

.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 AGAINST M/S. SWADHA SECURITIES LIMITED, MEMBER – CALCUTTA STOCK EXCHANGE.****1.0 Background**

- 1.1 M/s. Swadha Securities Limited (hereinafter referred to as " the said broker "), is a member of the Calcutta Stock Exchange (hereinafter referred to as "CSE") and is registered with the Securities and Exchange Board of India (hereinafter referred to as "SEBI") vide Registration No.INB031141238.
- 1.2 The shares of Blue Print Securities Limited (hereinafter referred to as "BPSL") were listed for trading on CSE. An investigation was conducted by SEBI into buying, selling and dealings in the scrip of M/s. BPSL. There was a major spurt in price and volumes traded at this exchange during the period July and October, 2001 (hereinafter referred to as " the said period "). The investigation revealed that between 5th July,2001 and 31st October,2001, the average price of the scrip BPSL at CSE shot up from Rs.4.45 during settlement no.2002115 to Rs.21.40 in settlement no.2002130. In three transactions executed by the said broker on 10th, 11th and 14th September,2001, the order quantity, price were matched with that of the counter party broker J.T.Amirthasingh & Co. in Settlement No.2002125.

2.0 Enquiry Proceedings :

- 2.1 On the basis of the above investigation, vide order dated 18th August, 2003, SEBI appointed an Enquiry Officer to enquire into the irregularities / contraventions alleged to have been committed by the said broker while dealing in the scrip of BPSL and for possible violations of the provisions of the SEBI (Stock Brokers and Sub-Brokers) Rules and Regulations,1992 (hereinafter referred to as " the said Regulations ") and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as " the PFUTP Regulations ").
- 2.2 The Enquiry Officer after conducting the enquiry as per the procedure prescribed under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations,2002 (hereinafter referred to as " the said Enquiry Regulations ") submitted a report dated 28th July, 2004 and recommended that a minor penalty of suspension of certificate of registration for a period of one week against the said broker.

3.0 Show Cause Notice and Hearing :

- 3.1 A show cause notice dated 12th August,2004 was issued to the said broker along with a copy of the enquiry report, in terms of regulation 13(2) of the said Enquiry Regulations advising the said broker to show cause as to why appropriate penalty including the penalty as recommended by the Enquiry Officer should not be imposed on it.
- 3.2 The said broker in response to the said show cause notice dated 12th August,2004 submitted its reply vide letter dated 9th September,2004 and wherein the said broker, inter alia, submitted the following :
- the broker denied having violated any provisions of regulation 4(a) & (b) of the PFUTP Regulations,1995 and Clause A(1),(2),(4) & (5) and B(4)(a) of the Code of Conduct as specified in Schedule II with Regulation 7 of the Brokers Regulations,1992.
 - The broker submitted that they have only done sauda in the price band of Rs.5.50 to Rs.7.00 and that too for only 200 shares and therefore they cannot be held responsible for the price movement from Rs.4.45 to 21.40 when no sauda was done by them above Rs.7/- and pleaded that the said allegation be withdrawn.
 - The broker submitted that they have only acted as a broker to arrange transactions between buyers and sellers and had placed orders in the electronic trading mechanism system of the Stock Exchange purely on behalf of our clients without any mala fide intention of creating artificial price and volumes in the scrip of BPSL.
 - The broker submitted that they have dealt in 200 shares which is a small quantity and hence cannot create false volumes.
- 3.3 In the interest of natural justice, an opportunity of hearing was granted to the said broker on 8th November,2004. Mr. Naresh Kumar Jalan, Director of Swadha Securities Pvt. Ltd. appeared before me and also made written submissions dated 8th November,2004 and reiterated its earlier submissions and pleaded for a lenient view in the matter.

4.0 Findings :

4.1 I have considered the facts of the case, the findings of the Enquiry Officer contained in the Report dated 28th July,2004, the show cause notice, the replies and the written submissions of the said broker made during the hearing and other material documents on record. My findings are as under :

I note that between 5th July,2001 and 31st October,2001, three transactions were executed by the said broker in a single settlement i.e. 2002125 for 200 shares only on three dates i.e. 10th, 11th and 14th September,2001. Further, the order quantity was matched with that of a counter party broker J.T.Amirthasingh & Co. The details of the aforesaid trades are given below in a tabulated form :

Settlement No.	Date	Name of the Broker	Buy Qty.	Rate(Rs.)	Sell Qty.	Rate (Rs.)
2002125	10/9/2001	J.T.Amirthasingh & Co.	0		50	5.50
-do-	11/9/2001	J.T.Amirthasingh & Co.	0		50	6.20
-do-	11/9/2001	Swadha Securities P.Ltd.	50	6.20	00	
-do-	14/9/2001	J.T.Amirthasingh & Co.	100	7.00	00	
-do-	14/9/2001	Swadha Securities Pvt.Ltd.	0		100	7.00

The said broker confessed before me that they might have made some mistakes / failed in some areas due to pure ignorance. The said broker pleaded for a sympathetic consideration before me as being their first fault.

4.2 Although the order quantity and price was matched with that of the counter-party broker J.T.Amirthasingh & Co. in Settlement No.2002125, I note that the said broker had executed transactions on three occasions involving 200 shares only. Since the volume is negligible in the facts and circumstances of the case, I am of the considered view that this case does not warrant imposition of any penalty of suspension. In view of this, I differ with the recommendations of the enquiry officer on the quantum of penalty. A minor penalty of censure would commensurate with the gravity of the violations committed by the said broker.

5.0 Order

Therefore, in exercise of the powers conferred upon me by virtue of Section 4(3) of the Securities and Exchange Board of India Act,1992 read with regulation 13(4) of the said Enquiry Regulations, I hereby censure M/s. Swadha Securities Limited to be more cautious in future in its dealings in the securities market and strictly adhere to the provisions of the SEBI Act,1992 and the Rules and Regulations made thereunder.

Place: Mumbai

Date : 27/1/2005

G. N. BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA