

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V. K. CHOPRA, WHOLE TIME MEMBER

ORDER

{Under Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 against Shankar Lal Chokhany (Kashi Prasad Chokhan Stock Exchange in the scrip of Ranbaxy Laboratories Limited)}

1.0 BACKGROUND

- 1.1 Ranbaxy Laboratories Ltd. (hereinafter referred to as "Ranbaxy") is engaged mainly in the business of manufacturing and marketing of pharma products. The price of the scrip of Ranbaxy moved Rs.270/- in January 1999 to about Rs.1200/- in October 1999 accompanied by significant increase in volumes. Considering the above major spurt in price and volumes traded in the Exchange Stock Exchange, Mumbai (BSE), National Stock Exchange (NSE), Calcutta Stock Exchange (CSE) and Delhi Stock Exchange (DSE). Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation into the affairs relating to buying, selling and dealing in the shares of Ranbaxy against several brokers including Shankar Lal Chokhany (Kashi Prasad Chokha (hereinafter referred to as "Broker") bearing SEBI Registration no. INB030036811.
- 1.2 The Board after considering the Investigation Report, appointed an Enquiry Officer vide Order dated November 27, 2002 under Securities and Exchange Board of India (Procedure for holding Enquiry and imposing penalty) Regulations, 2002 (hereinafter referred to as "Enquiry Regulations") to enquire into the alleged violations of the provisions of Regulation 4(a), (b), (c) and (d) of SEBI (Pre and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 (hereinafter referred to in short as "PFUTP Regulations"), Regulation 7 read with clause A(3) and (4) of the Code of Conduct for Brokers as specified in Schedule II of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers Regulations") and Rules, Regulations and Bye-laws of Stock Exchange.
- 1.3 The Enquiry Officer, after conducting an enquiry in accordance with the provisions of Regulation 6 of the Enquiry Regulations submitted a report dated November 14, 2003 wherein he observed that the Broker violated the provisions of SEBI circular No.SMDRP/POLICY/CIR-32/1999 dated September 14, 1999; Regulation 7 read with clause A(3) and (4) of Code of Conduct as specified in Schedule II of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and Regulation 4(b) & (c) of PFUTP Regulations. He recommended suspension of registration of the Broker for a period of six months.

2.0 SHOW CAUSE NOTICE & REPLY

- 2.1 Pursuant to the receipt of the said Enquiry Report, a Show Cause Notice dated December 05, 2003 was issued to the Broker, enclosing therewith a copy of the said Enquiry Report and advising him to show cause why the action as recommended by the Enquiry Officer or any other penalty deemed appropriate should not be imposed on him.
- 2.2 The Broker submitted his reply to the said show cause notice, vide letter dated December 24, 2003. In the said reply, the Broker stated that he had not indulged in synchronized/matching trade price discovery mechanism of the concerned exchange and also the smooth functioning of the market.
- 2.3 In the above reply, the Broker submitted that his reply dated July 18, 2003 which was filed in the enquiry proceedings may be considered in these proceedings and also informed that he did not attend the hearing in the matter. Therefore, I am proceeding in the matter on the basis of the materials on record before me.

3.0 REPLY OF THE BROKER IN THE ENQUIRY PROCEEDINGS

- 3.1 I observe that the Broker submitted reply to the show cause notice issued in the enquiry proceedings vide its letter dated July 18, 2003. He inter alia submitted as follows:
- The Broker stated that he had not executed any synchronized / matching trades in the shares of Ranbaxy during the period January 1, 1999 to October 31, 1999 with any of the other brokers the broker(s) who dealt with the associates of Ketan Parekh / brokers. He also submitted that the trades were executed through the computerized system and the seller and buyer click at the same time either to buy or to sell the shares, without knowing the identity of each other, and hence at times the transactions were held simultaneously. As such neither the buyer nor the seller knew the identity.
 - The Broker submitted that he had bought and sold approximately 95 lakh shares of Ranbaxy during the period January 1999 to October 31, 1999 and if a negligible quantity of 10 lakh shares of scrip had been found to be synchronized / matching trades, it is not deliberate or intentional on his part.

4.0 CONSIDERATION OF ISSUES & FINDINGS

- 4.1 I have carefully examined the enquiry report, show cause notice, and reply of the Broker.
- 4.2 The scrip of Ranbaxy traded around the price range of Rs.270/- at the beginning of January 1999. The price of the scrip moved up to Rs.320/- by the end of January 1999 and it continued to rise in February – March 1999 and reached Rs.650/- by the end of March 1999. The price of the scrip thereafter moved to Rs.700/- during May 1999 and came down to Rs.600/- during June 1999. It touched Rs.800/- during July 1999 and Rs.1000/- during August 1999. The scrip was being traded in the range of Rs.900/- to Rs.1100/- during August – September 1999 and its price increased to Rs.1200/- in October 1999. Effectively, the price of the scrip moved up from Rs.267 on January 01, 1999 to a high of Rs.1215/- on 13.10.99. Later on the price started falling gradually and closed at Rs.869 on 31.10.99.
- 4.3 The Enquiry Officer arrived at a conclusion in his enquiry report that the Broker carried out 74 instances of synchronization of trades with a view to create misleading appearance of trading which is a discovery mechanism of stock exchange. The charges levelled against the Broker are on the basis of the aforesaid synchronized trades. The synchronized trade is a kind of transaction where the Broker executes the trade for almost same quantity and price at substantially the same time. The synchronized deal per se is not illegal. On the other hand, the synchronized deal with fraudulent or with a view to create misleading appearance of trading and to manipulate the price and volume of the scrip price to tamper the price discovery mechanism of stock exchange with a view to get undue gain is a matter for consideration.
- 4.4 Hence the issue to be decided in this case is whether the Broker has carried out any such synchronized trades and to take a decision as to whether the penalty recommended by the enquiry officer is warranted. In order to decide the said issue, I felt it necessary to analyze the under mentioned details of synchronized trades executed by the Broker;

Buy Mem Name	Trade date	Buy Order time	Buy order Qty	Buy order rate	Sell Mem Name	Sell Order time	Sell Order Qty	Sell order rate	Time Difference	Price difference
SHREE HARIVANSA SECURITIES PVT	5/5/1999	11:11:15	10000	634.80	SHANKAR LAL CHOKHANY	11:11:15	10000	634.80	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	5/10/1999	11:42:31	25000	728.30	SHANKAR LAL CHOKHANY	11:42:31	25000	728.30	0:00:00	0.00
SHYAM SUNDAR DALMIA	5/11/1999	11:20:33	25000	758.20	SHANKAR LAL CHOKHANY	11:20:33	25000	758.20	0:00:00	0.00
SOMANI STOCK BROKING PVT. LTD	5/12/1999	11:54:39	5000	738.90	SHANKAR LAL CHOKHANY	11:54:38	5000	738.90	0:00:01	0.00
Lexus Shares & Stock Brokers P	5/12/1999	12:15:08	5000	742.00	SHANKAR LAL CHOKHANY	12:15:08	5000	742.00	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	5/18/1999	10:42:07	25000	709.90	SHANKAR LAL CHOKHANY	10:42:07	25000	709.90	0:00:00	0.00
SINGHANIA BROTHERS LIMITED	5/19/1999	13:11:44	5000	721.00	SHANKAR LAL CHOKHANY	13:11:45	5000	721.00	0:00:01	0.00
SHANKAR LAL CHOKHANY	5/21/1999	10:46:00	7500	652.80	PRAKASH CHAND BAID	10:46:01	7500	652.80	0:00:01	0.00
SHANKAR LAL CHOKHANY	5/21/1999	10:47:20	5000	652.80	MPC STOCK BROKING PVT LTD	10:47:20	5000	652.80	0:00:00	0.00
SHANKAR LAL CHOKHANY	5/21/1999	11:04:36	7500	648.60	SINGHANIA BROTHERS LIMITED	11:04:36	7500	648.60	0:00:00	0.00
SHANKAR LAL CHOKHANY	5/24/1999	10:37:55	5000	644.40	Murari Securities Ltd.	10:37:55	5000	644.40	0:00:00	0.00
SHANKAR LAL CHOKHANY	5/24/1999	10:48:57	7500	646.00	SINGHANIA BROTHERS LIMITED	10:48:57	7500	646.00	0:00:00	0.00
SHANKAR LAL CHOKHANY	5/24/1999	14:26:12	15000	645.00	B L B SHARE & FINANCIAL SERVIC	14:26:12	15000	645.00	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	6/8/1999	12:19:41	25000	603.70	SHANKAR LAL CHOKHANY	12:19:40	25000	603.70	0:00:01	0.00
SHREE HARIVANSA SECURITIES PVT	6/9/1999	10:30:46	25000	609.70	SHANKAR LAL CHOKHANY	10:30:46	25000	609.70	0:00:00	0.00
SINGHANIA BROTHERS LIMITED	6/9/1999	11:04:59	15000	616.20	SHANKAR LAL CHOKHANY	11:04:59	15000	616.20	0:00:00	0.00
SHANKAR LAL CHOKHANY	6/15/1999	12:32:33	10000	570.00	SHREE HARIVANSA SECURITIES PVT	12:32:33	10000	570.00	0:00:00	0.00
RAJENDRA KUMAR CHOKHANY	6/16/1999	14:26:52	10000	587.70	SHANKAR LAL CHOKHANY	14:26:52	10000	587.70	0:00:00	0.00
RAJENDRA KUMAR CHOKHANY	6/23/1999	12:43:13	15000	656.10	SHANKAR LAL CHOKHANY	12:43:12	15000	656.10	0:00:01	0.00
SHREE HARIVANSA SECURITIES PVT	6/23/1999	13:12:50	20000	668.50	SHANKAR LAL CHOKHANY	13:12:49	20000	668.50	0:00:01	0.00
SINGHANIA BROTHERS LIMITED	6/23/1999	14:49:18	10000	664.50	SHANKAR LAL CHOKHANY	14:49:17	10000	664.50	0:00:01	0.00
SHANKAR LAL CHOKHANY	6/29/1999	12:08:43	18200	666.70	SHREE HARIVANSA SECURITIES PVT	12:08:43	18200	666.70	0:00:00	0.00

Buy Mem Name	Trade date	Buy Order time	Buy order Qty	Buy orderrate	Sell Mem Name	Sell Order time	Sell Order Qty	Sell order rate	Time Difference	Price difference
SHANKAR LAL CHOKHANY	6/29/1999	12:10:19	10000	665.70	SHYAM SUNDAR DALMIA	12:10:20	10000	665.70	0:00:01	0.00
SHANKAR LAL CHOKHANY	6/30/1999	11:42:06	21800	659.40	SHREE HARIVANSA SECURITIES PVT	11:42:07	21800	659.40	0:00:01	0.00
SHANKAR LAL CHOKHANY	7/2/1999	13:21:57	10000	658.20	SINGHANIA BROTHERS LIMITED	13:21:57	10000	658.20	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	7/5/1999	13:19:16	25000	675.80	SHANKAR LAL CHOKHANY	13:19:16	25000	675.80	0:00:00	0.00
B L B SHARE & FINANCIAL SERVIC	7/5/1999	14:08:31	15000	679.80	SHANKAR LAL CHOKHANY	14:08:31	15000	679.80	0:00:00	0.00
SHANKAR LAL CHOKHANY	7/5/1999	15:23:39	5000	675.40	RAJENDRA KUMAR CHOKHANY	15:23:39	5000	675.40	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	7/6/1999	14:37:42	20000	683.50	SHANKAR LAL CHOKHANY	14:37:42	20000	683.50	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	7/7/1999	11:11:08	15000	703.30	SHANKAR LAL CHOKHANY	11:11:08	15000	703.30	0:00:00	0.00
SINGHANIA BROTHERS LIMITED	7/7/1999	11:11:27	12000	703.20	SHANKAR LAL CHOKHANY	11:11:27	12000	703.20	0:00:00	0.00
SHYAM SUNDAR DALMIA	7/7/1999	11:19:10	35000	700.40	SHANKAR LAL CHOKHANY	11:19:10	35000	700.40	0:00:00	0.00
SHANKAR LAL CHOKHANY	7/7/1999	14:49:12	15000	691.50	RAJENDRA KUMAR CHOKHANY	14:49:12	15000	691.50	0:00:00	0.00
SHANKAR LAL CHOKHANY	7/13/1999	12:56:25	5000	724.30	RAJENDRA KUMAR CHOKHANY	12:56:25	5000	724.30	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	7/20/1999	13:11:39	25000	811.20	SHANKAR LAL CHOKHANY	13:11:39	25000	811.20	0:00:00	0.00
SHYAM SUNDAR DALMIA	7/21/1999	13:33:28	15000	857.40	SHANKAR LAL CHOKHANY	13:33:28	15000	857.40	0:00:00	0.00
SHANKAR LAL CHOKHANY	7/23/1999	12:30:39	25000	897.20	SHREE HARIVANSA SECURITIES PVT	12:30:39	25000	897.20	0:00:00	0.00
RAJENDRA KUMAR CHOKHANY	7/27/1999	13:04:00	15000	881.80	SHANKAR LAL CHOKHANY	13:04:00	15000	881.80	0:00:00	0.00
SHANKAR LAL CHOKHANY	7/28/1999	13:43:54	14640	866.80	RAJENDRA KUMAR CHOKHANY	13:43:54	14640	866.80	0:00:00	0.00
SHANKAR LAL CHOKHANY	8/9/1999	14:56:47	5000	998.40	JALAN & CO.	14:56:47	5000	998.40	0:00:00	0.00
SHANKAR LAL CHOKHANY	8/10/1999	10:26:00	25000	975.50	SHREE HARIVANSA SECURITIES PVT	10:26:01	25000	975.50	0:00:01	0.00
SHANKAR LAL CHOKHANY	8/10/1999	10:26:52	20000	974.60	SHREE HARIVANSA SECURITIES PVT	10:26:52	20000	974.60	0:00:00	0.00
SHANKAR LAL CHOKHANY	8/10/1999	12:00:37	5000	980.00	PREM RATAN BAHETY	12:00:40	5000	980.00	0:00:03	0.00
SHANKAR LAL CHOKHANY	8/13/1999	11:13:37	20000	1012.80	Aqbros Securities Pvt. Ltd.	11:13:37	20000	1012.80	0:00:00	0.00
SHANKAR LAL CHOKHANY	8/13/1999	15:06:14	13000	1003.80	RAJENDRA KUMAR CHOKHANY	15:06:14	13000	1003.80	0:00:00	0.00
RAJENDRA KUMAR CHOKHANY	8/17/1999	12:10:28	5000	991.50	SHANKAR LAL CHOKHANY	12:10:28	5000	991.50	0:00:00	0.00
SHREE HARIVANSA SECURITIES PVT	8/17/1999	12:55:18	20000	992.50	SHANKAR LAL CHOKHANY	12:55:17	20000	992.50	0:00:01	0.00
SHREE HARIVANSA SECURITIES PVT	8/17/1999	15:14:11	25000	986.30	SHANKAR LAL CHOKHANY	15:14:11	25000	986.30	0:00:00	0.00
DINESH KUMAR SINGHANIA & CO.	8/20/1999	14:13:48	40000	1048.50	SHANKAR LAL CHOKHANY	14:13:47	40000	1048.50	0:00:01	0.00
DINESH KUMAR SINGHANIA & CO.	8/20/1999	14:44:49	20000	1051.70	SHANKAR LAL CHOKHANY	14:44:47	20000	1051.70	0:00:02	0.00
SHANKAR LAL CHOKHANY	8/24/1999	12:26:40	16000	1039.50	RAJENDRA KUMAR CHOKHANY	12:26:40	16000	1039.50	0:00:00	0.00
SANJAY KHEMANI	8/25/1999	14:39:46	10000	958.20	SHANKAR LAL CHOKHANY	14:39:41	10000	958.20	0:00:05	0.00
Aqbros Securities Pvt. Ltd.	8/27/1999	12:37:17	25000	1061.20	SHANKAR LAL CHOKHANY	12:37:17	25000	1061.20	0:00:00	0.00
SHANKAR LAL CHOKHANY	9/10/1999	15:08:36	7000	1106.50	M. PRASAD & CO. LTD.	15:08:38	7000	1106.50	0:00:02	0.00
SHANKAR LAL CHOKHANY	9/14/1999	12:05:23	15500	1075.60	B L B SHARE & FINANCIAL SERVIC	12:05:24	15500	1075.60	0:00:01	0.00
SHANKAR LAL CHOKHANY	9/14/1999	13:03:23	20000	1063.20	DALMIA SECURITIES (P) LTD.	13:03:24	20000	1063.20	0:00:01	0.00
SHANKAR LAL CHOKHANY	9/14/1999	13:12:06	5000	1066.10	SPAN STOCK BROKING PRIVATE LIM	13:12:06	5000	1066.10	0:00:00	0.00
SHANKAR LAL CHOKHANY	9/22/1999	10:36:30	5000	1020.00	DINESH KUMAR SINGHANIA & CO.	10:36:31	5000	1020.00	0:00:01	0.00
SHANKAR LAL CHOKHANY	9/27/1999	13:04:01	5000	1054.80	AMITABH SONTHALIA	13:04:02	5000	1054.80	0:00:01	0.00
SOMANI STOCK BROKING PVT. LTD	9/27/1999	14:22:24	20000	1067.80	SHANKAR LAL CHOKHANY	14:22:23	20000	1067.80	0:00:01	0.00
SHREE HARIVANSA SECURITIES PVT	9/28/1999	13:49:35	12500	1068.60	SHANKAR LAL CHOKHANY	13:49:35	12500	1068.60	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/4/1999	13:03:11	7500	1001.20	SOMANI STOCK BROKING PVT. LTD	13:03:12	7500	1001.20	0:00:01	0.00
SHANKAR LAL CHOKHANY	10/4/1999	14:31:25	5000	1005.30	KIRAN PARASRAMPURIA	14:31:25	5000	1005.30	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/5/1999	12:18:44	15000	995.50	SURENDRA KUMAR DUGAR & CO.	12:18:44	15000	995.50	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/5/1999	12:42:41	15000	993.80	SURENDRA KUMAR DUGAR & CO.	12:42:41	15000	993.80	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/5/1999	12:52:25	6000	991.10	MPC STOCK BROKING PVT LTD	12:52:25	6000	991.10	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/5/1999	14:34:05	5000	1001.00	C. K. TIBRAWALLA & CO.	14:34:06	5000	1001.00	0:00:01	0.00
SHREE HARIVANSA SECURITIES PVT	10/8/1999	12:05:58	25000	1135.90	SHANKAR LAL CHOKHANY	12:05:58	25000	1135.90	0:00:00	0.00
SURYA PRAKASH TOSHNIWAL	10/12/1999	10:06:02	5000	1150.00	SHANKAR LAL CHOKHANY	10:06:07	5000	1150.00	0:00:05	0.00
Murari Securities Ltd.	10/12/1999	11:37:32	5000	1153.00	SHANKAR LAL CHOKHANY	11:37:31	5000	1153.00	0:00:01	0.00
DINESH KUMAR SINGHANIA & CO.	10/13/1999	12:53:19	10000	1189.50	SHANKAR LAL CHOKHANY	12:53:19	10000	1189.50	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/15/1999	13:14:54	8500	1173.50	Aqbros Securities Pvt. Ltd.	13:14:54	8500	1173.50	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/22/1999	13:33:57	6000	1036.50	SURESH KUMAR ALMAL	13:33:57	6000	1036.50	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/26/1999	11:39:05	5000	1020.00	SONTHALIA & CO.	11:39:01	5000	1020.00	0:00:04	0.00

- 4.5 I find that the Broker executed 74 instances of synchronized trades in Ranbaxy with the counter party members. Synchronized trades are evident from the fact that in all cases order quantity and counter party order quantity and price. Orders were placed at the same time in most of the cases with counter party brokers while in few cases the orders were placed within a period of 1-5 Officer has also observed that the percentage of the matching transactions of the Broker to his total transactions in the share of RLL during the period under consideration is 11.36%. In one instar is not the usual quantity like 100/1000/ 5000/100000 shares, etc. Even this order quantity is matched by the Broker with a counter party broker simultaneously. Details of the said order are given

Mem. Code	Member Name	Order Date	Time	Qty.	Price	B/ S	Order No.
D0149	Shankar Lal Chokhany	7/28/99	13:43:54	14640	866.80	B	540160
D0536	Rajendra Kumar Chokhany	7/28/99	13:43:54	14640	866.80	S	540159

- 4.6 In the above transaction time difference between buy and sell order is zero second which indicates a clear prior understanding. I find that there are many other transactions where the difference orders are zero second. On the basis of such type of transactions, the Enquiry Officer held that such matching and synchronised deals are possible only if the trades are put in the system with pr such cases prices and quantities have been negotiated outside the system and orders had been executed simultaneously.
- 4.7 It is also observed that the Broker executed 20 trades with M/s Shree Harivansha Securities Pvt. Ltd. and 10 trades with Rajendra Kumar Chokhany. Such large number of synchronised trades wit too with same order quantity and time indicates abnormal trading pattern which is against the prevailing market system. Further, the broker reversed his sales position of June 9, 1999 (25000 st Harivansha Securities Pvt Ltd on June 15, 1999 (15000 shares) which falls in the next settlement period. Similar pattern of reversal of trades in the next settlement period is also observed on Jun 1999, July 05, 1999, July 20, 1999 and July 23, 1999.
- 4.8 I have also observed that orders for 75,000 shares out of total of 10,36,140 shares (i.e. 7.2%) of the Broker were matched with the Broker Dinesh Kumar Singhania, who had dealt for entities co with Ketan Parekh group. Dinesh Kumar Singhania had been declared defaulter by CSE and SEBI had subsequently cancelled his registration as per Press Release dated October 22, 2001. T

transactions are given hereunder.

Buyer Name	Trade date	Buy Order time	Buy order Qty	Buy order rate	Seller Name	Sell Order time	Sell Order Qty	Sell order rate	Time Difference
VESH KUMAR SINGHANIA & CO.	8/20/1999	14:13:48	40000	1048.50	SHANKAR LAL CHOKHANY	14:13:47	40000	1048.50	0:00:01
VESH KUMAR SINGHANIA & CO.	8/20/1999	14:44:49	20000	1051.70	SHANKAR LAL CHOKHANY	14:44:47	20000	1051.70	0:00:02
ANKAR LAL CHOKHANY	9/22/1999	10:36:30	5000	1020.00	DINESH KUMAR SINGHANIA & CO.	10:36:31	5000	1020.00	0:00:01
VESH KUMAR SINGHANIA & CO.	10/13/1999	12:53:19	10000	1189.50	SHANKAR LAL CHOKHANY	12:53:19	10000	1189.50	0:00:00

4.9 I have examined the reply of the Broker submitted before the Enquiry Officer. The Broker mainly contented that they are not aware of the counter parties and the trading was done "ONLINE" where name and identity of the counter party. They stated that it is not a deliberate attempt by them. It may be noted that synchronized deals are possible if the trades are put in the system with prior understanding. In such cases prices and quantities have been negotiated outside the system and orders had been executed simultaneously. Synchronized trades entered into with prior understanding have no contri discovery. Ordinary investors are deprived of the best price discovered in the system. Such tampering of price discovery mechanism through synchronized and matching trades goes against the fu stock exchange where price is discovered through the mechanism of demand and supply of a particular scrip.

4.10 Further, I am of the view that several synchronization of trades cannot be treated as mere coincidence. In such cases, prices and quantities had been negotiated outside the system and order simultaneously. I find that all the aforementioned 74 transactions give an impression that these were all synchronized and traded to create artificial market, otherwise there was no possibility of : of quantity price, etc. The said issue was already discussed by the Hon'ble SAT in Appeal Nos 54 to 57 of 2002 in the case of Nirmal Bang Securities (P) Ltd. vs. SEBI and held that in a manipulative intention is implicit and the synchronized nature of the transaction is in violation of regulation 4 of the FUTP Regulations. Further, I observe that the standard of proof required in nature is at variance with the standard of proof required in criminal cases. It is sufficient if the preponderance of probabilities suggests towards the indulgence of the delinquent in the misconduct. Evidence Act and proof beyond reasonable doubt are not applicable to a proceeding of this nature. The Supreme Court's decision in Gulabchand vs Kudilal AIR, 1966, SC 1734 and the decision of trial of offences relating to transactions in securities in the matter of National Housing Bank versus ANZ Grindlays Bank, 1998 (2) LJ 153 are relied upon in this regard.

4.11 In view of these, I find that the Broker has put these trades with a view to create misleading appearance of trading. This synchronization of trades tampers with price discovery mechanism of stock exchange and also mil transparency. The Broker had entered into several synchronized deals. These trades abetted in creating artificial volumes and false market in the scrip of Ranbaxy Laboratories Ltd. and thus the trades executed by the Bro Regulation 7 read with the clause A (3) and (4) of Code of Conduct as specified in Schedule II of Stock Brokers Regulations, which provides that,

(3) Manipulation: A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making

(4) Malpractices : A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interfere smooth functioning of the market. A stock-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial sou

4.12 Further, the Broker through his dealings in the scrip of Ranbaxy has also violated the provisions of Regulation 4 (b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating Regulations, 1995, which provides that,

4 No person shall -

(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;

4.13 Having considered all aspects and circumstances of the case, I am of the view that suspension of certificate of registration of the Broker for a period of 7 days is sufficient to meet the ends of justice

5.0 ORDER

5.1 Taking into consideration all facts and circumstances of the matter and in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 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 cer of Shri Shankar Lal Chokhany (Kashi Prasad Chokhany) bearing SEBI Registration no. INB030036811 for a period of 7 days.

5.2 This order shall come into force on the expiry of 21 days from the date of this order.

Place: Mumbai

Date: March 15, 2007

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SECURITIES AND EXCHANGE