0	372001000 10016505	15:21:10	15:21:09	185500	185500	274	274
499600	274	497	Millennium	LIPL	PFMS	49700100 01000061 1	140001000 10003131	15:21:55	15:21:31	500000	500000	274	274
400	274	497	Millennium	LIPL	PFMS	49700100 01000061 2	140001000 10003131	15:22:18	15:21:31	500000	500000	274	274
100000	274	497	Hem	LIPL	PFMS	49700100 01000061 3	248003000 10003347	15:23:36	15:23:26	100000	100000	274	274
98900	274	497	Pravin V Shah	LIPL	PFMS	49700100 01000061 3	558001000 10005279	15:23:36	15:23:32	100000	100000	274	274
187000	274	497	Vidyut Devendra kumar	LIPL	CCL	49700100 01000061 5	685001000 10031656	15:42:01	15:41:37	200000	200000	274	274

Trades on 20.2.2001

Qty	Price	Buy Member Name	Sell Client	Buy Client	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell Order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
292850	338	Vyomit	LIPL	PFMS	4970040001 0019684	2500150001 0000433	10:49:34	10:49:33	1000000	300000	338	338
400000	338	MM	LIPL	PFMS	4970040001 0019684	4600120001 0002078	10:49:34	10:49:33	1000000	400000	338	338
300000	338	PVSHAH	LIPL	PFMS	4970040001 0019684	5580010001 0005510	10:49:34	10:49:34	1000000	300000	338	338
800	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338
1000	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338
1000	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338
1000	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338
1000	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338

1000	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338
1000	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338
350	338	HEM	LIPL	PFMS	4970040001 0019684	2480030001 0003553	10:49:34	10:49:56	1000000	10000	338	338
399150	338	LM	LIPL	PFMS	4970040001 0019685	4050460000 0002177	10:51:20	10:51:19	1000000	400000	338	338
400000	338	Millenni um	LIPL	PFMS	4970040001 0019685	1400010001 0003244	10:51:20	10:51:21	1000000	400000	338	338
200000	338	Omega	LIPL	PFMS	4970040001 0019685	1630010001 0006466	10:51:20	10:51:21	1000000	200000	338	338
850	338	HEM	LIPL	PFMS	4970040001 0019685	2480030001 0003555	10:51:20	10:51:35	1000000	2000	338	338

The above trades showed that the buy and sell orders were placed almost at the same time or within a gap of a few seconds with each other. This synchronised trading hampered efficient price discovery and had a negative effect on the transparency of the trading system.

The clients who traded in the scrip on the said dates were predominantly entities such as Panther Fincap Management Services Ltd, Classic Credit Ltd and Luminent Investments Pvt. Ltd. which are entites associate with and controlled by Shri Ketan Parekh. The said entities accounted for 75.6% of the trades on 5.5.2001 and for 98.9% of the trades on 20.2.2001. The said entities had also traded among themselves thus showing that there were circular trading amongst themselves which are not genuine transactions intended to transfer beneficial ownership but intended only to create an artificial market for the scrip. The said broker had traded on behalf of Luminent Investments Pvt. Ltd. on both the said dates.

b. Global Trust Bank

The price of the scrip of GTB had increased from Rs.57/- on 11.10.2000 to Rs.114.70 on 20.11.2000 on BSE; i.e. an increase of more than 100% in just 29 trading sessions. During the same period the scrip showed an increase from Rs.57.05 to Rs.114/- on the NSE. There was also significant rise on the average daily volumes traded on the two stock

exchanges. However, the prices and volumes of Peer Group Stock such as those of HDFC Bank, ICICI Bank, UTI Bank did not show such a significant increase during the said period. From the profit and loss account of GTB for the period April to September 2000, it was seen that sales had risen by 50% and net profit had risen by 51.23 %. This was not very different from the performance of Peer Group companies. Therefore the rise in price during the said period was not based on any underlined good performance and was abnormal. Trading in the scrip of GTB during the period October to November 2000 showed that trades were concentrated among few brokers including the said broker and brokers associated with / controlled by Shri Ketan Parekh. On 8.11.2000, the said broker has traded in 1,01,100 shares of GTB out of which 1,00,000 shares have been traded on behalf of Panther Fincap and Management Services Ltd., an entity associated with and controlled by Shri Ketan Parekh. Further on the said date it was seen that the said broker put an order at 14:01:05 hrs for 1,00,000 shares of Global Trust Bank at Rs. 93/- though sellers were available at Rs. 91.50, Rs.92, Rs.92.20, Rs.92.25, Rs.92.45, Rs.92.50, Rs.92.60, Rs.92.70, Rs.92.75, Rs.92.80. This was at a price much higher than the prevailing market price. This order was executed for 5,815 shares. As soon as the order was fully executed at 14:50:52 the next trade was executed at Rs. 93.45. The price of the scrip declined thereafter and it closed at Rs. 91.15. It can be seen that this large orders as placed with a view to artificially increase the price of the shares at higher levels.

c. DSQ Software Ltd.

The said broker has entered into buy transactions in the share of DSQ Software during the period 23.12.1999 to 26.6.2000. Details of the trades are as under:

Trade Date	Buy order No	Buy Order Time	Buy Order Rate	Buy Order Qty	Trade Time	Buying Client	Sell Member	Sell Order No.	Sell Time	Sell Price	Sell Qty	Selling Client
23-Dec-99	140010014	10:05:10	833.00	25000	10:05:11	HULDA	DKB	276020256	10:05:11	833	25000	HULDA
27-Dec-99	140010001	10:37:07	894.50	21000	10:37:07	HULDA	DKB	276020002	10:37:06	894.5	21000	HULDA
05-Jan-00	140010015	10:33:24	952.50	25000	10:33:24	HULDA	DKB	276020319	10:33:21	952.50	25000	HULDA
25-Jan-00	140010023	10:19:50	1165.50	40000	10:19:50	HULDA	DKB	276020133	10:19:50	1165.50	40000	HULDA
10-Feb-00	140010039	11:44:30	1438.00	15000	11:44:32	HULDA	DKB	276020104	11:44:31	1438	15000	HULDA
10-Feb-00	140010040	11:44:49	1438.00	15000	11:44:51	HULDA	DKB	276020105	11:44:51	1438	15000	HULDA
15-Feb-00	140010014	11:15:54	1530.00	25000	11:15:54	HULDA	DKB	276020310	11:15:54	1530	30000	HULDA
22-Feb-00	140010025	11:41:36	2002.00	25000	11:41:37	HULDA	DKB	276020073	11:41:37	2002	25000	HULDA
24-Feb-00	140010056	11:36:38	2110.00	15000	11:36:40	HULDA	DKB	276020257	11:36:39	2110	15000	HULDA
09-Mar-00	140010024	10:06:36	2594.00	25000	10:06:37	HULDA	DKB	276020284	10:06:37	2594	25000	DSQ HOLDING
13-Mar-00	140010001	10:45:19	2676.00	17500	10:45:19	HULDA	DKB	276020087	10:45:19	2676	17500	HULDA
13-Apr-00	140010001	10:01:12	1481.00	25000	10:01:12	HULDA	DKB	276020024	10:01:12	1481	25000	DSQ HOLDING
13-Apr-00	140010002	10:01:42	1476.00	25000	10:01:42	HULDA	DKB	276020025	10:01:41	1476	25000	DSQ HOLDING
13-Apr-00	140010003	10:02:02	1482.00	25000	10:02:02	HULDA	DKB	276020026	10:02:01	1482	25000	DSQ HOLDING
13-Apr-00	140010004	10:02:25	1478.00	25000	10:02:25	HULDA	DKB	276020027	10:02:18	1478	25000	DSQ HOLDING
26-Jun-00	14000100000000219	10:51:43	949.00	50000	10:51:44	HULDA & SURESH	DKB	27600200000006238	10:51:43	949	50000	DSQ HOLDING
26-Jun-00	14000100000000220	10:51:59	949.00	50000	10:52:00	SURESH JAJOO	DKB	27600200000006239	10:51:59	949	50000	DSQ HOLDING

From the above transactions, it was observed that there was a close proximity in placing buy and sell orders which appear to have been done by prior arrangement between the buyer and seller. The said transactions were therefore synchronised transactions.

In the light of the above findings, the enquiry officer came to the following findings:

- (i) That the said broker was guilty of manipulating the prices of the scrips of STIL, GTB and DSQ Software. The acts of the said broker are in violation of Clauses A(3) and (4) of the Code of Conduct for Stock Brokers specified in Schedule II to the SEBI (Stock Broker

and Sub Broker) Regulations, 1992 (hereinafter referred to as “broker regulations”).

- (ii) That the said broker through the above dealings has also aided and abetted entities associated with and controlled by Shri Ketan Parekh in violating the provisions of Sub-Regulations (b), (c) and (d) of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995 (hereinafter referred to as “FUTP Regulations, 1995”) and thereby violated the said regulations.
- (iii) That the said broker has also violated the directives given by SEBI vide Circular dated 14.9.1999 in respect of synchronised trades and negotiated deals.

In view of the above, the enquiry officer recommended that the registration of the said broker may be suspended for a period of 2 years.

3.0 Show cause Notice and Hearing

A show cause notice dated 3.11.2003 was issued to the said broker advising them to show cause why penalty including the penalty recommended by the enquiry officer should not be imposed on them. The said broker submitted their reply vide letter dated 15.12.2003. In their reply the said broker submitted as under:

- (i) With regard to their transactions in STIL, the broker submitted as under:

The said Broker submitted that charge is thoroughly unsustainable since the automated trading system matches purchase orders and sale orders on a computerized basis and a broker does not get to know the identity of

the counter-party broker, leave alone the identity of such counter-party broker clients. Broker contended that merely because one of the purchase orders placed by them matched by the screen-based trading system with some other brokers who are alleged to have dealt for companies affiliated to our client, it cannot be argued that they were involved in circular trading.

The said Broker submitted that it was clearly recorded in the report that they placed only one order on 5.2.2001, specifically based on instructions from their client as regards quantity and price. Broker stated that they did not contribute to the client's decisions to purchase that they did not have any knowledge of the identity of either the counter-party broker or such broker's clients.

As regards the trades done on February 20, 2001, The said Broker submitted that the enquiry report extensively dealt with the trades done by a number of other brokers and on behalf of their clients with no reference to any trades done through them, save and except one purchase order for 4,00,000 shares placed through them on behalf of Panther. Broker reiterated that they had not contributed to the decision to purchase either in terms of price or volume. Broker contended that the purchase order placed by them was in accordance with the instructions received from client and the computerized system matched the purchase order with sale orders placed by others in the computerized trading system. Broker argued that there is no basis whatsoever for suggesting that they were part of any larger conspiracy or transaction to influence price or volume.

The said Broker submitted that the enquiry officer himself pointed out that traded volume on 5.2.2001 was 21,04,700 shares and on 21.2.2001, the total traded volume was 20,26,450 shares. Broker contended that against such volume, their purchase orders individually accounted for only

5,00,000 shares and 4,00,000 shares respectively. Broker argued that merely because the trades matched with others in the market who are suspected of generating artificial volumes, it cannot be said that they had knowledge or that they had conspired along with such others to create artificial volumes.

The said Broker submitted that the findings and the recommendation of the enquiry officer are unsustainable.

(ii) With regard to the transactions in the scrip of Global Trust Bank Ltd, the broker submitted as under:

The said Broker submitted that the enquiry officer erred in concluding that the trading in the scrip of GTB was concentrated, inter alia, in their hands. Broker contended that throughout the period they transacted only once in GTB i.e. on November 8, 2000 and that this transaction was a purchase on behalf of Panther Fincap & Management Services Ltd, which is a duly registered client, and in respect of whom all the “know-your-client” compliance requirements have been met.

With regard to the finding of the enquiry officer that when a purchase order was placed at a price of Rs.93.00 at 14:01:05 hours for 1,00,000 shares, sellers were available at prices ranging from Rs.91.50 to 92.80, the said Broker stated that the enquiry officer had not listed the number of shares that were available at the various prices listed in the report. Broker stated that the enquiry officer had erroneously come to the conclusion that placing the order at Rs.93.00 amounted to attempting to purchase shares at a price much higher than the prevailing market price. Broker submitted that such a conclusion is grossly erroneous and even assuming that the entire lot of 1,00,000 shares of GTB was available at a lowest price listed by the enquiry office, viz. Rs.91.50, the price of Rs.93.00 represents a

difference of only 1.64%. On the other hand, at the next highest price listed by the enquiry officer, viz. Rs.92.80, the price quoted in the purchase order is higher by only 0.22%. Broker therefore submitted that the enquiry officer erred in concluding that a price differential of 0.22% to 1.64% amounts to influencing the price in an artificial manner.

With regard to the finding of the enquiry officer that the purchase price in the order was increased to Rs.94.50 about 27 minutes after the purchase order was first placed in the trading system, the said Broker submitted that the trading system matched only 5815 shares against the purchase order placed by them. Broker submitted that the increase in the price was under the instructions of the client and that it was normal for a client desirous of purchasing a large quantity to increase the purchase price when the market price moves up. Broker further stated that even the price of Rs.94.5, when viewed against the prices prevailing at 14:01:05 hours represent an increase of 1.83% to approximately 3%. Broker submitted however that it is erroneous to make such a comparison because as and when the price in the market increases, it is normal for brokers to be instructed by clients to increase the price at which the purchase order is placed. In our case too, the decision to purchase as well as the quantity that was purchased was clearly dictated by the client, and we had made no contribution whatsoever to the investment decision of the client. Therefore, it is grossly unfair to suggest that any finding of price manipulation in GTB may be attributable to us.

With regard to the finding of the enquiry officer that they had indulged in price manipulation, the said broker submitted that the decision on the quantity and the price was taken solely by the client and even the price movement does not suggest that they could have indulged in price manipulation. They further submitted that had it been their intention to artificially increase the price, and had it been true that they had indulged in

increasing the price artificially, they would not have ceased to manipulate more than one-and-half hours before market hours. They submitted that it was a settled proposition that any price manipulation would be towards the end of trading hours with a view to projecting a false closing price to the market. They submitted that in the instant case, the enquiry officer himself had noted that the order of 1,00,000 shares executed by them for their clients was completed by 14:50:52 hours more than half an hour before close of market.

The said broker submitted that a single transaction of 1,00,000 shares was patently incapable of influencing the market price. They submitted that It was not abnormal for a purchasing client desirous of substantial quantity to provide a marginal premium in the offered purchase price. Therefore, as a prudent broker there was no ground or basis for them to suspect that any price manipulation was involved in the client's action.

The said broker submitted that the enquiry report did not list out the other sale prices that were being quoted when the client increased the price from Rs.93.00 to Rs.94.5. They submitted that even assuming that the other prices remained constant, i.e. between Rs.91.5 to Rs.92.8, the differential in price was not materially higher as seen above.

(iii) With regard to the transactions in DSQ Software Ltd., Broker submitted as under:

The said Broker submitted that seventeen trades over a period of six months cannot be considered to be an indication of any trend or pattern of trading. Broker stated that in one instance cited in the enquiry report, the difference in the quantity of shares between the buy order and the sell order is by 5000 shares. Broker contended that the enquiry officer had not dealt with the facts that are set out to arrive at any reasoning, but merely

stated that there was artificial synchronization of trades and that such alleged synchronization was not a coincidence but a deliberate action on the part of the brokers concerned and their clients. Broker stated in this regard that all the trades put through by them were clearly under the instructions of the client alone and they had no contribution whatsoever in the decision of quantity or the price of the purchase. Broker argued that the screen-based trading system matched the purchase and sell orders and they had no means of knowing who the counter-party broker was.

The said Broker contended that the volumes nor the price of the orders placed by them were of any suspicious nature. Broker argued that the enquiry officer has not even dealt with whether or not the price at which these transactions were done was divergent from the price available in the market, which could have been used as the basis to allege that there was price manipulation. Broker contended that the volumes that were traded and the purchase orders placed with them were an insignificant portion of the daily traded volumes.

The said Broker contended that seventeen transactions have been conducted on eleven days, which, out of a total period of 120 days, is far too miniscule to either raise a due diligence concern for them or influence the price or volumes traded in the market.

The said Broker stated that the finding that the finding of the enquiry officer as to they had aided, assisted and abetted other entities that are accused of violating Regulation 4(b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities Market) Regulations, 1995 is without reason.

4.0 Consideration of issues

4.1 I have considered the report of the enquiry officer, the reply and submissions of the said broker and other material on record. I find that the following issues arise for consideration:

a. Whether the said broker had indulged in irregularities in the trading of the scrips of STIL, GTB and DSQ Software.

With regard to the trades in the scrip of STIL, I find as under:

I note from the report of the enquiry officer and from the investigation report that the said broker had dealt in the shares of STIL on 5.2.2001 and 20.2.2001 on behalf of entities associated with / controlled by Shri Ketan Parekh and that the said broker had placed orders in close proximity to each other and at the same price and for the same quantity.

The said broker has submitted that since the volumes traded by them constituted an insignificant portion of the total volume traded on the said days, it cannot be said that they had attempted to create artificial volumes. They have submitted that they did not contribute to the decision by the client to purchase the shares and also did not have any knowledge of the identity of the counterparty clients.

In this regard, I note from the trade details that the trades by entities associated with Ketan Parekh in the shares of STIL on the said dates accounted for substantive portion of the total volume on those days. Further, these trades which were placed in close proximity of each other showed a pattern that clearly indicated synchronised trading. These trades also resulted in the creation of an artificial market in the shares of STIL and were the reason for the dramatic and abnormal rise in price.

I find that the trades by the said broker in the scrip of STIL on 5.2.2001 and 20.2.2001 give rise to a strong suspicion of meeting of minds between the parties to the said transactions. Such trades seek to defeat the anonymity of the trading system which is designed to give a fair chance to all the investors trading in the market. The explanation of the said broker that they were not aware of the counter party brokers and they merely executed orders of their clients is not satisfactory.

I find from the total pattern of trading that there was a well thought out plan to create an artificial market in the scrip and manipulate the price of the same and that the trades by the said broker were part of the same. However, I also note that there is no direct evidence to prove that the said broker had aided and abetted entities associated with Ketan Parekh. I further note that there were only 2 instances where the said broker has purchased shares on behalf of clients

With regard to the trades in the scrip of GTB, I find as under:

I note from the enquiry report and investigation report that in the trading in the scrip of GTB the said broker has acted on behalf of entities associated with and controlled by Shri Ketan Parekh. Further, the pattern of trading as mentioned in the enquiry report shows that orders were placed in a deliberate manner to increase the price of the share.

The said broker has in their reply submitted that they have merely executed the order of their client and have not taken any part in the decision of the client to enter into the trade. I do not accept the submission of the said broker that their transactions in the scrip on 8.11.2000 were not capable of influencing the price of the scrip.

I find that the transactions were executed by the said broker on behalf of entities associated with Ketan Parekh and therefore it cannot be said that the said broker was not in the know of the irregular trading in the scrip. However, I also note that there was only one trade by the said broker and that no direct evidence of the said broker's complicity in the manipulation of prices by Shri Ketan Parekh and his associated entities has been placed before me.

With regard to the trades in the scrip of DSQ, I find as under:

In respect of the trades in the share of DSQ Software as observed in the report of the enquiry officer, the said broker has been placed orders in close proximity of the orders of the counterparty broker and the quantity and price are exactly the same. The contention of the said broker that the seventeen trades by them have been placed over a time span of 6 months would not make these trades proper ones.

I further find that the trades were placed in close proximity over each other and that the quantity and price in the said orders were exactly the same as that of the counter party brokers. The pattern of trading thus gives rise to a strong suspicion regarding a meeting of minds between the said broker and their counterparties which were entities associated with the promoters of the company.

I also note that the said broker has submitted that they merely placed the orders at the instructions of their clients. The said explanation of the said broker is unacceptable. As a stock broker, the said broker cannot claim immunity from being guilty of having aided manipulative actions merely by contending that they acted as per instructions of their clients.

b. Whether the said broker by their trades had violated any of the provisions of the SEBI Act, Rules or Regulations.

I note that Regulation 4 of the FUTP Regulation provides as under:

No person shall –

(a)

- (b) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine transactions;
- (c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;
- (d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities.

In view of my findings supra, I find that the said broker has violated sub regulations (b) and (c) of Regulation 4 of the FUTP Regulations, 1999.

I further note that Clause A (3) & (4) of the Code of Conduct of stock brokers provides that:

- (3) Manipulation: A stock broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes 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 connect with others or indulge in any act detrimental to the investors.

In view of the above, I also find that the said broker has violated Clause A (3) and (4) of Code of Conduct of stock brokers and thereby violated Regulation 7 of the broker regulations which provides that a stock broker shall at all times abide by the Code of Conduct.

c. Whether in the light of the above the penalty recommended by the enquiry officer can be imposed.

I note that the enquiry officer has recommended a penalty of suspension of registration for a period of 2 years. The enquiry officer has based his recommendation on the finding in his report that the said broker had assisted Ketan Parekh and his associated entities in creation of artificial volumes and manipulating the prices of the scrips of STIL and GTB. I have already found that the transactions by the said broker have been part of larger scheme to manipulate the prices of the scrips. In this regard, I note that although the said broker has dealt on behalf of entities associated with Shri Ketan Parekh there is no direct evidence to show that they were aware of the manipulative schemes of Shri Ketan Parekh or that they were aware of the identity of the counterparty brokers or clients. Further, the contribution by the said broker to the total trades by entities associated with Ketan Parekh is not significant.

In the case of DSQ Software, I find that there have been significant trades by the said broker although the same were spread over almost 6 months. These trades were also in the nature of synchronized transactions that sought to defeat the transparency and fairness of the trading mechanism at the stock exchange and result in an unfair gain to the company and its promoter.

In the light of the above, I find that the recommendation of the enquiry officer is excessive and that in the facts and circumstances of the case,

the interest of justice would be served if a penalty of suspension of registration for a period of 6 months is imposed on the said broker.

5.0 Order

Therefore, I, in exercise of powers under Regulation 13 (4) of the enquiry regulations read with Section 4(3) of the SEBI Act, do hereby suspend the certificate of registration No. INB 011127256 granted to M/s. Millenium Equities (India) Pvt. Ltd. for a period of six months.

This order shall come into effect 21 days after date of this order

Place: Mumbai
Date: 13.09.04

G.N. Bajpai
Chairman
Securities and Exchange Board of India