

SECURITIES AND EXCHANGE BOARD OF INDIA

CEASE AND DESIST ORDER

UNDER SECTION 11D OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF DEALING IN THE SHARES BY MATHEW EASOW AND HIS ASSOCIATE ENTITIES

1. Background

WTM/GA/45/IVD/1/06

- 1.1 It has been noticed that representatives of some of the regulated entities such as brokers, merchant bankers, asset management companies are offering investment advice/tips regarding purchase and sales of shares/securities through media. These advices are general in nature and addressed to the entire investor community at large. Many times, such advices and recommendations are given with an air of seeming pedantry without specific disclaimers or disclosing stock specific positions taken by such persons. Investment decisions of lay investors may be influenced by these recommendations. In order to bring to the notice of the public the subsistence of vested interest of such entities in the recommendations given by these entities and the investment portfolios held by them or by the regulated entities they represent, SEBI has prescribed certain disclosure requirements for the intermediaries through the regulations. The regulations require that the intermediaries or their employees shall not render directly or indirectly any investment advice about any security in the publicly accessible media, whether real time or non-real-time, unless a disclosure of his long or short position in the said security has been made, while rendering such advice. SEBI has also issued letters to the Television media in this regard.
- 1.2 Since, the recommendations made to the public do impact the investment decisions of the general public, it is of utmost importance that those who give the recommendations do so, taking into account the duties cast on them for making necessary disclosures, so as to ensure the integrity of their recommendations, sans the taint of their vested interest.
- 1.3 Misleading information affects the market integrity, as unsuspecting investors fall an easy prey to such information while making investment decisions. Such recommendations aired through public media and their influence on the investors has been the concern of SEBI, particularly when they are the manifestations of an undisclosed interest. SEBI and the stock exchanges have been analyzing this issue for quite some time. As a part of ongoing analysis, the recommendations given over a period of 6 months from June 2005 to December 2005 by one Mathew Easow, who is the Chairman of Mathew Easow Research Securities Limited, have been examined by SEBI and the stock exchanges.
- 1.4 It is also gathered that Mathew Easow is associated with Mathew Easow Fiscal Services Ltd., which is a SEBI registered broker with OTCEI having registration number INB200866030 and Mathew Easow Financial Services which is a SEBI registered sub-broker (registration number INS231097713) with Eureka Stock & Share Broking Services Ltd, member of NSE.

2. Preliminary findings

- 2.1 The dealing in the shares by Mathew Easow with respect to the following recommendations given by him on the website *moneycontrol.com* was examined:

Table A: Recommendations given by Mathew Easow

Date and Time	Stock	Reco. given	Details	Closing Price as on (Rs)	
				Date of Recommendation	January 17, 2006
September 13, 2005 (9.23 A.M.)	Kalpana Industries Ltd	Buy	It can touch Rs. 140 in six months.	78.90	49.45
September 14, 2005 (9.27 A.M.)	CESC Ltd.	Buy	Its short term target is Rs. 270	238.45	261.45
September 19, 2005 (12.52 P.M.)		Buy	Under priced CESC can hit Rs. 300 in three months	244.03	261.43
September 20, 2005 (9.42 A.M.)	Ahlcon Parent	Buy	Its short term target is Rs. 105	73.78	77.86
September 01, 2005 (9.24 A.M.)	Albert David Ltd	Buy	Short term target for Albert David is Rs. 200	146.52	130.67
September 15, 2005 (9.24 A.M.)		Buy	Albert David above Rs. 142, it can touch Rs.200	143.08	130.67

- 2.2 The above table of recommendations given by Mr. Mathew Easow, when juxtaposed with the trading pattern of Mathew Easow on the same securities, provides valuable insights into the pattern between his recommendations to the public and his own investment behavior. The trade data gathered from the exchanges revealed that Mathew Easow dealt in the shares of the above mentioned companies through his associate companies i.e. Mathew Easow Research Securities Limited and Mathew Easow Fiscal Services Limited. The details of their trading are given below:

Table B: Trading by Mathew Easow in the shares in which

he gave recommendations

Period	Scrip	Exch.	Entity	Recommendation given	Trading by Mathew	
					Buy Qty	Sell Qty
*02.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Research Securities Ltd.		21735	0
*06.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Research Securities Ltd.		7131	0
*08.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Research Securities Ltd.		2148	4500
*09.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Research Securities Ltd.		20786	0
*09.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Fiscal Services Ltd.		2700	0
*12.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Research Securities Ltd.		0	21356
13.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Research Securities Ltd.	Buy	0	13500
14.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Research Securities Ltd.		0	9900
14.09.2005	Kalpana Industries	BSE	M/s Mathew Easow Fiscal Services Ltd.		0	1800
19.09.2005	CESC	BSE	M/s Mathew Easow Research Securities Ltd.	Buy	0	2190
19.09.2005	CESC	NSE	M/s Mathew Easow Research Securities Ltd.	Buy	0	1110
*01.09.2005	CESC	NSE (F&O)	M/s Mathew Easow Fiscal Services Ltd.			4400
28.09.2005	CESC	NSE (F&O)	M/s Mathew Easow Fiscal Services Ltd.		4400	
20.09.2005	Ahlcon Parent	BSE	M/s Mathew Easow Research Securities Ltd.	Buy	0	62563
21.09.2005	Ahlcon Parent	BSE	M/s Mathew Easow Research Securities Ltd.		0	14110
23.09.2005	Ahlcon Parent	BSE	M/s Mathew Easow Research Securities Ltd.		0	943
27.09.2005	Ahlcon Parent	BSE	M/s Mathew Easow Research Securities Ltd.		0	19523
28.09.2005	Ahlcon Parent	BSE	M/s Mathew Easow Research Securities Ltd.		1500	11295
30.09.2005	Ahlcon Parent	BSE	M/s Mathew Easow Research Securities Ltd.		0	4439
*29.08.2005	Albert David	BSE	M/s Mathew Easow Research Securities Ltd.		90	0
*31.08.2005	Albert David	BSE	M/s Mathew Easow Research Securities Ltd.		14500	0
01.09.2005	Albert David	BSE	M/s Mathew Easow Research Securities Ltd.	Buy	0	2700
06.09.2005	Albert David	BSE	M/s Mathew Easow Research Securities Ltd.		0	1460

Period	Scrip	Exch.	Entity	Recommendation given	Trading by Mathew	
					Buy Qty	Sell Qty
09.09.2005	Albert David	BSE	M/s Mathew Easow Research Securities Ltd.		0	200
14.09.2005	Albert David	BSE	M/s Mathew Easow Research Securities Ltd.		0	3789
19.09.2005	Albert David	BSE	M/s Mathew Easow Research Securities Ltd.	Buy	0	83

*** Dealing in the shares prior to the date of recommendation.**

- 2.3 The trading details depict a clear pattern of autocorrelation between the professed recommendations of Mathew Easow to the public and his own investments. Some examples are analyzed below:

Kalpna Industries Ltd.

In the case of Kalpna Industries Ltd, Mathew Easow bought 54,500 shares prior to the date of the recommendation. The price of the scrip rose upto Rs 80.35 on the date of recommendation (September 13, 2005) as compared to the previous close price of Rs. 73.58. Altogether he sold 51,056 shares on the day before and 2 days after the recommendation.

CESC Ltd

In the case of CESC Ltd, Mathew Easow gave the recommendations on September 14, 2005 and September 19, 2005 giving the target price of around Rs 300/- in three months. The price of the scrip rose upto Rs 241.20 on the date of recommendation (September 14, 2005) as compared to the previous close price of Rs. 239.05. He sold 3,300 shares on the day of his recommendation i.e. on September 19, 2005. Interestingly, he was also carrying short position of 4400 shares in Futures and Options segment prior to his recommendations which, he covered on September 28, 2005, at a lower price.

Ahlcon Parenterals (India) Ltd

In the case of Ahlcon Parenterals (India) Ltd, Mathew Easow gave the recommendation on September 20, 2005. The price of the scrip rose upto Rs 75.50 on the date of recommendation (September 20, 2005) as compared to the previous close price of Rs. 71.00. He sold 1,12,873 shares during the period September 20, 2005 to September 30, 2005.

Albert David Ltd

In the case of Albert David Ltd, Mathew Easow gave the recommendations on September 01, 2005 and September 15, 2005 giving the target price of around Rs 200/-. He bought 14,590 shares on the two trading days prior to the first recommendation i.e. September 1, 2005. The price of the scrip rose upto Rs 150.00 on the date of recommendation (September 01, 2005) as compared to the previous close price of Rs. 139.67. He sold 8,232 shares during the period September 01, 2005 to September 19, 2005.

The above instances clearly indicate that Mathew Easow took an opposite trading position to what he recommended to the investors at large and he also started selling the stock after giving an opposite advice to the market. It is pertinent to note that after a gap of more than three months of the recommendations given by Mathew Easow, none of the scrip prices have reached anywhere close to the target price recommended by him (as can be seen from Table A).

3. Conclusion

- 3.1 I see from the above analysis a clear and definite pattern in the trading by Mathew Easow in certain shares and his investment recommendations in those shares. While Mathew Easow has been advising the market to buy a stock, he himself has taken contrary positions. This indicates an obvious attempt to mislead the investors through investment recommendations, in a striking posture of ambivalence coupled with interest.
- 3.2 It is apparent that Mathew Easow is purveying information to the public which he himself does not appear to believe to be true. The only possible ulterior motive for Mathew Easow to employ such an artifice appears to be to make unfair gain for himself at the cost of lay investors. The act of Mathew Easow and his associate entities thus is in violation of Regulation 4(2) (f) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, which reads as follows:

"Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely... publishing or causing to publish or reporting or causing to report by a person dealing in securities, any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities."

- 3.3 While making investment recommendations on securities in the said website, Mathew Easow has not disclosed his interest or the interest of his family members in the securities. In view of the fact that the said Mathew Easow is a representative of Mathew Easow Fiscal Services Ltd., which is a SEBI registered broker with OTCEI, the intermediary has violated clause B(7A) of the Code of Conduct for Stock Brokers as given in Schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992. Similarly since he is also a representative of Mathew Easow Financial Services, which is a SEBI registered sub-broker, it would amount that the intermediary has failed in ensuring compliance with clause B(7A)

of the Code of Conduct for Sub-brokers as given in Schedule III read with regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.

- 3.4 The aforesaid provisions of both the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and the Codes of Conduct in the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 are salutary provisions aimed at ensuring market integrity and protecting the lay investors. If Mathew Easow or any of his associated entities could flout them with impunity, the market integrity is threatened.
- 3.5 The investors should therefore exercise utmost caution in relying upon the recommendations often disseminated through the public media and not be guided in the investment decisions solely by such recommendations. Also the media with its visibility and pervasive and persuasive appeal has a responsibility to the investing public at large in disseminating truthful and fair information to the public.
- 3.6 Having regard to the foregoing, it is apprehended that lay investors could be further mislead, particularly having regard to the present state of the market. As a regulator, it is SEBI's bounden duty to take immediate steps to prevent such persons from further misleading the investors and impairing the integrity of the market. Accordingly, in this case I feel that immediate action is called for in the interest of the investing public.

4. Order

- 4.1 Therefore, in exercise of the powers delegated to me by the SEBI Board in terms of Section 19 of the Securities and Exchange Board of India Act 1992 read with Section 11D, I hereby, by way of ad interim, ex-parte order, direct Mathew Easow to cease and desist from giving any recommendations about any investment in the securities market in any public media which amounts to violation of regulation 4(2)(f) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.
- 4.2 I further direct Mathew Easow Fiscal Services Limited to cease and desist from committing any violation of clause B(7A) of the Code of Conduct for Stock Brokers laid down in Schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
- 4.3 I also direct M/s Mathew Easow Financial Services to cease and desist from committing any violation of clause B(7A) of the Code of Conduct for Sub-brokers laid down in Schedule III read with regulation 15 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
- 4.4 I also take this opportunity to caution investors to take informed investment decisions without being influenced by such recommendations given in the public media.
- 4.5 *moneycontrol.com* being a website with a wide reach, has a responsibility cast on them for exercising due care and diligence to ensure that persons with proven credentials of giving fair and truthful information and analysis alone are allowed to give advice on the portal so that the portal is not misused by persons giving advice purely on considerations of personal gains.
- 4.6 The above order shall take effect immediately. However, the entities/persons against whom this order is issued may file their objections, if any, to this order within 15 days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing at the Securities and Exchange Board of India, Head Office, First Floor, Mittal Court B Wing, Nariman Point, Mumbai 400 021 on a date and at a time to be fixed on a specific request, to be received in this behalf from the entities/persons within 15 days from the date of this order, in which case their representations shall be considered and a final view taken. If they do not respond within such stipulated time, it shall take final effect against them.

Place : Mumbai

Date 19.01.2006

G ANANTHARAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA