

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Against Ashok M Chopra, Broker, Madhya Pradesh Stock Exchange (SEBI Registration No. INB 070163218) under Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002

1.0 BACKGROUND

1.1 Ashok M Chopra (hereinafter referred to as AMC) is a member of the Madhya Pradesh Stock Exchange and is registered with Securities and Exchange Board of India (hereinafter referred to as SEBI) as a stock broker with registration Number INB 070163218.

1.2 SEBI has conducted an investigation into the alleged irregularities in the trading of the shares of The Dhar Textile Mills (hereinafter referred to as Dhar) for the period between May 8, 2000 and March 9 2001 (hereinafter referred to as the period of investigation). When the trading details of the various entities that had traded in the scrip of Dhar were collected and analyzed along with the data of the volume contributed it was observed that AMC along with his client Pious M/s Overseas Pvt. Limited (hereinafter referred to as Pious) had actively traded in the scrip of Dhar and these shares were found to have been routed through only three brokers, i.e, MPSE Securities Ltd, Churiwala Securities Ltd and Suresh O. Kandelwal Securities Ltd. (hereinafter referred as MPSE, Churiwala and Suresh respectively) which facilitated manipulation in the said scrip.

2.0 APPOINTMENT OF ENQUIRY OFFICER

2.1 Therefore, an Enquiry Officer was appointed vide SEBI Order dated May 06, 2004 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 violations of SEBI(Prohibition of Fraudulent and Unfair trade Practices Relating to Securities Market) Regulations, 1995 and SEBI (Stock Brokers and sub Brokers) Regulations , 1992(hereinafter referred to as 'FUTP Regulations' and 'Broker Regulations' respectively).

2.2 A show cause notice dated May 13, 2004 detailing the charges leveled against the broker was issued by the Enquiry Officer. The broker vide letter dated May 31, 2004 and another letter dated nil received on July 09, 2004 replied to the said show cause notice.

2.3 In the meanwhile, as the said Enquiry Officer proceeded on long leave, another Enquiry Officer was appointed vide order dt. November 08, 2004. The new Enquiry Officer issued notice, gave personal hearing to AMC on January 05, 2005 and after considering the reply and the submissions made by AMC during the personal hearing, submitted the Enquiry Report on March 31, 2005. Vide said Enquiry Report, having found the broker to have violated Code of Conduct contained in Regulation 7 of the Broker Regulations and Regulation 4 of FUTP Regulations, recommended the suspension of his certificate of registration for a period of seven days.

2.4 A copy of the said Enquiry Report was forwarded to the broker along with a show cause notice dated April 13, 2005 asking him to show cause as to why appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed on him.

2.5 The broker replied to the said show cause notice vide his letter dated August 29, 2005 submitted that the trades done by him in the scrip of Dhar were not done with wrong intention. It was admitted that though he should have been careful but he could not do so due to his ignorance. It was further submitted that he is running his household with much difficulty and therefore, he may be forgiven. In the said submissions he undertook to take utmost caution in conducting trades in future.

3.0 CONSIDERATION OF THE ENQUIRY REPORT AND FINDINGS

3.1 I note the views of the Enquiry Officer that had the trades executed by AMC been genuine, the possibility of such perfect matching, as recorded in the Enquiry Report, would not have been possible. The greater the number of structured trades, the larger are their chances of not being genuine in nature. I also note that the Enquiry Officer, after examining the trades of AMC has found that entire trading in the scrip of Dhar during the relevant period was done through circular trading that resulted in synchronized trades.

3.2 Having examined the Enquiry Report, the show cause notice dated April 13, 2005 issued to the broker and the letter dated August 29, 2005 from the broker wherein, in fact he has admitted his guilt and has promised to be careful in future, I agree with the findings and the recommendations of the Enquiry Officer.

4.0 ORDER

4.1 Now, therefore, 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, I, hereby suspending the Certificate of registration (Regn. No. INB 070163218) of the broker, Member MPSE for a period seven days.

4.2 This order shall come into force after three weeks from the date of the order.

DATE: 20th December, 2005
PLACE: MUMBAI

MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA