

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

AGAINST M/S CFL SECURITIES LTD., MEMBER, NSE, IN THE CASE OF M/S SURYA ROSHNI LTD.

BACKGROUND

1. The shares of M/s Surya Roshni Ltd. were listed for trading at Delhi Stock Exchange (DSE), National Stock Exchange (NSE), The Stock Exchange, Mumbai (BSE), Bangalore Stock Exchange (BgSE), Ahmedabad Stock Exchange (ASE) and Madras Stock Exchange (MSE).
2. A case was initiated by SEBI on January 11, 2001, based on an investigation report submitted by NSE, wherein the trading pattern of SRL for the time period July 26, 2000 to September 05, 2000 was examined. However, in view of large trading volumes prior to this period, NSE was requested to extend the scope of their investigation and forward a comprehensive report. NSE conducted another investigation for the period May 17, 2000 to September 05, 2000 (earlier period included) and submitted the report to SEBI on August 31, 2001. Since the scrip was also listed and traded on BSE, it was also requested to investigate the matter and submit its report to SEBI. BSE submitted its investigation report to SEBI on June 10, 2002.
3. For the same time period i.e. from May 17, 2000 to September 05, 2000, Bangalore, Ahmedabad and Madras Stock Exchange reported nil trading; the trading details received from DSE showed trading to have taken place only on one day i.e. April 18, 2000.

4. Based on the identification of brokers by NSE and BSE, in their reports, the trading details of 8 brokers, including that of M/s. CFL Securities Ltd. (hereinafter referred to as 'CFL'), member, NSE, were examined. It was found that CFL had dealt extensively in the shares of SRL.

ENQUIRY REPORT AND FINDINGS

5. In view of the above, an enquiry was initiated into the involvement of CFL in trading in the shares of SRL. The Enquiry Officer submitted his report on the above matter on 28.01.04. The violations of CFL, as put forth by the Enquiry Officer in his report, are as follows:
 - a. *CFL created artificial volumes and also aided and abetted its related clients.*
 - b. *CFL acted in concert with related client(s) in the*
 1. *Creation of false market or misleading appearance of trading in the market, and,*
 2. *Execution of transactions that are not genuine trade transactions.*
6. The enquiry officer held CFL guilty of having violated the provisions of Regulation 4 (b) and 4 (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and Clause A (2) & A (4) of Regulation 7 of the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 and accordingly the Enquiry Officer recommended suspension of certificate of registration of CFL for a period of two months.

SHOW CAUSE NOTICE AND REPLY

7. On receipt of the enquiry report, a notice dated 11.02.04 was issued to CFL, asking them to show cause as to why a penalty, as considered appropriate, should not be levied on them. CFL had replied vide its letter dated 27.02.04 to the said show cause notice. The primary contentions put forth by CFL in its reply are as follows:
 - a. There was no intention at any time to create artificial volumes, price rigging, misuse of market mechanism, structural dealing etc.,
 - b. The methodology adopted for funding was only a temporary funding arrangement to meet their pay-in obligation in time, as part of the efforts to survive in the midst of hardships and to save their reputation.
 - c. Their NSE terminal had been deactivated since October 16, 2001 and no business has been conducted since then.
 - d. There was no intention to violate any of the provisions of SEBI and violations, if any, were unintentional.
8. In view of the facts and circumstance of the matter and taking into account the submissions made by the said broker in response to the show cause notice issued to them, it was not deemed necessary to grant a personal hearing to the said broker.

ISSUES FOR CONSIDERATION

9. I have examined the material available on record, including the contents of the enquiry report, the show cause notice and the reply to the show cause notice. My findings with respect to the said matter are as under.
10. I have observed that a majority of the trades were executed on behalf of M/s Harbinger Trading Co. Pvt. Ltd. (hereinafter referred to as 'Harbinger') and that the other clients of CFL did not have much contribution in trading of CFL, as

compared to Harbinger. The details of trades executed by CFL for Harbinger and other clients are as under:

Name of the client	Sett. No.	Buy	Sell	Net
Harbinger Trading Co. Pvt. Ltd.	21	457000	239900	217100
	22	374900	239900	135000
	23	279700	0	279700
	27	255000	0	255000
	28	10000	0	10000
	30	10000	10000	0
	31	249002	249002	0
	32	227351	40550	186801
	33	186002	2	186000
	34	10000	0	10000
	35	125100	100	125000
	36	10000	0	10000
Total		21,94,055	7,79,454	14,14,601
Purusarth Trading Co. Pvt. Ltd.	29	239000	0	239000
Total		239000	0	239000
Shashank C. Patel	21	226300	145200	81100
	22	226300	226300	0
	23	0	50000	-50000
	31	4100	0	4100
Total		456700	421500	35200
Globex Financial Ser.	21	0	11000	-11000
	23	0	100000	-100000
	30	4450	4450	0
	31	0	10000	-10000
Total		4450	125450	-121000
C. T. Sidhwani	21	0	83000	-83000
Total		0	83000	-83000
A. T. Sidhwani	23	0	13500	-13500
Total		0	13500	-13500
V. M. Rawal	31	172500	0	172500
	32	0	47000	-47000
Total		172500	47000	125500
Bhavana Corporation	31	40550	0	40550
	32	40550	81100	-40550
Total		81100	81100	0

11. I have also observed that CFL had entered into several structured transactions with other brokers of NSE. The details of such transactions are as follows :

1. Structured transactions with M/s DGP Securities Ltd.

(Client: Mrs. Asha Devi Beriwal and DGP Research A/c.).

Order Date	Order Trade	Qty.	Buy Order Time	Order No.	Buying TM	Buy Order Vol	Price	Sell order time	Sell order no.	Selling TM	Sell order vol.	Sell order price
29/5/00	340419	50000	13:12:56	200005290513010	CFL	50000	20.25	13:12:29	200005290512988	DGP	50000	20.25
29/5/00	340742	50000	13:13:09	200005290513534	CFL	50000	20.25	13:13:09	200005290513542	DGP	50000	20.25
29/5/00	341306	35000	13:13:22	200005290513965	CFL	35000	20.25	13:22:22	200005290513977	DGP	35000	20.25
5/7/00	579729	10000	15:12:47	200007050870156	CFL	10000	19.80	15:12:46	200007050870133	DGP	10000	19.80
12/7/00	143449	42000	11:05:13	200007120250951	CFL	42000	19.80	11:05:12	200007120250941	DGP	42000	19.80
12/7/00	143832	42000	11:05:31	200007120251615	CFL	42000	19.80	11:05:31	200007120251612	DGP	42000	19.80
26/7/00	101330	50000	10:21:55	200007260157869	CFL	50000	18.00	11:21:54	200007260157840	DGP	50000	18.00
26/7/00	102005	50000	10:22:11	200007120259012	CFL	50000	18.20	10:22:09	200007120258858	DGP	50000	18.20
26/7/00	102582	50000	10:22:24	200007260159890	CFL	50000	18.30	10:22:24	200007260159855	DGP	50000	18.30
26/7/00	103448	36000	10:22:43	200007260161156	CFL	50000	18.40	11:22:44	200007260161210	DGP	50000	18.40
26/7/00	104230	10000	10:23:04	200007260162561	CFL	39000	18.50	11:23:04	200007260162533	DGP	39000	18.50
2/8/00	90150	50000	10:36:50	200008020172443	CFL	10000	18.40	10:36:49	200008020172399	DGP	10000	18.40
8/8/00	202846	50000	11:26:08	200008080328773	CFL	50000	16.80	11:26:07	200008080328747	DGP	50000	16.80
8/8/00	203792	50000	11:26:37	200008080330097	CFL	50000	16.85	11:26:37	200008080330092	DGP	50000	16.85
18/8/00	331042	50000	13:23:42	200008180563562	CFL	10000	16.80	13:23:42	200008180563535	DGP	1000	16.80
23/8/00	677449	39000	15:17:20	200008230978216	CFL	25000	16.85	15:17:20	200008230978195	DGP	25000	16.85
23/8/00	678057	50000	15:17:32	200008230978939	CFL	25000	16.90	15:17:32	200008230978961	DGP	25000	16.90
23/8/00	678654	50000	15:17:44	200008230979678	CFL	25000	16.80	15:17:44	200008230979636	DGP	25000	16.80
23/8/00	679346	10000	15:18:01	200008230980657	CFL	25000	16.85	15:18:00	200008230980633	DGP	25000	16.85
23/8/00	699290	10000	15:25:14	200008231004932	CFL	25000	16.85	15:25:14	200008231004919	DGP	25000	16.85
30/8/00	623836	25000	14:54:22	200008300921685	CFL	10000	17.85	14:54:22	200008300921659	DGP	10000	17.85

- CFL has entered into 22 structured transactions with M/s. DGP Securities Ltd.
- The client for these trades was Harbinger (through CFL) and Mrs. Ashadevi Beriwal and DGP Research Account (through DGP) on the other side.
- These orders have been placed at almost the same time and for the same quantity and same rate.
- Mrs. Ashadevi Beriwal and DGP Research Account are related to M/s. DGP Securities Ltd.
- Harbinger and CFL are associated / related to each other.

2. Structured transactions with M/s Rosy Blue Securities Ltd.

(Client: M/s Tropical Securities & Investment Pvt. Ltd.):

Order Date	Order Trade	Qty.	Buy Order Time	Order No.	Buying TM	Buy Order Vol	Price	Sell order time	Sell order no.	Selling TM	Sell order vol.	Sell order price
3/7/00	471829	5000	14:58:12	200007030722808	CFL	5000	20.35	14:58:12	200007030722830	Rosy	5000	20.35
3/7/00	472297	10000	14:58:27	200007030723391	CFL	10000	20.35	14:58:27	200007030723399	Rosy	10000	20.35
3/7/00	472789	10000	14:58:42	200007030723969	CFL	10000	20.25	14:58:43	200007030723993	Rosy	10000	20.25
3/7/00	473369	10000	14:59:03	200007030724775	CFL	10000	20.20	14:59:03	200007030724763	Rosy	10000	20.20
3/7/00	474076	10000	14:59:33	200007030725821	CFL	10000	20.25	14:59:36	200007030725889	Rosy	10000	20.25
3/7/00	474876	5000	15:00:12	200007030727091	CFL	5000	20.30	15:00:13	200007030727110	Rosy	5000	20.30
4/7/00	351664	5000	13:39:39	200007040557111	CFL	5000	19.40	13:39:40	200007040557115	Rosy	5000	19.40
4/7/00	352027	15000	13:39:58	200007040557595	CFL	15000	19.45	13:39:57	200007040557575	Rosy	15000	19.45
4/7/00	352306	10000	13:40:12	200007040557947	CFL	10000	19.40	13:40:13	200007040557959	Rosy	10000	19.40
4/7/00	352659	11000	13:40:31	200007040558464	CFL	11000	19.45	13:40:31	200007040558473	Rosy	11000	19.45
4/7/00	352990	9000	13:40:50	200007040558961	CFL	9000	19.40	13:40:51	200007040558980	Rosy	9000	19.40
4/7/00	353257	15000	13:41:07	20000704055981	CFL	15000	19.45	13:41:07	200007040559393	Rosy	15000	19.45
4/7/00	353448	15000	13:41:20	200007040559700	CFL	15000	19.40	13:41:20	200007040559797	Rosy	15000	19.40
4/7/00	353805	20000	13:41:39	200007040560179	CFL	20000	19.45	13:41:39	200007040560191	Rosy	20000	19.45
4/7/00	401221	25000	14:18:29	200007040624433	CFL	25000	20.00	14:18:29	200007040624458	Rosy	25000	20.00
4/7/00	401548	25000	14:18:46	200007040624995	CFL	25000	19.80	14:18:45	200007040624980	Rosy	25000	19.80
4/7/00	402135	25000	14:19:12	200007040625802	CFL	25000	19.75	14:19:13	200007040625808	Rosy	25000	19.75
4/7/00	402559	30000	14:19:34	200007040626448	CFL	30000	20.05	14:19:33	200007040626410	Rosy	30000	20.05

- i. CFL has entered into 18 structured transactions amounting to a total of 2,55,000 shares with M/s Rosy Blue Securities Ltd.
- ii. The client for CFL was again Harbinger and one M/s Tropical Securities & Investment Pvt. Ltd. was the client for M/s Rosy Blue Securities Pvt. Ltd. Both the clients are related to each other and to CFL.
- iii. The orders for all the above deals were also placed at the same time, at the same price and for the same quantity.

3. Details of structured transactions with M/s Ventura Securities Ltd.

(Client: M/s Globex Financial Services Ltd.)

Order Date	Order Trade	Qty.	Buy Order Time	Order No.	Buying TM	Buy Order Volume	Price	Sell order time	Sell order no.	Selling TM	Sell order vol.	Sell order price
17/5/00	284387	100000	13:26:30	200005170465730	CFL	100000	19.90	13:26:29	200005170465719	Ventura	100000	19.90
17/5/00	284728	100000	13:26:47	200005170466092	CFL	100000	19.85	13:26:47	200005170466082	Ventura	100000	19.85
17/5/00	284915	17000	13:27:07	200005170466503	CFL	17000	19.80	13:27:07	200005170466492	Ventura	17000	19.80

- i) A total of 3 structured deals were executed between CFL and M/s Ventura Securities Ltd., amounting to a total of 2,17,000 shares.
- ii) Here also the client was Harbinger (for CFL), with M/s Globex Financial Services Ltd. on the other side.
- iii) These orders were also placed at almost the same time and for the same quantity and at the same rate.

4. Structured transactions with M/s PNR Securities Ltd.

(Client: M/s Tropical Securities & Investment P. Ltd.).

Order Date	Order Trade	Qty.	Buy Order Time	Order No.	Buying TM	Buy Order Volume	Price	Sell order time	Sell order no.	Selling TM	Sell order vol.	Sell order price
13/7/00	42391	55000	10:06:33	200007130071981	CFL	55000	20.00	10:06:33	200007130072015	PNR	55000	20.00
13/7/00	43335	100000	10:06:50	200007130073687	CFL	100000	20.00	10:06:50	200007130073694	PNR	100000	20.00

- i) CFL has entered into 2 structured transactions with M/s. PNR Securities Ltd.
- ii) The buying client for these trades was Harbinger (through CFL) and M/s Tropical Securities & Investment Ltd. was the selling client.
- iii) These orders were placed at almost the same time, for the same quantity and at the same rate.

12. In addition to structured transactions with other members of NSE, as illustrated above, CFL Securities had also entered into several cross deals involving its clients, most of them with Harbinger as one of the clients. The details of such cross deals are as under:

Order Date	Trade No.	Buy Order Time	Order No.	Buying client	Buy Order Volume	Price	Sell order time	Sell order no.	Selling client	Sell order vol.	Sell order price
19/05/00	209035	12:08:07	200005190353501	HT	83000	21.50	12:08:08	200005190353528	CTS	83000	21.50
19/05/00	209697	12:08:51	200005190354813	HT	11000	21.55	12:08:51	200005190354815	G	11000	21.55
19/05/00	210119	12:09:16	200005190355497	HT	600	21.55	12:09:14	200005190355455	MG	600	21.55
19/05/00	211818	12:08:07	200005190353501	HT	83000	21.50	12:10:55	200005190358091	SP	145200	21.50
19/05/00	211830	12:10:56	200005190358119	HT	145200	21.50	12:10:55	200005190358091	SP	145200	21.50
23/05/00	19278	10:05:41	200005230044041	MP	13500	22.00	10:05:41	200005230044039	HT	13500	22.00
23/05/00	20937	10:06:33	200005230047268	SP	100000	22.00	10:06:33	200005230047265	HT	100000	22.00
23/05/00	21768	10:07:02	200005230048991	SP	100000	22.00	10:07:01	200005230048960	HT	100000	22.00
23/05/00	22502	10:07:25	200005230050374	SP	26300	22.00	10:07:23	200005230050231	HT	26300	22.00
25/05/00	458044	15:06:30	200005250698622	HT	13500	21.25	15:06:29	200005250698577	MP	13500	21.25
26/05/00	361939	14:21:05	200005260577712	HT	226300	21.40	14:21:04	200005260577712	SP	226300	21.40
29/05/00	299120	12:41:03	200005290452302	MP	13500	20.25	12:41:03	200005290452284	HT	13500	20.25
30/05/00	266711	13:03:56	200005300445395	SP	226300	20.60	13:03:57	200005300445414	HT	226300	20.60

02/06/00	326849	13:03:19	200006020521822	HT	13500	20.75	13:03:20	200006020521824	ATS	13500	20.75
02/06/00	328295	13:04:49	200006020524172	HT	100000	20.75	13:04:49	200006020524187	G	100000	20.75
02/06/00	330489	13:07:18	200006020527781	HT	16000	20.70	13:07:17	200006020527775	JHM	16000	20.70
02/06/00	375218	13:39:14	200006020589737	HT	97500	20.60	13:39:14	200006020589738	SP HUF	97500	20.60
02/06/00	375637	13:39:45	200006020590566	HT	50000	20.70	13:39:45	200006020590571	SP	50000	20.70
02/06/00	376831	13:40:55	200006020592350	HT	2700	20.75	13:40:55	200006020592347	SJM	2700	20.75
21/07/00	329195	13:05:23	200007210532423	HT	4450	18.75	13:05:23	200007210532429	GLOBE X AR	4450	18.75
21/07/00	329571	13:05:55	200007210533104	HT	5550	18.80	13:05:56	200007210533110	MG AR	5550	18.80
25/07/00	336685	12:38:32	200007250496170	GLOBE X AR	4450	17.40	12:38:53	200007250497060	HT	4450	17.40
25/07/00	338321	12:39:42	200007250498806	MG AR	5550	17.40	12:39:43	200007250498832	HT	5550	17.40
28/07/00	619054	14:59:20	200007280915843	HT	10000	17.75	14:59:20	200007280918526	GLOBE X AR	10000	17.75
31/07/00	281339	12:51:33	200007310473470	SP AR	600	17.50	12:51:32	200007310473465	HT	600	17.50
31/07/00	379015	14:26:40	200007310619604	SP AR	1000	17.50	14:26:40	200007310619609	HT	1000	17.50
31/07/00	383666	14:29:50	200007310626459	SP AR	2500	17.55	14:29:50	200007310626469	HT	2500	17.55
31/07/00	468655	15:25:44	200007310739835	MG AR	4000	17.60	15:25:43	200007310739788	HT	4000	17.60
01/08/00	262082	12:41:06	200008010442457	BHA VNA	40550	17.50	12:41:06	200008010442452	HT	40550	17.50
01/08/00	262736	12:41:43	200008010443512	JHM AR	18300	17.55	12:41:43	200008010443510	HT	18300	17.55
01/08/00	263668	12:42:31	200008010444883	ASH OK AHU JA	9550	17.50	12:42:31	200008010444881	HT	9550	17.50
01/08/00	311926	13:20:07	200008010510677	VMR AB	50000	17.55	13:20:07	200008010510674	HT	50000	17.55
01/08/00	312581	13:20:48	200008010511709	VMR AB	50000	17.50	13:20:48	200008010511707	HT	50000	17.50
01/08/00	313059	13:21:16	200008010512382	VMR AB	50000	17.60	13:21:16	200008010512379	HT	50000	17.60
01/08/00	313778	13:21:57	200008010513369	VMR AB	22500	17.40	13:21:56	200008010513354	HT	22500	17.40
04/08/00	629732	15:16:18	200008040900577	HT	47000	17.40	15:16:18	200008040900595	VMR AB	47000	17.40
04/08/00	630940	15:16:47	200008040902403	HT	18300	17.45	15:16:47	200008040902423	JHM AB	18300	17.45
04/08/00	632826	15:17:23	200008040904772	HT	40550	17.40	15:17:24	200008040904805	BHAVN A	40550	17.40
04/08/00	636732	15:18:40	200008040909707	HT	11500	17.45	15:18:40	200008040909732	ASHOK	11500	17.45
07/08/00	433563	14:36:35	200008070673923	BHA VNA	40550	16.80	14:36:36	200008070673928	HT	40550	16.80

- CFL has transacted approximately 40 cross deals involving more than 17 lakh shares of SRL during the period under consideration.
- These orders were placed at approximately the same time.
- The orders were placed at same price and for the same quantity.
- It is observed that Harbinger is counter party to almost all the transactions which have taken place.

13. From the above, it is clear that CFL had, while acting for Harbinger, entered into several structured transactions in the share of SRL, with four other brokers of NSE. CFL had also entered into several cross deals in the shares of SRL, with Harbinger being the client on one side of each transaction. I have also

considered the submissions made by CFL regarding the transactions detailed above, the reasons for the same and the modus operandi adopted by them :

- a. CFL had admittedly done structured transactions with the entities mentioned at para 11 above and had admittedly entered into these transactions to tide over their liquidity/pay-in requirements.
 - b. CFL [on behalf of its related entities, M/s. Tropical Securities & Investment Pvt. Ltd., Harbinger and M/s. Aditi Dalal] was in need of funds towards their pay-in obligations.
 - c. As regards the method adopted for funding, it was stated that they/their clients would sell shares of SRL held by them, to various entities on spot /off market basis and would receive funds immediately. These funds would then be used to make payments to the exchange.
 - d. At the same time, the entities who had bought the shares on spot/off market basis (and funded CFL) would sell the said shares, on the exchange, through various brokers of NSE, by way of structured transactions, back to CFL, thereby creating an obligation on the part of CFL to return the monies given by these entities. (by way of the spot/off market transactions mentioned at point (c) above)
 - e. Therefore, the shares, originally bought from CFL/its clients on a spot basis, would revert to CFL/its clients, through the stock exchange settlement system. The trading that took place on the exchange would thus mirror the financing arrangements which had crystallised outside the exchange as spot/off market deals, resulting into matched/structured transactions as shown above.
 - f. Analysis of the Demat statement furnished by CFL shows that credits have been made to entities who were not CFL's client. Hence, it appears that CFL was making adjustments for persons other than their clients as far as delivery of shares was concerned. CFL has also admitted to this fact.
13. Thus, I find that CFL has mis-utilised and put to risk the stock exchange mechanism, by transferring/mirroring the clients' off-the-market financing

transactions, on to the exchange system, in an inappropriate manner. In doing so, it has been a party to creation of artificial volumes in the market.

14. Thus, I see from the above that there is a clear cut case of the following violations:
 - a. Being a party to creation of artificial volumes in the scrip of SRL over an extended period.
 - b. Acting in concert with the clients and aiding and abetting them in creation of misleading appearance of trading in the market and executing transactions that are not genuine, misutilising the stock exchange mechanism by transferring/mirroring off the market financing transactions, on to the exchange system.
15. I have considered the submission of CFL that the intention behind the above mentioned transactions was to fund their obligations towards NSE and that they had no intention to create artificial volumes in the shares of SRL. However, the fact of the matter is that by virtue of their transactions the trading pattern in shares of SRL was distorted and artificial volumes were created in the shares of SRL, if not be design then by default.
16. Hence, I am convinced that CFL has contravened the provisions of Regulation 4 (b) and 4 (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and Schedule II Clause A (2) & A(4) of Regulation 7 of the SEBI (Stock Brokers & Sub-Brokers) Regulations,1992 which read as under:
 - "4. No person shall-*
 - a)*
 - b) Indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;*

c) *indulge in any act, which results in reflection of prices of securities based on transactions that are not genuine trade transactions ;*

d) *.....”*

Schedule II Clause A

1. *.....*

2. *A stock-broker shall act with due skill, care and diligence in the conduct of all his business.*

3. *.....*

4. *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.*

17. Under section 11 of the SEBI Act, SEBI can take measures to protect the interests of investors and to regulate the securities market inter alia by registering and regulating the working of stock brokers. If the regulatory requirements are violated by the stock brokers without attracting any action, the measures taken by SEBI for regulation of the stock brokers would be rendered nugatory and the regulatory function would be jeopardized. It is to be noted that indulgence of the said broker in the transactions of the type mentioned above cannot be allowed as such transactions are likely to have a detrimental effect on the functioning of the securities market.

17. I find that CFL has been responsible for creating artificial volumes in the shares of M/s Surya Roshni Ltd., as observed above and has not taken due care and diligence in observance and compliance of the statutory requirement in conduct

of its business as a stock broker. Looking into the violations committed by CFL, I am satisfied that it is necessary to impose a suitable penalty on CFL.

18. However, considering the submissions made by CFL that there was no relationship between the management of SRL and themselves, that their trades did not have any significant impact on the price of the shares and that their business has already come to a stand still by virtue of the deactivation of their trading terminals by NSE, I feel a penalty of one month would suffice, as against the two months as suggested by the Enquiry Officer.

ORDER

19. Therefore, in exercise of the powers conferred upon me by virtue of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 13 (4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby order that the certificate of Registration of M/s. CFL Securities Ltd., member, NSE, be suspended for a period of one month.
20. This order shall come into force with effect on expiry of three weeks from the date of the order.

PLACE : MUMBAI
DATE : SEPTEMBER 29 , 2004

A.K.BATRA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA