

## 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 VISHAL J SHAH & CO., MEMBER, CALCUTTA STOCK EXCHANGE, SEBI REGISTRATION NO. INB031122618

WTM/GA/23/IVD/10/05

#### 1.0 BACKGROUND

- 1.1 Vishal J Shah & Co. (hereinafter referred to as "the broker") is a member, Calcutta Stock Exchange, ("CSE") registered with SEBI as a Stock Broker under section 12 of SEBI Act, 1992 with Registration No. INB031122618.

#### 2.0 ENQUIRY PROCEEDINGS

- 2.1 It is alleged that on 18th and 19th April 2001, majority of the volume at the exchange in the scrip of DSQ Industries Ltd. was as a result of cross deals by the broker between Greenfield Holdings Ltd. (seller) and Hulda Properties (buyer) (Hulda Properties is a promoter group entity of DSQ Industries Ltd.) for 5,01,000 shares as under:

| Date      | Total Volume at the Exchange | Open Price | High price | Low price | Close price |
|-----------|------------------------------|------------|------------|-----------|-------------|
| 18/4/2001 | 490000                       | 334.90     | 334.90     | 318       | 318         |
| 19/4/2001 | 11000                        | 318        | 318        | 318       | 318         |

- 2.2 Investigations had concluded that the broker had created artificial volume and prices in otherwise illiquid scrip of DSQ Industries Ltd. in violation of Regulation 4 (a), (b), (c), and (d) and 5 (a), (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
- 2.3 In view of the foregoing, an Enquiry Officer was appointed vide Order dated July 24, 2004 under Regulation 5 of SEBI (Procedure for holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'said regulations'). The Enquiry Officer, after conducting the enquiry in terms of the said regulations, submitted his report on 29.10.04 and recommended minor penalty of 'warning' to the broker.
- 2.4 The Enquiry Officer found that the charges relating to the alleged violation of provisions of Regulation 4(a) to 4(d) and 5(a) and (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 were not established in respect of the impugned transactions. On the question of entering into cross deals between two parties, one of which is supposedly a group entity of DSQ Industries Ltd., the Enquiry Officer has held that there is no evidence to suggest that the broker was aware of their inter-se relationship. Further, it is concluded that the broker had obtained permission from the Stock Exchange vide its letter dated 17.04.04 to enter into a cross deal in the system in the manner specified therein in view of the illiquidity in the scrip. Vide letter dated 17.04.04, CSE had permitted the broker to put the bids of buying and selling the shares of DSQ Industries Ltd. on behalf of its clients separately for execution through the CStar trading system in such a manner that both orders are exposed to the market. In view of the above, it is difficult to conclude that there is any irregularity in execution of cross deals.

#### 3.0 SUPPLY OF COPY OF ENQUIRY REPORT TO THE BROKER

- 3.1 A copy of the Enquiry Report was sent to the broker vide letter dated 22.11.04 and his comments thereto were received. The broker in reply to the said letter, vide its letter dated 15.12.04, submitted that although the Enquiry Officer recommended a penalty of 'warning', no penalty be imposed and a lenient view be taken.
- 3.2 I have carefully examined the material on record including the findings and recommendations of the Enquiry officer. The broker has not brought out any fresh material to rebut the findings of the Enquiry Officer. There are no mitigating factors to take a lenient view. I agree with the findings of the Enquiry Officer that the broker should have been diligent and careful while soliciting new clients and entering into transactions of this nature.
- 3.3 Since 'warning' is no longer a recognized penalty under the SEBI (Procedure for holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, another minor penalty of like nature, 'censure', is imposed in terms of Regulation 13(1) (a) (i) of the (Procedure for holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.

#### 4.0 ORDER

- 4.1 Now therefore, for the aforesaid reasons and in exercise of powers conferred under Regulation 13(4) of the of Securities and Exchange Board of India (Procedure for holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I, hereby impose a minor penalty of 'censure' on Vishal J Shah & Co., member, Calcutta Stock Exchange, having SEBI Registration No. INB031122618.

**PLACE: MUMBAI**

**DATE : 14.10.2005**

**G. ANANTHARAMAN**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**