WTM/GA/163/ERO/3/07

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: G.ANANTHARAMAN

ORDER

UNDER REGULATION 13(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002 AGAINST M/S. BUBNA STOCK BROKING SERVICES LTD., MEMBER, CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED IN RESPECT OF ITS DEALINGS IN THE SHARES OF PATRIOT TRADING COMPANY LIMITED.

Date of Hearing: February 19, 2007

Appearances:

For Noticee : Shri Gopi Banshal, Director of the Broker.

For Securities and Exchange Board of India : Shri Jayanta Jash, Dy. General Manager

1.0 BACKGROUND:

1.1 The price of the shares of Patriot Trading Company Ltd. (hereinafter referred to as the company) increased from Rs. 2.30/- per share on August 01, 2001 to Rs. 62.16/- on February 15, 2002 at the Calcutta Stock Exchange Association Limited (hereinafter referred to as CSE), the stock exchange where the shares of the company were listed. Further, the price of the shares of the said company showed a downward trend and reached Rs.27.05/- on February 28, 2002.

1.2 In view of the unusual price movements noticed in the shares of the company, Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation in respect of buying, selling and dealing in the shares of the company and to enquire into whether the said company, other intermediaries/persons associated with the said buying, selling and dealing in the shares of the company contravened inter alia the provisions of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as the FUTP Regulations), Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as the Broker Regulations), Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations,1997, (hereinafter referred to as the 'Takeover Regulations').

1.3 The investigation conducted by SEBI found that certain members of CSE namely, Shri. Ballabh Dass Daga, M/s Bubna Stock Broking Services Ltd., D.B & Co, Lexus Shares & Stock Brokers Pvt. Ltd. and Prakash Baid Securities Pvt. Ltd. traded substantially in the shares of the company and contributed 87% of the total turnover in the said shares at CSE during the period August 2001 to February 2002. The aforesaid members of CSE are also registered as stock brokers with SEBI. M/s

Bubna Stock Broking Services Ltd. is hereinafter referred to as the Broker.

1.4 It was found that the Broker had executed trades for 26,71,500 (both buy and sale) shares of the company on behalf of its various clients out of the total turnover of 78,68,302 shares at CSE. The said trades accounted for 34% of the total turnover in the shares of the company at CSE. Investigation revealed that out of the aforesaid trades of the Broker 25,33,100 shares were transacted by way of cross deals which constituted for 95 % of the Broker's trading volume in the shares of the company. It was also found that most of the transactions of the Broker were in the nature of matching and synchronized trades where both buy and sell orders of identical quantity and price were entered in its own terminal.

1.5 The trades executed by the Broker in the shares of the company at CSE are given below:

DATE	SELL QTY	SELL RATE (Rs)	SELL VALUE (Rs)	BUY QTY	BUY RATE (Rs)	BUY VALUE (Rs)
05-Nov-01	300	10.00	3000.00	0		0.00
19-Nov-01	0		0.00	100	14.00	1400.00
20-Nov-01	0		0.00	100	15.10	1510.00
21-Nov-01	0		0.00	100	16.25	1625.00
22-Nov-01	0		0.00	100	17.50	1750.00
26-Nov-01	100	18.50	1850.00	0		0.00
27-Nov-01	0		0.00	100	19.95	1995.00
28-Nov-01	0		0.00	100	21.50	2150.00
29-Nov-01	100	23.20	2320.00	0		0.00
03-Dec-01	0		0.00	100	25.00	2500.00
14-Dec-01	70000	31.32	2192500.00	70000	31.32	2192500.00
19-Dec-01	63800	36.38	2320950.00	63800	36.38	2320950.00

DATE	SELL QTY	SELL RATE (Rs)	SELL VALUE (Rs)	BUY QTY	BUY RATE (Rs)	BUY VALUE (Rs)
20-Dec-01	64500	37.09	2392500.00	64500	37.09	2392500.00
21-Dec-01	68600	37.75	2589700.00	68600	37.75	2589700.00
24-Dec-01	55000	40.92	2250500.00	55000	40.92	2250500.00
26-Dec-01	30000	40.10	1203000.00	30000	40.10	1203000.00
26-Dec-01	81050	40.47	3279995.00	81050	40.47	3279995.00
27-Dec-01	9500	42.63	405000.00	9500	42.63	405000.00
28-Dec-01	8000	45.60	364800.00	8000	45.60	364800.00
31-Dec-01	4000	54.70	218800.00	4000	54.70	218800.00
02-Jan-02	30000	55.00	1650000.00	30000	55.00	1650000.00
03-Jan-02	1000	44.10	44100.00	1000	44.10	44100.00
04-Jan-02	62000	43.61	2704000.00	62000	43.61	2704000.00
07-Jan-02	66000	41.86	2763000.00	66000	41.86	2763000.00
09-Jan-02	40000	45.50	1820000.00	40000	45.50	1820000.00
11-Jan-02	37000	46.34	1714500.00	37000	46.34	1714500.00
14-Jan-02	1200	52.75	63300.00	1200	52.75	63300.00
15-Jan-02	19500	46.03	897500.00	19500	46.03	897500.00
16-Jan-02	30000	41.00	1230000.00	30000	41.00	1230000.00
17-Jan-02	15400	45.00	693000.00	15400	45.00	693000.00
21-Jan-02	12000	41.00	492000.00	12000	41.00	492000.00
22-Jan-02	30000	39.00	1170000.00	30000	39.00	1170000.00
24-Jan-02	30000	40.00	1200000.00	30000	40.00	1200000.00
28-Jan-02	41000	36.73	1506000.00	41000	36.73	1506000.00
29-Jan-02	57000	41.49	2365000.00	57000	41.49	2365000.00
30-Jan-02	10000	48.00	480000.00	10000	48.00	480000.00
01-Feb-02	35000	46.14	1615000.00	35000	46.14	1615000.00
04-Feb-02	82500	52.38	4321250.00	82500	52.38	4321250.00

DATE	SELL QTY	SELL RATE (Rs)	SELL VALUE (Rs)	BUY QTY	BUY RATE (Rs)	BUY VALUE (Rs)
05-Feb-02	68100	58.12	3957670.00	68100	58.12	3957670.00
06-Feb-02	8500	49.00	416500.00	8500	49.00	416500.00
08-Feb-02	18400	52.28	962000.00	18400	52.28	962000.00
12-Feb-02	17000	52.00	884000.00	17000	52.00	884000.00
18-Feb-02	3000	52.00	156000.00	3000	52.00	156000.00
19-Feb-02	19000	42.00	798000.00	19000	42.00	798000.00
21-Feb-02	30000	52.00	1560000.00	30000	52.00	1560000.00
25-Feb-02	96000	48.92	4696500.00	96000	48.92	4696500.00
26-Feb-02	500	33.00	16500.00	500	33.00	16500.00
27-Feb-02	500	33.80	16900.00	500	33.80	16900.00
28-Feb-02	20100	27.05	543705.00	20100	27.05	543705.00
	1335650			**1335850**		

1.6 The details of the cross deals executed by the Broker in the shares of company are given below:

Date	Order Time	Trade Time	Order No	Trade No	Qty	Price	Buy /Sell
14-Dec-01	10:17:20	10:17:20	301027190	1376	10000	31.00	B
14-Dec-01	10:17:15	10:17:20	301027189	1376	10000	31.00	S
14-Dec-01	10:17:30	10:17:30	301027193	1377	10000	31.00	B
14-Dec-01	10:17:25	10:17:30	301027191	1377	10000	31.00	S
14-Dec-01	10:17:54	10:17:54	301027196	1378	10000	31.00	B
14-Dec-01	10:17:49	10:17:54	301027195	1378	10000	31.00	S
14-Dec-01	10:18:06	10:18:07	301027198	1379	10000	31.00	B
14-Dec-01	10:18:02	10:18:07	301027197	1379	10000	31.00	S
14-Dec-01	10:18:18	10:18:19	301027200	1380	10000	31.00	B
14-Dec-01	10:18:14	10:18:19	301027199	1380	10000	31.00	S
14-Dec-01	10:18:33	10:18:34	301027203	1381	10000	31.00	B
14-Dec-01	10:18:29	10:18:34	301027201	1381	10000	31.00	S
14-Dec-01	10:18:49	10:18:49	301027205	1382	5000	31.00	B

14-Dec-01	10:18:43	10:18:49	301027204	1382	5000	31.00	S
14-Dec-01	10:20:23	10:20:23	301027208	1383	5000	35.50	B
14-Dec-01	10:20:15	10:20:23	301027207	1383	5000	35.50	S
19-Dec-01	13:05:23	13:05:23	420769612	1386	6300	34.00	B
19-Dec-01	13:05:17	13:05:23	420769609	1386	6300	34.00	S
19-Dec-01	13:05:37	13:05:37	420769618	1387	10000	34.00	B
19-Dec-01	13:05:32	13:05:37	420769616	1387	10000	34.00	S
19-Dec-01	13:06:09	13:06:10	420769625	1388	4500	35.50	B
19-Dec-01	13:06:03	13:06:10	420769624	1388	4500	35.50	S
19-Dec-01	13:06:41	13:06:42	420769628	1389	10000	37.00	B
19-Dec-01	13:06:35	13:06:42	420769627	1389	10000	37.00	S
19-Dec-01	13:06:52	13:06:52	420769631	1390	10000	37.00	B
19-Dec-01	13:06:47	13:06:52	420769630	1390	10000	37.00	S
19-Dec-01	13:07:03	13:07:03	420769634	1391	7000	37.00	B
19-Dec-01	13:06:58	13:07:03	420769632	1391	7000	37.00	S
19-Dec-01	13:07:43	13:07:43	420769636	1392	10000	38.00	B
19-Dec-01	13:07:37	13:07:43	420769635	1392	10000	38.00	S
19-Dec-01	13:07:54	13:07:54	420769638	1393	6000	38.00	B
19-Dec-01	13:07:49	13:07:54	420769637	1393	6000	38.00	S
20-Dec-01	14:15:07	14:15:07	390919731	1400	10000	37.00	B
20-Dec-01	14:15:03	14:15:07	390919730	1400	10000	37.00	S
20-Dec-01	14:15:23	14:15:23	390919733	1401	10000	37.00	B
20-Dec-01	14:15:17	14:15:23	390919732	1401	10000	37.00	S
20-Dec-01	14:15:38	14:15:39	390919735	1402	10000	37.00	B
20-Dec-01	14:15:32	14:15:39	390919734	1402	10000	37.00	S
20-Dec-01	14:15:59	14:15:59	390919739	1403	4500	37.00	B
20-Dec-01	14:15:52	14:15:59	390919737	1403	4500	37.00	S
20-Dec-01	14:16:39	14:16:40	390919745	1404	10000	37.20	B
20-Dec-01	14:16:34	14:16:40	390919743	1404	10000	37.20	S
20-Dec-01	14:16:51	14:16:52	390919747	1405	10000	37.20	B
20-Dec-01	14:16:46	14:16:52	390919746	1405	10000	37.20	S
20-Dec-01	14:17:11	14:17:12	390919749	1406	10000	37.20	B
20-Dec-01	14:17:05	14:17:12	390919748	1406	10000	37.20	S
24-Dec-01	11:56:59	11:57:00	301028590	1420	10000	42.50	B
24-Dec-01	11:56:53	11:57:00	301028589	1420	10000	42.50	S
24-Dec-01	12:39:43	12:39:44	301028597	1421	10000	40.00	B
24-Dec-01	12:39:37	12:39:44	301028596	1421	10000	40.00	S
24-Dec-01	12:39:54	12:39:54	301028599	1422	10000	40.00	B
24-Dec-01	12:39:49	12:39:54	301028598	1422	10000	40.00	S
24-Dec-01	12:40:09	12:40:09	301028601	1423	5000	40.00	B
24-Dec-01	12:40:03	12:40:09	301028600	1423	5000	40.00	S
24-Dec-01	12:40:18	12:40:19	301028603	1424	5000	40.00	B
24-Dec-01	12:40:14	12:40:19	301028602	1424	5000	40.00	S
24-Dec-01	12:40:33	12:40:33	301028605	1425	5000	40.00	B
24-Dec-01	12:40:28	12:40:33	301028604	1425	5000	40.00	S

24-Dec-01	15:20:39	15:20:39	301028641	1428	10000	42.55	B
24-Dec-01	15:20:33	15:20:39	301028640	1428	10000	42.55	S
26-Dec-01	10:32:07	10:32:07	181304306	24	10000	40.10	B
26-Dec-01	10:32:02	10:32:07	181304305	24	10000	40.10	S
26-Dec-01	10:32:19	10:32:19	181304310	25	10000	40.10	B
26-Dec-01	10:32:14	10:32:19	181304308	25	10000	40.10	S
26-Dec-01	10:32:35	10:32:35	181304314	26	10000	40.10	B
26-Dec-01	10:32:29	10:32:35	181304312	26	10000	40.10	S
26-Dec-01	11:33:04	11:33:04	301028743	1429	10000	40.00	B
26-Dec-01	11:32:59	11:33:04	301028742	1429	10000	40.00	S
26-Dec-01	11:33:16	11:33:16	301028745	1430	10000	40.00	B
26-Dec-01	11:33:12	11:33:16	301028744	1430	10000	40.00	S
26-Dec-01	11:33:30	11:33:31	301028748	1431	5000	40.00	B
26-Dec-01	11:33:26	11:33:31	301028746	1431	5000	40.00	S
26-Dec-01	11:34:25	11:34:25	301028755	1432	6000	42.00	B
26-Dec-01	11:34:20	11:34:25	301028754	1432	6000	42.00	S
26-Dec-01	12:44:47	12:44:47	301028779	1433	10000	39.20	B
26-Dec-01	12:44:40	12:44:47	301028778	1433	10000	39.20	S
26-Dec-01	12:45:12	12:45:12	301028781	1434	10000	45.10	B
26-Dec-01	12:45:07	12:45:12	301028780	1434	10000	45.10	S
26-Dec-01	13:42:50	13:42:51	301028809	1435	10000	39.20	B
26-Dec-01	13:42:44	13:42:51	301028808	1435	10000	39.20	S
26-Dec-01	13:43:08	13:43:08	301028811	1436	10000	39.20	B
26-Dec-01	13:43:02	13:43:08	301028810	1436	10000	39.20	S
26-Dec-01	13:44:48	13:44:48	301028813	1437	1000	45.90	B
26-Dec-01	13:44:39	13:44:48	301028812	1437	1000	45.90	S
26-Dec-01	14:06:53	14:06:53	301028821	1438	9000	39.20	B
26-Dec-01	14:06:48	14:06:53	301028820	1438	9000	39.20	S
26-Dec-01	14:07:24	14:07:25	301028823	1439	50	45.90	B
26-Dec-01	14:07:17	14:07:25	301028822	1439	50	45.90	S
27-Dec-01	11:46:34	11:46:34	360765824	1440	9000	42.25	B
27-Dec-01	11:46:29	11:46:34	360765823	1440	9000	42.25	S
27-Dec-01	15:29:05	15:29:05	360765933	1443	500	49.50	B
27-Dec-01	15:28:59	15:29:05	360765932	1443	500	49.50	S
28-Dec-01	12:04:57	12:04:57	330919280	1449	8000	45.60	B
28-Dec-01	12:04:49	12:04:57	330919279	1449	8000	45.60	S
31-Dec-01	14:00:12	14:00:13	31814572	27	2000	54.70	B
31-Dec-01	14:00:07	14:00:13	31814570	27	2000	54.70	S
31-Dec-01	14:00:26	14:00:27	31814575	28	2000	54.70	B
31-Dec-01	14:00:21	14:00:27	31814573	28	2000	54.70	S
2-Jan-02	12:34:21	12:34:21	181310638	33	10000	55.00	B
2-Jan-02	12:34:15	12:34:21	181310637	33	10000	55.00	S
2-Jan-02	12:34:35	12:34:36	181310640	34	2000	55.00	B
2-Jan-02	12:34:31	12:34:36	181310639	34	2000	55.00	S
2-Jan-02	12:34:49	12:34:50	181310642	35	10000	55.00	B

2-Jan-02	12:34:44	12:34:50	181310641	35	10000	55.00	S
2-Jan-02	12:35:00	12:35:00	181310644	36	8000	55.00	B
2-Jan-02	12:34:55	12:35:00	181310643	36	8000	55.00	S
3-Jan-02	15:28:53	15:28:53	61621687	38	1000	44.10	B
3-Jan-02	15:28:47	15:28:53	61621683	38	1000	44.10	S
4-Jan-02	13:49:51	13:49:52	61623024	53	4500	50.00	B
4-Jan-02	13:49:42	13:49:52	61623023	53	4500	50.00	S
4-Jan-02	13:50:33	13:50:34	61623026	54	4000	50.00	B
4-Jan-02	13:50:29	13:50:34	61623025	54	4000	50.00	S
4-Jan-02	13:51:05	13:51:05	61623031	55	3500	50.00	B
4-Jan-02	13:51:00	13:51:05	61623030	55	3500	50.00	S
4-Jan-02	13:55:56	13:55:56	61623047	56	10000	43.50	B
4-Jan-02	13:55:50	13:55:56	61623045	56	10000	43.50	S
4-Jan-02	13:56:18	13:56:18	61623050	57	7000	43.50	B
4-Jan-02	13:56:12	13:56:18	61623049	57	7000	43.50	S
4-Jan-02	13:56:36	13:56:36	61623054	58	10000	43.50	B
4-Jan-02	13:56:31	13:56:36	61623052	58	10000	43.50	S
4-Jan-02	13:56:51	13:56:51	61623057	59	4000	43.50	B
4-Jan-02	13:56:43	13:56:51	61623056	59	4000	43.50	S
4-Jan-02	13:59:58	13:59:58	61623066	60	10000	40.00	B
4-Jan-02	13:59:49	13:59:58	61623065	60	10000	40.00	S
4-Jan-02	14:00:17	14:00:17	61623070	61	8000	39.00	B
4-Jan-02	14:00:12	14:00:17	61623069	61	8000	39.00	S
4-Jan-02	14:00:46	14:00:47	61623073	62	1000	43.50	B
4-Jan-02	14:00:40	14:00:47	61623072	62	1000	43.50	S
7-Jan-02	12:23:26	12:23:26	151625190	67	10000	41.70	B
7-Jan-02	12:23:20	12:23:26	151625189	67	10000	41.70	S
7-Jan-02	12:23:37	12:23:37	151625196	68	10000	41.70	B
7-Jan-02	12:23:33	12:23:37	151625194	68	10000	41.70	S
7-Jan-02	12:24:25	12:24:25	151625201	69	10000	41.70	B
7-Jan-02	12:24:21	12:24:25	151625200	69	10000	41.70	S
7-Jan-02	14:36:00	14:36:00	151625553	70	10000	42.00	B
7-Jan-02	14:35:53	14:36:00	151625552	70	10000	42.00	S
7-Jan-02	14:36:13	14:36:13	151625555	71	9000	42.00	B
7-Jan-02	14:36:08	14:36:13	151625554	71	9000	42.00	S
7-Jan-02	14:36:31	14:36:31	151625557	72	5000	42.00	B
7-Jan-02	14:36:26	14:36:31	151625556	72	5000	42.00	S
7-Jan-02	14:36:43	14:36:43	151625559	73	7500	42.00	B
7-Jan-02	14:36:39	14:36:43	151625558	73	7500	42.00	S
7-Jan-02	14:36:56	14:36:57	151625561	74	4500	42.00	B
7-Jan-02	14:36:51	14:36:57	151625560	74	4500	42.00	S
9-Jan-02	14:33:45	14:33:45	151629064	75	5000	50.00	B
9-Jan-02	14:33:39	14:33:45	151629063	75	5000	50.00	S
9-Jan-02	14:33:53	14:33:53	151629066	76	5000	50.00	B
9-Jan-02	14:33:49	14:33:53	151629065	76	5000	50.00	S

9-Jan-02	14:42:07	14:42:07	151629132	77	10000	44.00	B
9-Jan-02	14:42:03	14:42:07	151629131	77	10000	44.00	S
9-Jan-02	14:42:16	14:42:17	151629136	78	10000	44.00	B
9-Jan-02	14:42:12	14:42:17	151629135	78	10000	44.00	S
9-Jan-02	14:42:26	14:42:27	151629139	79	10000	44.00	B
9-Jan-02	14:42:21	14:42:27	151629138	79	10000	44.00	S
11-Jan-02	13:06:19	13:06:19	91526175	80	5000	52.70	B
11-Jan-02	13:06:13	13:06:19	91526174	80	5000	52.70	S
11-Jan-02	13:06:32	13:06:32	91526177	81	5000	52.60	B
11-Jan-02	13:06:29	13:06:32	91526176	81	5000	52.60	S
11-Jan-02	15:20:37	15:20:38	91526531	82	10000	44.00	B
11-Jan-02	15:20:33	15:20:38	91526529	82	10000	44.00	S
11-Jan-02	15:20:51	15:20:51	91526533	83	4000	44.00	B
11-Jan-02	15:20:44	15:20:51	91526532	83	4000	44.00	S
11-Jan-02	15:21:03	15:21:03	91526535	84	10000	44.00	B
11-Jan-02	15:20:58	15:21:03	91526534	84	10000	44.00	S
11-Jan-02	15:21:34	15:21:34	91526538	85	3000	44.00	B
11-Jan-02	15:21:09	15:21:34	91526536	85	3000	44.00	S
14-Jan-02	10:55:55	10:55:55	91526877	86	1200	52.75	B
14-Jan-02	10:55:51	10:55:55	91526876	86	1200	52.75	S
15-Jan-02	12:24:47	12:24:47	61633971	87	1000	55.00	B
15-Jan-02	12:24:42	12:24:47	61633969	87	1000	55.00	S
15-Jan-02	12:25:14	12:25:14	61633975	88	1000	55.00	B
15-Jan-02	12:25:11	12:25:14	61633974	88	1000	55.00	S
15-Jan-02	12:25:30	12:25:31	61633977	89	10000	45.00	B
15-Jan-02	12:25:26	12:25:31	61633976	89	10000	45.00	S
15-Jan-02	12:25:45	12:25:45	61633981	90	2500	45.00	B
15-Jan-02	12:25:40	12:25:45	61633979	90	2500	45.00	S
15-Jan-02	12:26:01	12:26:01	61633983	91	2500	45.00	B
15-Jan-02	12:25:56	12:26:01	61633982	91	2500	45.00	S
15-Jan-02	12:28:37	12:28:37	61633997	92	2500	45.00	B
15-Jan-02	12:28:33	12:28:37	61633996	92	2500	45.00	S
16-Jan-02	13:29:46	13:29:46	181324398	95	10000	41.00	B
16-Jan-02	13:29:41	13:29:46	181324397	95	10000	41.00	S
16-Jan-02	13:29:58	13:29:59	181324400	96	10000	41.00	B
16-Jan-02	13:29:51	13:29:59	181324399	96	10000	41.00	S
16-Jan-02	13:30:10	13:30:11	181324402	97	10000	41.00	B
16-Jan-02	13:30:06	13:30:11	181324401	97	10000	41.00	S
17-Jan-02	15:08:46	15:08:46	31831155	98	10000	45.00	B
17-Jan-02	15:08:41	15:08:46	31831154	98	10000	45.00	S
17-Jan-02	15:08:58	15:08:58	31831158	99	5400	45.00	B
17-Jan-02	15:08:52	15:08:58	31831156	99	5400	45.00	S
21-Jan-02	15:06:49	15:06:50	31833442	101	10000	41.00	B
21-Jan-02	15:06:45	15:06:50	31833441	101	10000	41.00	S
21-Jan-02	15:07:00	15:07:00	31833444	102	2000	41.00	B

21-Jan-02	15:06:54	15:07:00	31833443	102	2000	41.00	S
22-Jan-02	12:41:25	12:41:25	210999309	103	10000	38.00	B
22-Jan-02	12:41:20	12:41:25	210999308	103	10000	38.00	S
22-Jan-02	12:41:50	12:41:50	210999311	104	10000	39.00	B
22-Jan-02	12:41:45	12:41:50	210999310	104	10000	39.00	S
22-Jan-02	12:41:59	12:41:59	210999313	105	10000	40.00	B
22-Jan-02	12:41:55	12:41:59	210999312	105	10000	40.00	S
24-Jan-02	10:52:10	10:52:10	91536403	106	10000	40.00	B
24-Jan-02	10:52:05	10:52:10	91536402	106	10000	40.00	S
24-Jan-02	10:52:20	10:52:21	91536405	107	10000	40.00	B
24-Jan-02	10:52:16	10:52:21	91536404	107	10000	40.00	S
24-Jan-02	10:53:17	10:53:17	91536407	108	10000	40.00	B
24-Jan-02	10:53:13	10:53:17	91536406	108	10000	40.00	S
28-Jan-02	10:30:28	10:30:28	91538548	114	8000	36.00	B
28-Jan-02	10:30:23	10:30:28	91538547	114	8000	36.00	S
28-Jan-02	10:30:44	10:30:44	91538554	115	3000	36.00	B
28-Jan-02	10:30:37	10:30:44	91538552	115	3000	36.00	S
28-Jan-02	14:36:09	14:36:09	91539370	116	10000	36.00	B
28-Jan-02	14:36:05	14:36:09	91539369	116	10000	36.00	S
28-Jan-02	14:36:24	14:36:24	91539373	117	10000	38.00	B
28-Jan-02	14:36:20	14:36:24	91539371	117	10000	38.00	S
28-Jan-02	14:36:38	14:36:38	91539377	118	10000	37.00	B
28-Jan-02	14:36:33	14:36:38	91539375	118	10000	37.00	S
29-Jan-02	11:19:44	11:19:44	31839833	123	10000	40.00	B
29-Jan-02	11:19:40	11:19:44	31839832	123	10000	40.00	S
29-Jan-02	11:19:51	11:19:52	31839835	124	5000	40.00	B
29-Jan-02	11:19:48	11:19:52	31839834	124	5000	40.00	S
29-Jan-02	11:20:09	11:20:09	31839837	125	10000	40.00	B
29-Jan-02	11:20:04	11:20:09	31839836	125	10000	40.00	S
29-Jan-02	11:20:20	11:20:21	31839840	126	7000	40.00	B
29-Jan-02	11:20:15	11:20:21	31839838	126	7000	40.00	S
29-Jan-02	11:22:15	11:22:15	31839843	127	5000	47.50	B
29-Jan-02	11:22:09	11:22:15	31839842	127	5000	47.50	S
29-Jan-02	11:23:44	11:23:44	31839853	128	5000	47.00	B
29-Jan-02	11:23:39	11:23:44	31839852	128	5000	47.00	S
29-Jan-02	11:24:02	11:24:02	31839855	129	5000	46.50	B
29-Jan-02	11:23:58	11:24:02	31839854	129	5000	46.50	S
29-Jan-02	14:20:51	14:20:51	31840178	136	10000	38.00	B
29-Jan-02	14:20:47	14:20:51	31840177	136	10000	38.00	S
30-Jan-02	15:05:53	15:05:53	61647016	138	10000	48.00	B
30-Jan-02	15:05:49	15:05:53	61647015	138	10000	48.00	S
1-Feb-02	10:17:21	10:17:21	61648336	160	10000	53.00	B
1-Feb-02	10:17:17	10:17:21	61648335	160	10000	53.00	S
1-Feb-02	13:19:01	13:19:01	61648789	161	5000	53.00	B
1-Feb-02	13:18:57	13:19:01	61648788	161	5000	53.00	S

1-Feb-02	13:19:17	13:19:18	61648792	162	10000	41.00	B
1-Feb-02	13:19:13	13:19:18	61648790	162	10000	41.00	S
1-Feb-02	13:19:30	13:19:30	61648794	163	10000	41.00	B
1-Feb-02	13:19:27	13:19:30	61648793	163	10000	41.00	S
4-Feb-02	14:48:16	14:48:20	91544650	174	10000	52.00	B
4-Feb-02	14:48:16	14:48:20	91544648	174	10000	52.00	S
4-Feb-02	14:48:30	14:48:30	91544652	175	10000	52.00	B
4-Feb-02	14:48:26	14:48:30	91544651	175	10000	52.00	S
4-Feb-02	15:03:13	15:03:13	91544695	176	10000	52.50	B
4-Feb-02	15:03:08	15:03:13	91544693	176	10000	52.50	S
4-Feb-02	15:03:24	15:03:24	91544697	177	10000	52.50	B
4-Feb-02	15:03:19	15:03:24	91544696	177	10000	52.50	S
4-Feb-02	15:03:32	15:03:33	91544699	178	10000	52.50	B
4-Feb-02	15:03:30	15:03:33	91544698	178	10000	52.50	S
4-Feb-02	15:03:43	15:03:43	91544701	179	10000	52.50	B
4-Feb-02	15:03:39	15:03:43	91544700	179	10000	52.50	S
4-Feb-02	15:03:55	15:03:55	91544705	180	10000	52.50	B
4-Feb-02	15:03:52	15:03:55	91544704	180	10000	52.50	S
4-Feb-02	15:04:09	15:04:10	91544707	181	10000	52.50	B
4-Feb-02	15:04:05	15:04:10	91544706	181	10000	52.50	S
4-Feb-02	15:04:27	15:04:27	91544712	182	2500	52.50	B
4-Feb-02	15:04:22	15:04:27	91544709	182	2500	52.50	S
5-Feb-02	14:27:56	14:27:57	211004015	183	4400	58.00	B
5-Feb-02	14:27:51	14:27:57	211004014	183	4400	58.00	S
5-Feb-02	14:28:20	14:28:20	211004017	184	8000	58.10	B
5-Feb-02	14:28:15	14:28:20	211004016	184	8000	58.10	S
5-Feb-02	14:28:53	14:28:53	211004020	185	10000	58.20	B
5-Feb-02	14:28:48	14:28:53	211004019	185	10000	58.20	S
5-Feb-02	14:29:03	14:29:04	211004022	186	8000	58.30	B
5-Feb-02	14:28:59	14:29:04	211004021	186	8000	58.30	S
5-Feb-02	14:29:58	14:29:59	211004024	187	10000	58.30	B
5-Feb-02	14:29:53	14:29:59	211004023	187	10000	58.30	S
5-Feb-02	14:30:11	14:30:11	211004026	188	8000	58.10	B
5-Feb-02	14:30:06	14:30:11	211004025	188	8000	58.10	S
5-Feb-02	14:30:39	14:30:39	211004029	189	7500	58.50	B
5-Feb-02	14:30:35	14:30:39	211004028	189	7500	58.50	S
5-Feb-02	14:31:08	14:31:08	211004031	190	10000	58.60	B
5-Feb-02	14:31:03	14:31:08	211004030	190	10000	58.60	S
5-Feb-02	14:31:24	14:31:24	211004033	191	200	58.60	B
5-Feb-02	14:31:18	14:31:24	211004032	191	200	58.60	S
5-Feb-02	14:31:51	14:31:52	211004037	192	1000	58.00	B
5-Feb-02	14:31:48	14:31:52	211004036	192	1000	58.00	S
5-Feb-02	14:32:03	14:32:04	211004040	193	1000	47.00	B
5-Feb-02	14:31:59	14:32:04	211004039	193	1000	47.00	S
6-Feb-02	14:39:37	14:39:37	61653393	204	8500	49.00	B

6-Feb-02	14:39:33	14:39:37	61653392	204	8500	49.00	S
8-Feb-02	13:49:14	13:49:14	91549539	214	4400	52.50	B
8-Feb-02	13:49:14	13:49:14	181344232	214	4400	52.50	S
8-Feb-02	13:49:29	13:49:29	91549542	215	8000	52.00	B
8-Feb-02	13:49:28	13:49:29	181344234	215	8000	52.00	S
8-Feb-02	13:49:52	13:49:52	91549545	216	6000	52.50	B
8-Feb-02	13:49:52	13:49:52	181344236	216	6000	52.50	S
12-Feb-02	14:07:02	14:07:03	181345461	218	10000	52.00	B
12-Feb-02	14:07:02	14:07:03	91552777	218	10000	52.00	S
12-Feb-02	14:07:17	14:07:17	181345463	219	4000	52.00	B
12-Feb-02	14:07:16	14:07:17	91552781	219	4000	52.00	S
12-Feb-02	14:07:17	14:07:27	181345465	220	3000	52.00	B
12-Feb-02	14:07:27	14:07:27	91552782	220	3000	52.00	S
18-Feb-02	13:05:24	13:05:25	31858008	239	800	52.00	B
18-Feb-02	13:05:24	13:05:25	91557960	239	800	52.00	S
18-Feb-02	13:05:35	13:05:35	31858009	240	1500	52.00	B
18-Feb-02	13:05:35	13:05:35	91557961	240	1500	52.00	S
18-Feb-02	13:05:45	13:05:46	31858012	241	700	52.00	B
18-Feb-02	13:05:45	13:05:46	91557962	241	700	52.00	S
19-Feb-02	13:14:39	13:14:39	31859481	242	3000	42.00	B
19-Feb-02	13:14:39	13:14:39	91558963	242	3000	42.00	S
19-Feb-02	13:14:52	13:14:52	31859482	243	5000	42.00	B
19-Feb-02	13:14:52	13:14:52	91558964	243	5000	42.00	S
19-Feb-02	13:27:15	13:27:15	31859510	244	10000	42.00	B
19-Feb-02	13:27:13	13:27:15	91558985	244	10000	42.00	S
19-Feb-02	13:27:32	13:27:33	31859511	245	1000	42.00	B
19-Feb-02	13:27:32	13:27:33	91558986	245	1000	42.00	S
21-Feb-02	14:36:31	14:36:32	31862046	261	10000	52.00	B
21-Feb-02	14:36:31	14:36:32	61666596	261	10000	52.00	S
21-Feb-02	14:36:42	14:36:42	31862049	262	8000	52.00	B
21-Feb-02	14:36:42	14:36:42	61666597	262	8000	52.00	S
21-Feb-02	14:36:53	14:36:54	31862052	263	10000	52.00	B
21-Feb-02	14:36:53	14:36:54	61666598	263	10000	52.00	S
21-Feb-02	14:37:02	14:37:03	31862053	264	2000	52.00	B
21-Feb-02	14:37:02	14:37:03	61666599	264	2000	52.00	S
25-Feb-02	14:25:42	14:25:42	91564209	275	3000	48.00	B
25-Feb-02	14:25:42	14:25:42	211011152	275	3000	48.00	S
25-Feb-02	14:25:56	14:25:56	91564211	276	10000	46.00	B
25-Feb-02	14:25:56	14:25:56	211011153	276	10000	46.00	S
25-Feb-02	14:26:09	14:26:09	91564212	277	2000	46.00	B
25-Feb-02	14:26:09	14:26:09	211011154	277	2000	46.00	S
25-Feb-02	14:26:20	14:26:21	91564213	278	5000	41.00	B
25-Feb-02	14:26:20	14:26:21	211011155	278	5000	41.00	S
25-Feb-02	14:53:44	14:53:45	91564341	279	10000	50.00	B
25-Feb-02	14:53:44	14:53:45	211011184	279	10000	50.00	S

25-Feb-02	14:53:54	14:53:54	91564345	280	10000	50.00	B
25-Feb-02	14:53:54	14:53:54	211011185	280	10000	50.00	S
25-Feb-02	14:54:07	14:54:07	91564350	281	10000	50.00	B
25-Feb-02	14:54:07	14:54:07	211011187	281	10000	50.00	S
25-Feb-02	14:54:14	14:54:15	91564352	282	10000	50.00	B
25-Feb-02	14:54:14	14:54:15	211011188	282	10000	50.00	S
25-Feb-02	14:54:25	14:54:25	91564353	283	10000	50.00	B
25-Feb-02	14:54:25	14:54:25	211011190	283	10000	50.00	S
25-Feb-02	14:54:36	14:54:36	91564356	284	10000	50.00	B
25-Feb-02	14:54:36	14:54:36	211011192	284	10000	50.00	S
25-Feb-02	14:54:45	14:54:45	91564358	285	6000	50.00	B
25-Feb-02	14:54:45	14:54:45	211011193	285	6000	50.00	S
25-Feb-02	14:55:29	14:55:30	91564369	286	1500	50.00	B
25-Feb-02	14:55:29	14:55:30	211011195	286	1500	50.00	S
25-Feb-02	14:55:46	14:55:46	91564374	287	8000	50.00	B
25-Feb-02	14:55:29	14:55:46	211011196	287	8000	50.00	S
25-Feb-02	14:55:56	14:55:56	91564376	288	500	41.00	B
25-Feb-02	14:55:46	14:55:56	211011198	288	500	41.00	S
26-Feb-02	12:34:45	12:34:45	151675513	289	500	33.00	B
26-Feb-02	12:34:45	12:34:45	61670247	289	500	33.00	S
27-Feb-02	12:47:16	12:47:17	181358821	321	100	33.80	B
27-Feb-02	12:47:16	12:47:17	151678041	321	100	33.80	S
27-Feb-02	15:13:20	15:13:25	151678608	328	400	33.80	B
27-Feb-02	15:13:20	15:13:25	151678606	328	400	33.80	S
28-Feb-02	10:56:34	10:56:34	151679030	329	100	27.05	B
28-Feb-02	10:56:34	10:56:34	121221163	329	100	27.05	S
28-Feb-02	14:51:38	14:51:38	151680364	330	10000	27.05	B
28-Feb-02	14:51:38	14:51:38	121222181	330	10000	27.05	S
28-Feb-02	14:51:38	14:51:53	151680367	331	10000	27.05	B
28-Feb-02	14:51:53	14:51:53	121222182	331	10000	27.05	S

1.6 In view of the above, it was prima facie alleged that the Broker had violated regulation 7 of the Broker Regulations, clause A (1), A (2) and A (4) of the Code of Conduct specified in the Broker Regulations and regulation 4 (a) and 4 (b) of the FUTP Regulations.

2.0 APPOINTMENT OF ENQUIRY OFFICER

2.1 On completion of investigations, SEBI appointed an Enquiry officer vide order dated July 08, 2004 under regulation 5(1) of SEBI (Procedure for Holding

Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as the Enquiry Regulations) to enquire into the alleged violations committed by the Broker as mentioned above while dealing in the shares of the company.

2.2 Accordingly, a notice dated August 26, 2004 was issued to the Broker asking it to show cause as to why recommendations under regulation 13 (1) of the Enquiry Regulations should not be imposed against it. The copy of the proceedings in respect of the appointment of the Enquiry Officer and the findings of the investigation were also forwarded to the Broker with the said show cause notice. The Broker vide letter dated September 16, 2004 inter alia requested to grant 15 days more time to submit its reply, which was granted by the Enquiry Officer and the time was extended till October 15, 2004. The Broker vide letter dated October 12, 2004 submitted its reply before the Enquiry Officer and also made submissions before the Enquiry Officer. The Enquiry Officer in his report dated October 21, 2005 did not recommend any action against the Broker, as according to him the charges leveled against the Broker were not established.

3.0 CONSIDERATION OF ISSUES AND FINDINGS.

3.1 I note that the Broker had executed substantial trades in the shares of the company, which was illiquid at the time when the Broker executed transactions on behalf of its client, including cross deals (which accounted for 95% of its total transactions in the said shares at CSE during the above period). In note that both sell and buy orders were placed almost at the same time from the single terminal of the Broker with the same quantity, price etc. In the process, the Broker had allowed its clients to execute trades at a pre determined price and time causing price variations and thereby, impaired the market integrity by entering into trades which were not genuine. In view of the above, I observe that the Broker has prima facie violated the provisions of Regulation 4 (a) and

(b) of the FUTP Regulations and clauses A (1), (2) and (4) of the Code of Conduct stipulated in Schedule II to the Broker Regulations.

3.2 Accordingly a notice dated April 26, 2006 was issued to the Broker asking it to show cause as to why a major penalty of suspension of the certificate of registration for a period of twelve months should not be imposed against it. The Broker vide letter dated May 29, 2006 inter alia stated that it was not related to any manipulation and that it had not violated the provisions of the Broker Regulations or FUTP Regulations. The Broker stated that during March 2001 there was payment crisis in CSE due to scam created by Shri. Ketan Parekh in which many of his close associates who were also members of CSE were also involved. The Broker further clarified that the shares and funds of many investors were not released during the scheduled date and time during the said time. It further clarified that both the buyers and sellers were different parties (unrelated) and all the trades had been backed by delivery and payment and duly executed as per the prevailing Rules and Regulations of the Exchange. The Broker denied the allegation that it had created artificial volume and that it had involved in the artificial price of the shares of the said company. The Broker further contended that the proposed show cause notice for major penalty is partial, unfair and against the principles of natural justice.

3.3 The Broker was also granted an opportunity of hearing on February 19, 2007. Shri Gopi Banshal, Director of the Broker appeared before me and submitted that its terminal was shut down since 2005. He further submitted that the Broker is not executing any trades now. In addition, it was stated that SEBI vide order dated May 22, 2006 suspended its certificate of registration for a period of 15 days. The Broker assured that it would be careful in future while executing trades on behalf of its clients.

3.4 I have perused the investigation report, the enquiry report, the show cause notice dated April 26, 2006, the reply of the Broker dated May 29,

2006, the oral submissions made on behalf of the Broker at the time of the hearing and other materials available on record.

3.5 At the outset, I would like to deal with the contention of the Broker that the proposed show cause notice is against the principles of natural justice. In this context, I would like to mention that in terms of the provisions of the Enquiry Regulations, the report of the Enquiry Officer is only recommendatory in nature and he may only recommend for the imposition of either minor or major penalties as mentioned thereof. Further, in terms of regulation 13(4) of the Enquiry Regulations, the competent authority {Chairman or Member (as the case may be)}, upon the receipt of enquiry report is empowered to pass such order as he may deem fit after considering the reply filed by the intermediary concerned.

3.6 The expression “pass such order as he may deem fit” is not only restricted to the passing of orders which are final in character. If the competent authority has the jurisdiction to pass any order in reference to a specific case called for by it as it thinks fit, obviously it can come to a different conclusion from the one to which the Enquiry Officer had arrived, on the same set of facts. Regulation 13(4) of the Enquiry Regulations confers a wide jurisdiction enabling the Competent Authority to take an entirely different view on the same set of facts. In a given case, the competent authority is empowered to take into account the material factors which were available on record but were not considered by the Enquiry Officer, for the purposes of doing justice. I am of the considered view that the trades executed by the Broker in the shares of the company on behalf of its clients are in prima facie violation of the provisions of the FUTP Regulations and the Code of Conduct specified in the Broker Regulations and hence called for a major penalty as

provided in the Enquiry Regulations. Accordingly, the show cause notice dated April 26, 2006 was issued to the Broker and thereby, an opportunity was also provided to the Broker to make its submissions in respect of the show cause notice and the proposed major penalty.

3.7 The Broker was also granted an opportunity of hearing before me on February 19, 2007. The aforesaid opportunities were provided by SEBI to the Broker towards the compliance of the principles of natural justice, so that the Broker could make its submission/explanation, if any, against the proposal to levy major penalty. In view of the above, I am unable to accept the contention of the Broker that the show cause notice is against the principles of natural justice.

3.8 The Broker has not disputed the trades done by it on behalf of its clients in the shares of the company at CSE during December 2001 to February 2002. In the said process, the Broker had executed trades for 26,71,500 shares of the said company out of the total turnover of 78,68,302 shares at CSE. The said trades accounted for 34% of the total turnover in the shares of the company at CSE. I further note that the majority of the aforesaid trades of the Broker were by way of cross deals executed at its single terminal. The details of the cross deals executed by the Broker are already explained in detail in the table given in para 1.6 above. On a perusal of the said trades, it can be seen that the Broker had executed cross deals on a regular basis from December 14, 2001 to February 28, 2002. The price of the shares of the company on December 14, 2001 was Rs.31.00 and the Broker executed trades generally at a higher price till February 05, 2002, as mentioned in the table at para 1.6. Thereafter, the Broker executed cross deals on subsequent days till February 28, 2002 at various prices as indicated in the table.

3.9 I note that the cross deals accounted for majority of the trades of the Broker at CSE in the shares of the company between December 2001 to February 2002 as show in the table at para 1.6. The continuity and the consistency with which the said cross deals were executed by the Broker on behalf of its clients in the shares of the company cannot be a matter of coincidence, considering its nature (the price, quantity and time) and its recurrence in a row. It can be seen that most of the buy and the sell orders were placed by the Broker at almost the same time, with just a difference of few seconds. The said proximity in the placing of orders at the same price and for the same quantity, resulted in the matching of the aforesaid transactions, with all the ingredients i.e. quantity, price and the time, required to conclude the trades. Above all it has to be seen that all the transactions were executed at the single terminal of the Broker.

3.10 The method and manner in which the said cross deals were executed will clearly establish that the same were meant for the purpose of manipulating the price and volumes in the shares of the company, against the fundamentals of the functioning of the securities market. The transactions executed by the Broker undoubtedly increased the volume and price of the shares of the company artificially to induce the genuine investors to invest in the said shares. I note that at the time when the Broker was actively executing cross deals in the shares of the company, its price had increased from Rs.31/- to Rs.58.60/- , as mentioned in the table at para 1.6 above.

3.11 It can be seen from the table shown in para 1.6 above, that the cross deals executed by the Broker comprised of 95% of its total volume in the shares of the company, which was illiquid at the time of the said

transactions. In the given circumstances, considering the nature of the trades (uniformity in time, quantity and price etc.), it can not be said that the said transactions were genuine. The series of trades in the form of cross deals, considering its numbers, quantity etc. will only lead to the finding that all the deals were done with the purpose of manipulating the price / volume in the shares of the company and thereby the securities market to the detriment of the genuine investors. The said concerted level of activity, that too continuously over a period of three months, is only compatible with the purposes of manipulating the securities market on the part of the Broker. Such transactions undoubtedly create an artificial market to mislead the genuine investors and the said transactions create false volumes. It is too much of a coincidence over too long a period in too many transactions when the same stock broker had entered into buy and sell orders for the same quantity of shares almost simultaneously.

3.12 The Broker failed to exercise due skill, care and diligence which was expected from a prudent stock broker who had a duty not only towards its client but also towards the securities market. On the other hand he continued to execute such trades. The cross deals were executed from the same terminal and almost at the same time. The trades executed by the Broker were not genuine in the sense that the said trades were executed between client to client at the same terminal.

3.13 In the above facts and circumstances, it is fairly established that the trades of the Broker in the shares of the company were done for the purpose of creating false and misleading appearance of trading and for the purpose of manipulating the price of the shares of the said company and that the same should be within the knowledge of the Broker, when

the anonymity of screen - based trading has been breached by his pervasive presence on both sides. Obviously the tell – tale circumstances surrounding the said transactions make it suspect. In spite of the same, the fact that the Broker executed cross deals for his clients substantially lends support to the finding that the Broker was a necessary party to the transactions giving rise to artificiality in the market. Instead of exercising caution, the Broker had executed large number of trades and thereby was instrumental in creating artificial volumes in the shares of the company. The plea of the Broker that it acted as per the instructions of the clients to earn brokerage is of no avail, as the Broker (a SEBI registered intermediary) instead of measuring up to the standards of conduct and due diligence expected of him, virtually became a necessary party to the dubious transactions by acting in a manner that was not consistent with its role as a market intermediary.

3.14 The provisions of Regulation 4 of the said Regulations is reproduced herein below for the sake of reference.

"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.

(e) pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities".

3.15 The peculiar nature of the trades executed by the Broker and the modus operandi in those transactions persuades me to the conclusion that these transactions were the outcome of a predetermined and planned action. In the present case, admittedly the Broker itself was executing transactions on both sides (buy and sell). The Broker allowed its clients to trade in the shares of the company substantially. Cross deals involving interplay of market forces, pre supposes the active participation of the Broker. In the present case, the Broker was directly involved and was trading on both sides of the transactions and the same itself will prove the direct participation of the Broker in the entire transactions that took place in the shares of the company for the purpose of giving a misleading appearance of trading in the market and thereby artificially increasing the volume and price of the said shares. I note that the increase in the share price of the company at CSE during the above period occurred inter alia as a result of the aforesaid cross deals executed by the Broker and in the process, the Broker had also created artificial volumes in the shares of the company.

3.16 In the facts and circumstances, the trades executed by the Broker in the shares of the company at CSE as explained above in detail, would only lead to the conclusion that same were not genuine which created

misleading appearance of trading on the securities market and was intended only for the purpose artificially raising the prices of shares of the company thereby inducing the sale or purchase of the said shares by any person. The Broker's direct participation (on both buy and sell sides) would prove him guilty in respect of the market manipulation.

3.17 I further note that the trades executed by the Broker in the shares of the company as aforesaid created a false appearance of trading in the shares of the company. Once the factum of manipulation is proved, then as observed by SAT in the matter of Ketan Parekh Vs SEBI, the investors are affected by the said manipulation. The relevant observation made by SAT in this regard is reproduced as below:

> *"When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy / sell their stocks. The buyer or the seller is invariably influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell depending upon how the market has been manipulated. We are therefore of the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged."*

3.18 A cumulative analysis of the facts of the case, clearly indicate that the Broker did not act in a bonafide manner. On the contrary, the above facts highlight its complete involvement in the creation of misleading market in the shares of the company and the creation of artificial volume and price in the said shares.

3.19 The natural corollary to this issue is whether the Broker had maintained high standards of integrity, promptitude, fairness and exercised due skill, care and diligence in the conduct of its business. According to the Code of Conduct prescribed under the Broker Regulations, a stock broker shall not create false market or indulge in any act detrimental to the investors' interest or which leads to the interference with the fair and smooth functioning of the securities market. The trades (including the cross deals) executed by the Broker as explained in detail above will prove that the said trades in the shares of the company created a misleading/false appearance in the market and further created artificial volume in the said shares by hampering the price movement mechanism prevailing in the securities market. It further shows that the Broker had not exercised due skill, care and diligence and not maintained high standards of integrity, promptitude, fairness in the conduct of its business.

3.20 Therefore, it is fairly established that the Broker had violated the provisions of Regulations 4(a) and (b) of the FUTP Regulations and clauses A(1), (2) and (4) of the Code of Conduct specified in Schedule II of the Broker Regulations.

3.21 In the facts and circumstances, the violations committed by the Broker call for penalty and therefore, I do not find any reason to agree with the recommendation of the Enquiry Officer. Considering the facts of the case

as discussed in detail, I find that this is a fit case for imposing major penalty of suspension of the certificate of registration of the Broker as ordered herein under.

4.0 ORDER

4.1 In view of the foregoing, I, in exercise of the 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, hereby impose a major penalty of suspension of the certificate of registration of Bubna Stock Broking Services Ltd {Registration no. INB030707632}, Member, Calcutta Stock Exchange Association Ltd. for a period of twelve months.

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

G ANANTHARAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OFINDIA

Place: Mumbai
Date: 26/03/2007