

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGASINT M/s. YASH STOCK BROKERS PVT. LTD., SUB-BROKER TO M/s. JGA SHAH SHARE AND STOCK BROKERS PVT. LTD, MEMBER, THE STOCK EXCHANGE, MUMBAI UNDER REGULATION 13 (4) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002

1.0 Background

1.1 M/s. Vision Technology India Limited (hereinafter referred to as "VTIL") incorporated in 1992 came out with a public issue in 1994 and was listed on The Stock Exchange, Mumbai (herein after referred to as "BSE") on 10th May 1994. The scrip of VTIL is also listed on Madras Stock Exchange, Ahmedabad Stock Exchange, Jaipur Stock Exchange and Bangalore Stock Exchange, being the regional exchange of the company. It was observed that the price of the scrip had increased from Rs.14/- on 12th October 1999 to a peak of Rs.650/- on 7th March 2000 followed by a steep fall in the price of the scrip.

1.2 Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted an investigation into the trading of the scrip of VTIL during the period 1st December 1999 and 31st March 2000.

1.3 Investigation conducted by SEBI revealed that between 12th October 1999 and 29th November 1999, there wasn't any major price movement in the scrip at BSE. However, from 30th November 1999 to 7th March 2000 the price of the scrip increased from Rs.14/- to Rs.650/- and thereafter there was a fall in the price of the scrip. It was further observed that during the period October 1999 to March 2000, M/s. Vivenasri Financial Services Pvt. Ltd. (hereinafter referred to as "VFSPL") and M/s. Harsha Pranav Securities Pvt. Ltd. (hereinafter referred to as "HPSPL") were predominant traders in the scrip of VTIL. It was observed that VFSPL and HPSPL had enrolled themselves with many brokers of BSE and / or with sub-brokers and traded in the scrip of VTIL at the same point of time.

1.4 Investigation further revealed that VFSPL had substantially traded in the scrip of VTIL through M/s. Yash Stock Brokers Pvt. Ltd. (hereinafter referred to as "YSBPL") a sub-broker to M/s. JGA Shah Share and Stock Brokers Pvt. Ltd., Member at BSE.

1.5 Details of trading done by VFSPL through YSBPL are given as under

Sett. No.	Purchases	Sales	Gross	Net
46	24, 400	21, 600	46, 000	2, 800
47	7, 200	5, 000	12, 200	2, 200
48	6, 100	6, 100	12, 200	0
50	6, 600	2, 300	8, 900	4, 300
51	8, 500	6, 400	14, 900	2, 100
53	4, 500	1, 600	6, 100	2, 900
Total	57, 300	43, 000	100, 300	14,300

1.6 Investigation revealed that the date of introduction as per the client registration form was April 2000 and VFSPL had started trading through YSBPL in January 2000 much before client registration formalities were completed. Further as per the introduction form, name of the Bank of VFSL was Nedungadi Bank Ltd while cheques given by VFSPL were that of Punjab National Bank.

1.7 It was alleged in the investigation report that while dealing on behalf of VFSPL, YSBPL had violated Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as "FUTP Regulations") and Securities and Exchange Board of India (Stockbrokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as "Brokers Regulations").

2.0 Enquiry Proceedings

2.1 In view of the above, Chairman, SEBI appointed an Enquiry Officer to enquire into the alleged violation committed by YSBPL.

2.2 The enquiry officer conducted the enquiry and as required under regulation 13 (1) of Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, (hereinafter referred to as "Enquiry Regulations") submitted a report dated 28th June 2004 recommending a minor penalty of suspension of certificate of registration of YSBPL for a period of 60 days for failure to exercise due skill and care in its dealings with VFSPL which is a violation of Code of Conduct as laid down under Schedule II read with regulation 15 of Brokers Regulations.

3.0 Show cause notice and reply

3.1 Subsequent to submission of the said Enquiry Report, as per regulation 13 (2) of Enquiry Regulations, a show cause notice dated 29th June 2004 was issued to YSBPL requiring the entity to explain as to why action should not be taken, including suspension of certificate of registration for a period of 60 days as proposed by the enquiry officer.

3.2 Shri. Harish Gala, Director of M/s. Yash Stock Brokers Pvt. Ltd, vide letter dated 19th July 2004 responded to the said show cause notice, inter alia submitting that the company suffered losses on account of non-payment by clients. The substratum of the company is gone and the small paid up capital is lost. Due to these, effective April 2001, they have ceased to do business with JGA Shah Share Brokers Pvt. Ltd. and from November 2001 with Ghalla Bhansali Stock Brokers Pvt. Ltd. Shri. Gala further submitted that

he has no gainful activity and had left India for employment and hence could not respond to correspondence of SEBI. He further requested SEBI to take a sympathetic view and cancel the registration of YSBPL as Sub-broker.

4.0 Consideration of Issues and findings

4.1 I have carefully considered the findings of investigation, enquiry report, show cause notice issued to YSBPL and reply of YSBPL to the same.

4.2 I find that the client while opening the account mentioned the bank to be M/s. Nedungadi Bank Ltd. However, VFSPL had issued most of the cheques of Punjab National Bank. When questioned about it, YSBPL said that the cheques had the stamp of VFSPL hence, no further inquiry was done. It shows that YSBPL had not taken care to check if the payments were being made by third parties.

4.3 I further find that two clients were the predominant traders in the scrip, whose trades were primarily responsible for creation of artificial market in the scrip. One of the above clients is the client of YSBPL. I find that YSBPL had not shown due skill and care in its dealings with the client. YSBPL had traded on behalf of the client who had enrolled itself with many brokers of BSE and / or their sub-brokers and traded in the scrip of M/s. Vision Technology India Ltd. at the same point of time. From the disparity in dates in client registration form it is evident that YSBPL did not take its responsibility seriously. Further, YSBPL had not collected margins from the client. YSBPL being a registered intermediary should have been more diligent while dealing with a client, which it failed to in its dealings on behalf of the client. YSBPL had not shown due skill and care and I find him guilty for violating Code of Conduct prescribed under Schedule II read with regulation 15 of Broker Regulations.

4.4 From the reply dated 19th July 2004 given in response to show cause notice dated 29th June 2004 issued subsequent to submission of enquiry report, I find YSBPL had admitted having dealt on behalf of VESPL. Having dealt on behalf of the client YSBPL can not now take plea of its bad financial position and request SEBI to cancel its registration as sub-broker. YSBPL has to take responsibility for all those actions done as registered intermediary.

5.0 Order

5.1 In view of the above, I find M/s. Yash Stockbrokers Pvt. Ltd has violated Code of Conduct prescribed for sub-brokers, in Schedule II in terms of Regulation 15 of Securities and Exchange Board of India (Stock brokers and Sub-brokers) Regulations, 1992.

5.2 Therefore, in exercise of powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with regulation 13 (4) 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 suspension of certificate of registration of M/s. Yash Stockbrokers Pvt. Ltd for a period of 2 months. YSBPL may furnish its request for cancellation of certificate of registration to SEBI through the concerned brokers in accordance with the Broker Regulations.

5.3 This order shall come into effect after the expiry of three weeks from the date of the order.

Place: Mumbai
Date: 21st December 2005

MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA