

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 Novel Securities Pvt Ltd , member , NSE (SEBI Registration No.INB 231097636)

Whereas, Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation into the alleged price manipulation in the scrip of Sunearth Ceramics Ltd. (hereinafter referred to as "Sunearth") during the period from October 18 2000 to May 18, 2001. The investigation revealed that majority of the investors who had traded in the scrip of Sunearth during the relevant period were interrelated and also connected to Shri Suresh Motwani, the Managing Director of Sunearth. It was also observed that these very investors traded through various brokers in BSE and NSE and were involved in execution of various structured trades. The investigation indicated that M/s Novel Securities Pvt. Ltd (hereinafter referred to as NSL), a SEBI registered broker and member NSE had executed 19 structured deals for 5,40,000 shares (11.5 % of the volume traded in the market) in NSE for its clients (these investors) during the relevant time ; and

whereas, an enquiry officer was thus appointed by SEBI under Regulation 5 of SEBI (Procedure for holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations') to enquire into the alleged violations of Securities and Exchange Board of India Act, 1992 (SEBI Act), SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade practices Relating to Securities Markets) Regulations, 1995 (hereinafter referred to as FUTP Regulations and Broker Regulations), and

whereas, the Enquiry Officer after conducting the enquiry in terms of the Enquiry Regulations and while finding that in the facts and circumstances of the case, it cannot be concluded that NSL had violated the provisions of FUTP Regulations, concluded that the broker did fail to comply with Clause A (2) of Code of Conduct as specified in Schedule II r/w regulation 7 of Broker Regulations, and therefore recommended minor penalty of censure against the NSL vide his Enquiry Report dt. March 31,2005 ; and

whereas, a copy of the said Enquiry Report was forwarded to NSL along with a show cause notice dated 12.04.2005 advising it to show cause as to why action as may be considered appropriate should not be taken against it, and

whereas, NSL replied to the said show cause notice vide its letter dated 10.06.2005 and interalia submitted that as no disproportionate gain or unfair advantage of any nature whatsoever has been secured by them as a result of their broking activity and further no amounts of loss has been caused to any investor and therefore, the minor penalty of censure as recommended by the Enquiry Officer may be dropped, and,

Whereas, while agreeing with the findings of the Enquiry Officer, and having considered the nature and gravity of the charges established, the facts and circumstances of the case, the mitigating factors as explained above, and the submissions made by the broker thereto, I, in exercise of powers conferred under Section 19 of the SEBI Act , read with Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulation 2002, hereby censure M/s Novel Securities Pvt. Ltd. , Member NSE (SEBI Registration No.INB 231097636), advise it to be more careful in future in its dealings in the securities market and diligently adhere to the provisions of the SEBI Act ,1992 and the regulations made there under.

DATE : 16th December, 2005

PLACE: MUMBAI

MADHUKAR

WHOLE TIME MEMBER

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