

SECURITIES & EXCHANGE BOARD OF INDIA**DIRECTIONS UNDER RULE 11 OF SECURITIES CONTRACT (REGULATION) RULES, 1957 TO UTTAR PRADESH STOCK EXCHANGE ASSOCIATION LTD. IN THE MATTER OF ILLEGAL AND UNAUTHORISED CARRY FORWARD TRANSACTIONS IN SECURITIES BY ITS MEMBERS**

- 1.0 During the inspection of the Uttar Pradesh Stock Exchange Association Limited (hereinafter referred to as the UPSE) conducted by SEBI from November 08, 2001 to November 09, 2001, it was observed that the following 14 members of UPSE were involved in illegal and unauthorised carry forward transactions in securities in violation of SEBI Circular No. SMD/POLICY/CIR-33/2001 dated June 21, 2001:

Sr. No.	Name of the Broker	Trade Name	SEBI Registration No.
1.	Navin Securities Pvt. Ltd	Navin Securities	INB101023936
2.	Ajay Securities Pvt. Ltd.	Ajay Securities Pvt. Ltd.	INB101023332
3.	Rajratan Financial Services Pvt. Ltd.	Rajratan Financial Services Pvt. Ltd.	INB101027739
4.	S K Jindal Share Brokers Pvt. Ltd.	SK Jindal Share Brokers Pvt. Ltd.	INB101000135
5.	Pradeep K Bansal	Pradeep K Bansal	INB100859813
6.	Apoorva Securities Pvt. Ltd.	Apoorva Securities	INB101022631
7.	Mayank Goel	Mayank Goel	INB100949118
8.	Sunil Kumar Gupta	Sunil Bros.	INB100377913
9.	Prashant Jain	Prashant Jain	INB100831018
10.	Sandeep Mittal & Company	Sandeep Mittal & Company	INB100830812
11.	Manjeet Singh Sethi	Manjeet Singh Sethi	INB100517012
12.	Deepak Kumar Agarwal	Deepak Kumar Agarwal	INB100348119
13.	Hanupriye Securities Pvt. Ltd.	Hanupriye Securities Pvt. Ltd.	INB101146935
14.	Vinod Kumar Gupta	Vinod & Co.	INB100381919

- 2.0 Being satisfied that it is in the interests of the trade and public, the SEBI in exercise of the powers conferred upon it by clause (b) of sub-section (3) of section 6 of the Securities Contracts (Regulation) Act, 1956 appointed the Inquiry Authority for making an inquiry under the said section into the affairs of the 14 member brokers of the UPSE for the alleged illegal carry forward of transactions at UPSE vide an order dated February 20, 2002.
- 3.0 In the Inquiry order, the name of Shri. Vinod Kumar Gupta was inadvertently mentioned in place of Shri. Vinod Kumar. In view of the discrepancy in the name of Shri Vinod Kumar Gupta in the order dated February 20, 2002, the Inquiring Authority was appointed in respect of Shri Vinod Kumar (trade name Vinod Kumar & Co.) SEBI Registration No. INB100694710 vide another order dated May 16, 2002. The inquiry against Shri Vinod Kumar Gupta was dropped and inquiry against Shri Vinod Kumar was separately conducted.
- 4.0 In the reports dated May 15, 2002 in respect of the 13 members and the report dated August 09, 2002 in respect of Shri Vinod Kumar (trade name Vinod Kumar & Co.) SEBI Registration No. INB100694710, the Inquiring Authority had reported that all the 14 members were guilty of indulging in illegal carry forward of transactions in securities in violation of SEBI Circular No. SMD/POLICY/CIR-33/2001 dated June 21, 2001.
- 5.0 It was reported that the aforesaid 14 members were carrying out synchronised trades to close out the transactions in scrip with a particular counter party (at prices often unrelated to the prevailing price) in the last half an hour of the trading hours on the day and would reverse the trade at the same or slightly different price and quantity with the same or slightly different price and quantity with the same counter party in the first half an hour of trading on the subsequent day.
- 6.0 A copy of the report of the Inquiring Authority was sent to the above mentioned 14 brokers for their reply and advising to show cause as to why the action against them under section 6(3) of the SC (R) Act read with Rule 11 of the SC (R) Rules, should not be taken. The said brokers were advised to reply within 21 days of the receipt of the notices together with the

documents if any, that they may choose to reply upon in support of their reply. They were also given an opportunity for personal hearing. The following 7 brokers availed the opportunity and appeared for the personal hearing.

1. Sunil Kumar Gupta
2. Navin Securities Pvt. Ltd
3. Pradeep K Bansal
4. Ajay Securities Pvt. Ltd.
5. Apoorva Securities Pvt. Ltd.
6. S K Jindal Share Brokers Pvt. Ltd.
7. Rajratan Financial Services Pvt. Ltd.

7.0 While not disputing the findings of the Inquiry Officer with regard to the impugned unauthorised carry forward transactions in securities, it was nevertheless submitted that no action was taken against the counter party brokers and that such transaction is a normal practice at the Exchange. The explanation of the brokers is examined and found not satisfactory. The method and manner of executing the transactions by synchronised trades at the end of the trading hours with a particular counter party and reversing the trades with the same counter parties for the same scrip at or about the same price and quantity in the initial thirty minutes of the trading on the following day amounts to carry forward transactions in securities which is not permitted at UPSE. This is clearly in violation of SEBI Circular No. SMD/POLICY/CIR-33/2001 dated June 21, 2001. Such transactions are not in the interest of securities market.

8.0 It is further observed that in the following 6 cases the brokers had repeated this type of illegal and unauthorised carry forward transactions in securities despite being punished earlier as under:

- 8.1 Shri Prashant Jain had been suspended for a period of 3 months or till payment of fees whichever is later with effect from 27.05.2002.
- 8.2 Shri Sandeep Mital was suspended for 2 months or till payment of fees whichever is later with effect from 04.03.2002.
- 8.3 Shri Manjeet Singh Sethi was suspended for 2 months with effect from 27.01.99 to 26.03.99.
- 8.4 Shri Deep Kumar Agarwal – the enquiry officer has recommended a penalty of suspension of registration for one year.
- 8.5 M/s. Hanupriya Securities Pvt. Ltd. Was suspended for two months with effect from 27.01.1999 to 26.03.1999
- 8.6 Shri Vinod Kumar (M/s. Vinod Kumar & Co.) was suspended for two months with effect from 30.03.99 to 29.05.99.

9.0 DIRECTIONS:

- 9.1 The conduct of the aforesaid members in carrying out illegal and unauthorised carry forward transactions in securities is detrimental to the safety and integrity of the capital market and prejudicially affects the interest of investors.
- 9.2 Now, therefore, in exercise of provisions conferred vide Section 6(3)(b) of Securities Contracts (Regulation) Act, 1956 read with Rule 11 of Securities Contracts (Regulation) Rules 1957, I hereby direct the Uttar Pradesh Stock Exchange Association Ltd. to suspend the following 14 members for the period as indicated against their names here below for their acts of misconduct as aforesaid :

Sr. No.	Name of the Broker	SEBI Registration No.	Suspension for period of
1.	Navin Securities Pvt. Ltd	INB101023936	1 year
2.	Ajay Securities Pvt. Ltd.	INB101023332	1 year
3.	Rajratan Financial Services Pvt. Ltd.	INB101027739	1 year
4.	S K Jindal Share Brokers Pvt. Ltd	INB101000135	1 year
5.	Pradeep K Bansal	INB100859813	1 year
6.	Apoorva Securities Pvt. Ltd.	INB101022631	1 year
7.	Mayank Goel	INB100949118	1 year
8.	Sunil Kumar Gupta	INB100377913	1 year
9.	Prashant Jain	INB100831018	3 years
10.	Sandeep Mittal & Company	INB100830812	3 years
11.	Manjeet Singh Sethi	INB100517012	3 years
12.	Deepak Kumar Agarwal	INB100348119	3 years
13.	Hanupriye Securities Pvt. Ltd.	INB101146935	3 years
14.	Vinod Kumar	INB100694710	3 years

9.3 In respect of members at Sr. No. 9 to 14 the penalty is also due to the fact that it is a case of repeated default of the same nature despite being penalized earlier.

9.4 During the course of proceedings, one of the arguments advanced by the brokers was that the counterparty brokers involved in the said unauthorised carry forward transactions have not been similarly proceeded against. In this regard, in exercise of provisions conferred vide Section 6(3)(b) of Securities Contracts (Regulation) Act, 1956 upon me, I hereby direct the Uttar Pradesh Stock Exchange Association Ltd. to make inquiries against other members of the exchange including counterparty members to the said transactions in view of the submissions that this was the generally prevalent market practice and to submit a report thereof.

Place : Mumbai

Date : February 18, 2005

G.N. Bajpai

Chairman

Securities & Exchange Board of India