

SECURITIES AND EXCHANGE BOARD OF INDIA**ORDER**

UNDER REGULATION 13(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002 IN THE MATTER OF M/S. AMRATLAL GOPALJI THACKER, BROKER, CALCUTTA STOCK EXCHANGE ASSOCIATION LTD. (SEBI REGN. NO.INB 030785313).

WTM/GA/86/ISD/08/06

1.0 BACKGROUND

- 1.1 Amratlal Gopalji Thacker (hereinafter referred to as the Broker) is a member of Calcutta Stock Exchange Association Ltd. (hereinafter referred to as CSE) and registered with Securities Exchange Board of India (hereinafter referred to as SEBI) under section 12 of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the Act) having registration No.INB030785313.
- 1.2 SEBI conducted an Investigation into the buying, selling and dealings in the scrip of DSQ Industries Ltd. (hereinafter referred to as DSQ), which is stated to be a group concern of Shri Dinesh Dalmia, main promoter of DSQ Software. The shares of DSQ are listed on CSE. The investigation conducted by SEBI in the scrip of DSQ revealed that during the period January 01, 2001 to January 08, 2001 (hereinafter referred to as the relevant period), substantial trades were executed between the Broker and another member of CSE, namely, Shri Harish Chandra Biyani . The price of the scrip of DSQ reached from Rs.360/- to Rs. 452/- within 4 days of the said trading and that the aforesaid brokers placed the orders almost at the same time.
- 1.3 The total volume at CSE in the scrip of DSQ during the above period vis-à-vis the volume of the Broker with the price range is given below :

Date	Volume at CSE	Volume of Broker	Open	High	Low	Close
01/01/2001	2000	800	342.00	363.80	342.00	363.80
02/01/2001	2000	2000	366.00	390.80	366.00	390.60
04/01/2001	3000	3000	395.00	419.80	392.50	419.80
08/01/2001	222000	1900	424.40	451.20	424.40	451.20

- 1.4 The trades executed by the Broker with Shri Harish Chandra Biyani in the scrip of DSQ at CSE on January 01, 2001, as per the trade log is given below:

Trade time	Trade id	order id	Rate	Order time	Time diff between B/S order	b/s	mem	Mem	qty	ord. rate
12:09:53	886	61014459	360	12:09:51	****	SELL	35	805	100	360
12:09:53	886	150958941	360	12:09:52	0:00:01	BUY	805	35	100	360
12:10:09	887	61014461	360.8	12:10:08	****	BUY	35	805	100	360.8
12:10:09	887	150958945	360.8	12:10:03	0:00:05	SELL	805	35	100	360.8
12:10:42	888	61014464	361.2	12:10:41	****	BUY	35	805	100	361.2
12:10:42	888	150958959	361.2	12:10:34	0:00:07	SELL	805	35	100	361.2
12:10:59	889	61014466	361.9	12:10:58	****	SELL	35	805	100	361.9
12:10:59	889	150958966	361.9	12:10:52	0:00:06	BUY	805	35	100	361.9
12:11:29	890	61014469	361.6	12:11:17	****	SELL	35	805	100	361.6
12:11:29	890	150958978	361.6	12:11:29	0:00:12	BUY	805	35	100	361.6
12:11:51	891	61014474	362.4	12:11:50	****	BUY	35	805	100	362.4
12:11:51	891	150958980	362.4	12:11:43	0:00:07	SELL	805	35	100	362.4
12:12:12	892	61014479	362.1	12:12:12	****	SELL	35	805	100	362.1
12:12:12	892	150958987	362.1	12:12:10	0:00:02	BUY	805	35	100	362.1
12:12:30	893	61014483	363.3	12:12:29	****	BUY	35	805	100	363.3
12:12:30	893	150958990	363.3	12:12:25	0:00:04	SELL	805	35	100	363.3

- 1.5 The trades executed by the Broker with Shri Harish Chandra Biyani in the scrip of DSQ at CSE on January 02, 2001 , as per the trade log is given below

Trade time	Trade id	order id	Rate	Order time	Time diff between B/S order	b/s	mem	Mem	qty	ord. rate
14:52:28	896	210595213	366	14:52:26	****	SELL	35	805	100	366
14:52:28	896	180721378	366	14:52:17	0:00:09	BUY	805	35	100	366
14:52:49	897	210595221	368.7	14:52:48	****	BUY	35	805	100	368.7
14:52:49	897	90957919	368.7	14:52:39	0:00:09	SELL	805	35	100	368.7

14:53:17	898	210595226	370.8	14:53:15	****	BUY	35	805	100	370.8
14:53:17	898	180721395	370.8	14:53:06	0:00:09	SELL	805	35	100	370.8
14:53:39	899	210595231	373	14:53:38	****	BUY	35	805	100	373
14:53:39	899	180721404	373	14:53:30	0:00:08	SELL	805	35	100	373
14:54:08	900	210595234	375.6	14:54:07	****	SELL	35	805	100	375.6
14:54:08	900	180721412	375.6	14:54:00	0:00:07	BUY	805	35	100	375.6
14:54:35	901	210595243	377.8	14:54:34	****	SELL	35	805	100	377.8
14:54:35	901	180721418	377.8	14:54:16	0:00:18	BUY	805	35	100	377.8
14:55:02	902	210595253	379.6	14:55:02	****	SELL	35	805	100	379.6
14:55:02	902	180721426	379.6	14:54:51	0:00:11	BUY	805	35	100	379.6
14:55:36	903	210595258	381.1	14:55:33	****	SELL	35	805	100	381.1
14:55:36	903	180721434	381.1	14:55:24	0:00:09	BUY	805	35	100	381.1
14:55:54	904	210595262	382.9	14:55:53	****	BUY	35	805	100	382.9
14:55:54	904	180721438	382.9	14:55:43	0:00:10	SELL	805	35	100	382.9
14:56:07	905	210595265	384.6	14:56:06	****	BUY	35	805	100	384.6
14:56:07	905	180721440	384.6	14:55:57	0:00:09	SELL	805	35	100	384.6
14:56:20	906	210595267	386.7	14:56:18	****	BUY	35	805	100	386.7
14:56:20	906	180721445	386.7	14:56:11	0:00:07	SELL	805	35	100	386.7
14:56:29	907	210595271	388.5	14:56:28	****	BUY	35	805	100	388.5
14:56:29	907	180721449	388.5	14:56:22	0:00:06	SELL	805	35	100	388.5
14:56:44	908	210595275	389.8	14:56:42	****	BUY	35	805	100	389.8
14:56:44	908	180721453	389.8	14:56:33	0:00:09	SELL	805	35	100	389.8
14:57:27	909	210595289	387	14:57:26	****	SELL	35	805	200	387
14:57:27	909	180721464	387	14:57:19	0:00:07	BUY	805	35	200	387
14:57:50	910	210595295	390.2	14:57:50	****	SELL	35	805	100	390.2
14:57:50	910	90957990	390.2	14:57:42	0:00:08	BUY	805	35	100	390.2
14:58:20	911	210595304	389.1	14:58:18	****	SELL	35	805	100	389.1
14:58:20	911	180721480	389.1	14:58:07	0:00:11	BUY	805	35	100	389.1
14:58:34	912	210595309	390.1	14:58:32	****	SELL	35	805	100	390.1
14:58:34	912	180721486	390.1	14:58:25	0:00:07	BUY	805	35	100	390.1
14:58:51	913	210595315	390.8	14:58:49	****	BUY	35	805	100	390.8
14:58:51	913	180721490	390.8	14:58:40	0:00:09	SELL	805	35	100	390.8
14:59:18	914	31147583	390.6	14:59:17	****	BUY	35	805	100	390.6
14:59:18	914	90958020	390.6	14:59:09	0:00:08	SELL	805	35	100	390.6

1.6 The trades executed by the Broker with Shri Harish Chandra Biyani in the scrip of DSQ at CSE on January 04, 2001 , as per the trade log is given below:

Trade time	Trade id	order id	Rate	Order time	Time diff between B/S order	b/s	mem	Mem	qty	ord. rate
13:10:23	915	61026497	392.5	13:10:22	****	Sell	35	805	100	395
13:10:23	915	180728792	395	13:10:20	0:00:02	Buy	805	35	100	395
13:10:31	916	61026500	392.5	13:10:30	****	Sell	35	805	100	392.5
13:10:31	916	180728790	392.5	13:10:12	0:00:18	Buy	805	35	100	392.5
13:10:45	917	61026501	397.6	13:10:44	****	Sell	35	805	100	397.6
13:10:45	917	180728795	397.6	13:10:35	0:00:09	Buy	805	35	100	397.6
13:10:57	918	61026503	399.9	13:10:56	****	Sell	35	805	100	399.9
13:10:57	918	180728796	399.9	13:10:49	0:00:07	Buy	805	35	100	399.9
13:11:18	919	61026505	402.4	13:11:17	****	Buy	35	805	100	402.4
13:11:18	919	180728798	402.4	13:11:08	0:00:09	Sell	805	35	100	402.4
13:11:38	920	61026510	405.3	13:11:36	****	Buy	35	805	200	405.3
13:11:38	920	180728802	405.3	13:11:23	0:00:13	Sell	805	35	200	405.3
13:15:49	921	61026540	406.4	13:15:47	****	Buy	35	805	100	406.4
13:15:49	921	180728835	406.4	13:15:30	0:00:17	Sell	805	35	100	406.4
13:16:09	922	61026543	407.5	13:16:08	****	Buy	35	805	100	407.5
13:16:09	922	180728839	407.5	13:15:59	0:00:09	Sell	805	35	100	407.5
13:16:21	923	61026544	408.5	13:16:20	****	Buy	35	805	100	408.5
13:16:21	923	180728840	408.5	13:16:11	0:00:09	Sell	805	35	100	408.5
13:16:33	924	61026545	409.9	13:16:32	****	Buy	35	805	100	409.9
13:16:33	924	180728841	409.9	13:16:23	0:00:09	Sell	805	35	100	409.9
13:16:43	925	61026547	410.8	13:16:42	****	Buy	35	805	100	410.8
13:16:43	925	180728843	410.8	13:16:35	0:00:07	Sell	805	35	100	410.8
13:17:00	926	61026549	411.5	13:16:59	****	Sell	35	805	100	411.5
13:17:00	926	180728845	411.5	13:16:51	0:00:08	Buy	805	35	100	411.5
13:17:13	927	61026551	412.4	13:17:12	****	Sell	35	805	100	412.4
13:17:13	927	180728848	412.4	13:17:02	0:00:10	Buy	805	35	100	412.4
13:17:38	928	61026556	413.8	13:17:37	****	Sell	35	805	100	413.8
13:17:38	928	180728854	413.8	13:17:27	0:00:10	Buy	805	35	100	413.8
13:18:03	929	61026558	416.1	13:18:01	****	Sell	35	805	100	416.1
13:18:03	929	180728857	416.1	13:17:51	0:00:10	Buy	805	35	100	416.1

13:18:33	930	61026563	416.4	13:18:32	****	Buy	35	805	500	416.4
13:18:33	930	180728866	416.4	13:18:22	0:00:10	Sell	805	35	500	416.4
13:18:53	931	61026572	417.5	13:18:52	****	Sell	35	805	300	417.5
13:18:53	931	180728870	417.5	13:18:43	0:00:09	Buy	805	35	300	417.5
13:19:08	932	61026574	418.5	13:19:06	****	Sell	35	805	100	418.5
13:19:08	932	180728874	418.5	13:18:56	0:00:10	Buy	805	35	100	418.5
13:19:29	933	61026580	419.6	13:19:28	****	Sell	35	805	100	419.6
13:19:29	933	180728880	419.6	13:19:20	0:00:08	Buy	805	35	100	419.6
13:20:01	934	61026583	417.5	13:19:59	****	Buy	35	805	200	417.5
13:20:01	934	180728885	417.5	13:19:53	0:00:06	Sell	805	35	200	417.5
13:20:21	935	61026587	419.5	13:20:20	****	Sell	35	805	100	419.5
13:20:21	935	180728892	419.5	13:20:11	0:00:09	Buy	805	35	100	419.5
13:20:32	936	61026588	419.8	13:20:31	****	Sell	35	805	100	419.8
13:20:32	936	180728900	419.8	13:20:23	0:00:08	Buy	805	35	100	419.8

1.7 The trades executed by the Broker with Shri Harish Chandra Biyani in the scrip of DSQ at CSE on January 08, 2001 , as per the trade log is given below:

Trade time	Trade id	order id	Rate	Order time	Time diff between B/S order	b/s	mem	Mem	qty	ord. rate
12:43:48	937	61030594	424.4	12:43:47	****	SELL	35	805	100	424.4
12:43:48	937	180732375	424.4	12:43:37	0:00:10	BUY	805	35	100	424.4
12:44:03	938	61030596	427.8	12:44:02	****	BUY	35	805	100	427.8
12:44:03	938	180732379	427.8	12:43:54	0:00:08	SELL	805	35	100	427.8
12:44:25	939	61030598	430.4	12:44:24	****	SELL	35	805	100	430.4
12:44:25	939	180732380	430.4	12:44:12	0:00:12	BUY	805	35	100	430.4
12:44:43	940	61030599	432.8	12:44:42	****	BUY	35	805	100	432.8
12:44:43	940	180732383	432.8	12:44:33	0:00:09	SELL	805	35	100	432.8
12:44:59	941	61030601	435.6	12:44:58	****	SELL	35	805	100	435.6
12:44:59	941	180732384	435.6	12:44:49	0:00:09	BUY	805	35	100	435.6
12:45:12	942	61030602	438.2	12:45:11	****	BUY	35	805	100	438.2
12:45:12	942	180732386	438.2	12:45:00	0:00:11	SELL	805	35	100	438.2
12:45:24	943	61030603	439.9	12:45:22	****	BUY	35	805	100	439.9
12:45:24	943	180732387	439.9	12:45:14	0:00:08	SELL	805	35	100	439.9
12:45:45	944	61030608	443.5	12:45:44	****	BUY	35	805	100	443.5
12:45:45	944	180732390	443.5	12:45:37	0:00:07	SELL	805	35	100	443.5
12:46:04	945	31158351	445.4	12:46:02	****	SELL	35	805	100	445.4
12:46:04	945	180732393	445.4	12:45:54	0:00:08	BUY	805	35	100	445.4
12:46:15	946	61030614	447.7	12:46:15	****	SELL	35	805	100	447.7
12:46:15	946	180732394	447.7	12:46:06	0:00:09	BUY	805	35	100	447.7
12:46:43	947	61030620	448.2	12:46:41	****	SELL	35	805	100	448.2
12:46:43	947	180732397	448.2	12:46:29	0:00:12	BUY	805	35	100	448.2
12:47:05	948	61030627	449.5	12:47:04	****	BUY	35	805	200	449.5
12:47:05	948	180732402	449.5	12:46:51	0:00:13	SELL	805	35	200	449.5
12:47:37	949	61030634	450.2	12:47:37	****	BUY	35	805	100	450.2
12:47:37	949	180732407	450.2	12:47:30	0:00:07	SELL	805	35	100	450.2
12:48:19	950	61030638	446.7	12:48:17	****	BUY	35	805	100	446.7
12:48:19	950	180732408	446.7	12:48:17	0:00:00	SELL	805	35	100	446.7
12:48:36	951	61030643	447.6	12:48:35	****	BUY	35	805	100	447.6
12:48:36	951	180732411	447.6	12:48:29	0:00:06	SELL	805	35	100	447.6
12:48:54	952	61030646	450.6	12:48:53	****	SELL	35	805	100	450.6
12:48:54	952	180732412	450.6	12:48:44	0:00:09	BUY	805	35	100	450.6
12:49:14	953	61030649	450.9	12:49:12	****	SELL	35	805	100	450.9
12:49:14	953	180732415	450.9	12:49:05	0:00:07	BUY	805	35	100	450.9
12:53:45	954	61030688	450	12:53:23	****	BUY	35	35	10000	450
12:53:45	954	61030691	450	12:53:44	0:00:21	SELL	35	35	10000	450
12:53:55	955	61030690	450	12:53:43	****	BUY	35	35	10000	450
12:53:55	955	61030695	450	12:53:54	0:00:11	SELL	35	35	10000	450
12:54:02	956	61030692	450	12:53:50	****	BUY	35	35	10000	450
12:54:02	956	61030699	450	12:54:02	0:00:12	SELL	35	35	10000	450
12:54:13	957	61030697	450	12:53:56	****	BUY	35	35	10000	450
12:54:13	957	61030703	450	12:54:12	0:00:16	SELL	35	35	10000	450
12:54:22	958	61030701	450	12:54:02	****	BUY	35	35	10000	450
12:54:22	958	61030706	450	12:54:20	0:00:18	SELL	35	35	10000	450
12:54:29	959	61030702	450	12:54:09	****	BUY	35	35	10000	450

12:54:29	959	61030708	450	12:54:28	0:00:19	SELL	35	35	10000	450
12:54:36	960	61030704	450	12:54:16	****	BUY	35	35	10000	450
12:54:36	960	61030710	450	12:54:35	0:00:19	SELL	35	35	10000	450
12:54:42	961	31158397	450	12:54:21	****	BUY	35	35	10000	450
12:54:42	961	61030713	450	12:54:41	0:00:20	SELL	35	35	10000	450
12:54:49	962	61030707	450	12:54:27	****	BUY	35	35	10000	450
12:54:49	962	61030716	450	12:54:48	0:00:21	SELL	35	35	10000	450
12:55:00	963	61030709	450	12:54:34	****	BUY	35	35	10000	450
12:55:00	963	61030718	450	12:54:59	0:00:25	SELL	35	35	10000	450
12:55:06	964	61030712	450	12:54:39	****	BUY	35	35	10000	450
12:55:06	964	61030720	450	12:55:06	0:00:27	SELL	35	35	10000	450
12:55:13	965	61030715	450	12:54:45	****	BUY	35	35	10000	450
12:55:13	965	61030722	450	12:55:12	0:00:27	SELL	35	35	10000	450
12:55:19	966	61030717	450	12:54:54	****	BUY	35	35	10000	450
12:55:19	966	61030725	450	12:55:18	0:00:24	SELL	35	35	10000	450
12:55:24	967	61030719	450	12:55:05	****	BUY	35	35	10000	450
12:55:24	967	61030727	450	12:55:23	0:00:18	SELL	35	35	10000	450
12:55:32	968	61030721	450	12:55:11	****	BUY	35	35	10000	450
12:55:32	968	61030728	450	12:55:31	0:00:20	SELL	35	35	10000	450
12:55:38	969	61030724	450	12:55:16	****	BUY	35	35	10000	450
12:55:38	969	61030730	450	12:55:37	0:00:21	SELL	35	35	10000	450
12:55:46	970	61030726	450	12:55:21	****	BUY	35	35	10000	450
12:55:46	970	61030733	450	12:55:44	0:00:23	SELL	35	35	10000	450
12:55:52	971	61030729	450	12:55:35	****	BUY	35	35	10000	450
12:55:52	971	61030735	450	12:55:51	0:00:16	SELL	35	35	10000	450
12:55:58	972	61030732	450	12:55:43	****	BUY	35	35	10000	450
12:55:58	972	61030736	450	12:55:58	0:00:15	SELL	35	35	10000	450
12:56:04	973	61030734	450	12:55:49	****	BUY	35	35	10000	450
12:56:04	973	61030737	450	12:56:03	0:00:14	SELL	35	35	10000	450
12:56:46	974	61030742	450	12:56:38	****	BUY	35	35	10000	450
12:56:46	974	61030744	450	12:56:45	0:00:07	SELL	35	35	10000	450
12:56:50	975	61030743	450	12:56:44	****	BUY	35	35	10000	450
12:56:50	975	61030747	450	12:56:50	0:00:06	SELL	35	35	10000	450
13:09:47	976	31158550	450.9	13:09:46	****	SELL	35	805	100	450.9
13:09:47	976	210606701	450.9	13:09:38	0:00:08	BUY	805	35	100	450.9
13:10:14	977	61030888	451.2	13:10:14	****	SELL	35*	805	100	451.2
13:10:14	977	180732535	451	13:09:46	0:00:28	BUY	805*	35	100	451.2

*805- Broker

35- Shri Harish Chandra Biyani

- 1.8 The investigation conducted by SEBI inter alia observed that the Broker had indulged in price manipulation, creation of artificial market, creation of artificial volumes as a result of the aforesaid synchronized trades/ prior intention to matching orders and price establishment by putting orders at successively higher prices and thereby violated regulation 4(a), (b) , (c) of SEBI (Prohibition of Fraudulent and Unfair Trade practices Relating to Securities Markets) Regulations, 1995 (hereinafter referred to as FUTP Regulations).

2.0 APPOINTMENT OF ENQUIRY OFFICER

- 2.1 On completion of the said investigation, SEBI appointed an Enquiry Officer, vide order dated July 24, 2003 under regulation 5(1) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as the 2002 Regulations) to enquire into the alleged irregular transactions made by the Broker in the scrip of DSQ.

- 2.2 The Enquiry Officer issued a show cause notice dated November 28, 2003 to the Broker, in terms of the 2002 Regulations. The extracts of facts, findings and allegations arising out of aforesaid said investigation was also enclosed with the said show cause notice. However, the Broker had failed to file any reply before the Enquiry Officer. The Enquiry Officer had subsequently granted an opportunity of hearing to the Broker on January 20, 2004 and on the said date, Shri Prataprai Gopalji Thacker, the elder brother of the Broker (as authorized by the Broker vide letter dated January 20, 2004) informed the Enquiry Officer in writing that a detailed reply would be filed to the above show cause notice. However, no reply was received by the Enquiry Officer.

- 2.3 The Enquiry Officer submitted his report dated March 31, 2004, in terms of the 2002 Regulations and recommended to impose a penalty of the suspension of the certificate of registration of the Broker for a period of three months. The Enquiry Officer in his report has inter alia observed that the Broker had prior intention to artificially raise the price of the scrip and establish a higher price and that the Broker had violated regulation 4(a), (b), (c) and (d) of the FUTP Regulations.

3.0 CONSIDERATION OF ISSUES AND FINDINGS

- 3.1 Based upon the recommendation of the Enquiry Officer, a show cause notice dated April 29, 2004 was issued to the Broker under regulation 13(2) of the 2002 Regulations asking him to show cause as to why the penalty as considered appropriate should not be imposed upon him. A copy of the Enquiry Report was also forwarded to the Broker with the said show cause notice. The said notice was served on the Broker through CSE. As no reply was received from the Broker, SEBI vide letter dated February 15, 2005 had again requested the Broker to file his reply within 7 days of the receipt of the said letter. It was also informed to the Broker that if he failed to file any reply, SEBI would be free to take any action as deemed fit.
- 3.2 The Broker, vide his letter dated February 19, 2005 informed SEBI that, he had received the show cause notice dated April 29, 2004 after the deadline given in the said letter and therefore, he had not given any reply. The Broker further stated that he was not very much accustomed with SEBI guidelines which were violated by him. The Broker further requested SEBI to reduce the 'minor penalty' to 'warning' and also assured that he would not do the said type of transaction in future.
- 3.3 I have perused the recommendations of the Enquiry Officer, show cause notice issued by SEBI, the aforesaid reply filed by the Broker and other relevant material available on record. The Broker in his letter dated February 19, 2005 contended that he had received the show cause notice after the deadline and hence could not give any reply to the same. I note that the that time limit for filing the reply , as per the show cause notice was 15 days from the date of receipt of the said show cause notice and accordingly he had the opportunity to respond , which he did not avail.
- 3.4 The Broker has further stated that he was not very much accustomed to SEBI's guidelines. This explanation does not absolve the Broker, as a stock broker is expected to be well versed with the Rules, Regulations, Guidelines etc. governing the securities markets framed/ issued by SEBI/ Central Government from time to time. I also hold the view that ignorance of law is no excuse and cannot be taken as defense by anybody. Such uninformed brokers by their reckless conduct would put the market in jeopardy.
- 3.5 I further note that the trades executed by the Broker in the scrip of DSQ has not been disputed by him. On the other hand, the Broker has stated that he was not accustomed with SEBI guidelines. I observe that trading in the scrip of DSQ at CSE on January 01, 2001, January 02, 2001, January 04, 2001 and January 08, 2001 (during the relevant period) was concentrated between the Broker and another member of CSE namely, Shri. Harish Chandra Biyani. I note that the said details had been furnished by the Enquiry Officer to the Broker with his show cause notice dated November 28, 2003. Further the details of the trades executed on January 04, 2001 have been mentioned by the Enquiry Officer as a sample analysis. Out of the above 4 days, the trades executed by the Broker was responsible for the entire volume in the scrip of DSQ at CSE on two days i.e. January 02, 2001 and January 04, 2001 and the same is evident from the tables shown in para 1.5 and 1.6. Further from table shown in para 1.6, it can be seen that the trades (buy orders) were executed by the Broker within few seconds after the sell order was placed by Shri Harish Chandra Biyani. It is also observed that, immediately, the above buy transaction was reversed by the Broker by placing a sell order at a higher rate within few seconds gap after the buy order was placed by Shri Harish Chandra Biyani. The Enquiry Officer in his report had also stated that this pattern was also observed on other days also.
- 3.6 In the facts and circumstances and the manner in which such transactions were executed in the scrip of DSQ, at successively higher prices, establishes that the Broker indulged in synchronized transactions and circular trading by squaring off the earlier open position with the same counter party broker through whom the earlier open position was created. I also note that, by the aforesaid modus operandi , the Broker had artificially raised the price of the scrip of DSQ from Rs.360/- to Rs.452/- within 4 trading sessions. The artificial volume in the scrip of DSQ during the relevant period between the Broker and Shri Harish Chandra Biyani was created in the scrip of DSQ by way of synchronization of orders.
- 3.7 In terms of regulation 4 of the FUTP Regulations, No person shall -
- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;
 - (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;
 - (c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;
 - (d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;

- 3.8 On an examination of the trades executed by the Broker in the scrip of DSQ at CSE, as explained above in detail, it can be seen that the said trades were not genuine and were made without any intention to effect the transfer of beneficial ownership of securities and further with an object to inflate the price of the scrip of DSQ. It can be seen that the aforesaid trades in the scrip of DSQ at CSE created a false appearance of trading in the said scrip and in this context, I note that the majority of the transactions in the said scrip were executed by the Broker during the relevant period. Therefore, the trades executed by the Broker in the scrip of DSQ at CSE can be said to be with an intention of artificially raising the prices of securities and thereby inducing the sale or purchase of securities by unsuspecting investors.
- 3.9 I note that the Hon'ble Securities Appellate Tribunal in Appeal No.54 of 2002 – Nirmal Bang Securities Pvt. Ltd v SEBI, had interalia observed as under with regard to synchronized deals
- "I find the scrip, quantity and price for these orders had been synchronized by the counter party brokers. Such transactions undoubtedly create an artificial market to mislead the genuine investors. Synchronized trading is violative of all prudential and transparent norms of trading in securities. Synchronized trading on a large scale can create false volumes.."
- 3.10 I note from the trades executed by the Broker on various dates as mentioned above that the quantity and price for these orders had been synchronized by the counter party brokers, which were highly irregular in nature and violative of all prudential and transparent norms of trading in securities and principals of screen based trading where anonymity of the counter party is sought to be maintained. The best price mechanism through trading system of the exchanges would be defeated by these which were executed by the Broker and counter party broker of their respective clients..
- 3.11 In view of the above and in the absence of mitigating circumstances, I do not find any merit in the request made by the Broker to reduce the minor penalty to that of a warning. In view of the facts and circumstances and also the fact no justifiable explanation has been received from the Broker with respect to his transactions made in the scrip of DSQ, I am unable to accept his request in respect of the reduction in penalty. The above facts establishes that the Broker has violated regulation 4(a) to (c) of the FUTP Regulations. In the absence of any mitigating factors, I agree with the findings and recommendations of the enquiry officer.

4.0 ORDER

In view of the forgoing, I, in exercise of the powers conferred vide regulation 13(4) of (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, hereby impose a minor penalty of suspension on the certificate of registration (granted by SEBI) of M/s. Amratlal Gopalji Thacker, Broker, Calcutta Stock Exchange Association Ltd. for a period of three months in terms of Regulation 13(1) (a) (iv) of the Enquiry Regulations

This order shall come into force on the expiry of 21 days from today.

G ANANTHARAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

Place : Mumbai

Date: September 08, 2006