

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: G. ANANTHARAMAN, WHOLE TIME MEMBER

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. S.B. BHUTRA & CO., MEMBER, CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED IN RESPECT OF ITS DEALINGS IN THE SHARES OF GLOBE STOCKS & SECURITIES LIMITED.

Date of Hearing: February 19, 2007

Appearances:

For Noticee : Shri S.B. Bhutra, Proprietor of the Broker

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

1.0 BACKGROUND:

- 1.1 It was noticed that the price of the shares of Globe Stocks & Securities Ltd. (hereinafter referred to as the company) increased from Rs. 3.70 during July 2-6, 2001 to Rs. 28.80 during October 8-12, 2001 at Calcutta Stock Exchange Association Limited (hereinafter referred to as CSE), one of the stock exchanges where the shares of the company were listed.
- 1.2 In view of the aforesaid unusual price movement 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 inquire into whether the said company, other intermediaries/ persons associated with the said buying, selling and dealing in the shares of the company contravened 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') and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as the Insider Trading Regulations).
- 1.3 The investigation conducted by SEBI found that certain members of CSE namely, Shri. Ballab Dass Daga, Deepak Jhunjhunwala & Co, PDC Securities Pvt. Ltd., N. M. Lohia & Co. and S.B. Bhutra & Co. traded substantially in the shares of the company and contributed 80% of the total turnover in the said shares at CSE during the period July 2, 2001 to October 12, 2001. The aforesaid members of CSE are also registered as stock broker with SEBI. The aforementioned S.B. Bhutra & Co. is hereinafter referred to as the Broker.
- 1.4 It was found that the Broker had executed trades for 6,55,550 (both buy and sale) shares of the company on behalf of its various clients out of the total turnover 64,86,302 shares at CSE. Investigation revealed that trades for 5,90,000 shares were executed by way of cross deals wherein both the buy and sell orders were executed by the Broker in its single terminal at the same time with the same price and quantity with most of the trades being client to client transactions.
- 1.5 Transaction details of the Broker in the shares of the company are as follows:

Settlement No.	Date of transaction	Purchase Qty	Sale Qty
2002115	2/7/2001	2500	2500
2002116	11/7/2001	10000	10000
	12/7/2001	63500	63500
	13/7/2001	57500	57500
2002117	19/7/2001	57800	57800
	20/7/2001	9800	9800
2002118	26/7/2001	10000	10000
2002119	30/7/2001	21000	21000
2002120	6/8/2001	16000	16000
2002121	14/8/2001	5200	5200
	17/8/2001	30000	30000
2002122	20/8/2001	100	0
	21/8/2001	1600	1600
	22/8/2001	0	100
2002123	27/8/2001	9000	9000
	28/8/2001	8500	8600
	29/8/2001	10050	10000
	30/8/2001	10000	10000

Settlement No.	Date of transaction	Purchase Qty	Sale Qty
	31/8/2001	5000	5000
2002125	14/9/2001	100	0
2002126	19/9/2001	300	0
		327950	327600

1.6 Details of the cross deals executed by the Broker in the shares of company are as follows:

Trade No.	Trade Date	Trade Time	Order No.	Order Date	Order Time	Qty.	Price (Rs)	B/S
1091	02-Jul-01	2:43:57 PM	511602757	02-Jul-01	2:43:51 PM	2500	3.70	B
1091	02-Jul-01	2:43:57 PM	511602762	02-Jul-01	2:43:57 PM	2500	3.70	S
1153	11-Jul-01	10:39:07 AM	630805362	11-Jul-01	10:39:06 AM	2500	3.50	S
1153	11-Jul-01	10:39:07 AM	630805359	11-Jul-01	10:39:00 AM	2500	3.50	B
1154	11-Jul-01	10:39:07 AM	630805359	11-Jul-01	10:39:00 AM	2500	3.50	B
1154	11-Jul-01	10:39:07 AM	630805362	11-Jul-01	10:39:06 AM	2500	3.50	S
1155	11-Jul-01	10:39:07 AM	630805359	11-Jul-01	10:39:00 AM	2500	3.50	B
1155	11-Jul-01	10:39:07 AM	630805362	11-Jul-01	10:39:06 AM	2500	3.50	S
1156	11-Jul-01	10:39:07 AM	630805362	11-Jul-01	10:39:06 AM	2500	3.50	S
1156	11-Jul-01	10:39:07 AM	630805359	11-Jul-01	10:39:00 AM	2500	3.50	B
1208	12-Jul-01	10:27:15 AM	541505003	12-Jul-01	10:24:00 AM	5000	3.20	B
1208	12-Jul-01	10:27:15 AM	541505048	12-Jul-01	10:27:15 AM	5000	3.20	S
1209	12-Jul-01	10:27:22 AM	541505006	12-Jul-01	10:24:06 AM	5000	3.20	B
1209	12-Jul-01	10:27:22 AM	541505049	12-Jul-01	10:27:22 AM	5000	3.20	S
1210	12-Jul-01	10:27:27 AM	541505051	12-Jul-01	10:27:27 AM	5000	3.20	S
1210	12-Jul-01	10:27:27 AM	541505009	12-Jul-01	10:24:17 AM	5000	3.20	B
1211	12-Jul-01	10:27:31 AM	541505046	12-Jul-01	10:26:59 AM	5000	3.20	B
1211	12-Jul-01	10:27:31 AM	541505054	12-Jul-01	10:27:31 AM	5000	3.20	S
1212	12-Jul-01	10:28:13 AM	541505047	12-Jul-01	10:27:06 AM	5000	3.20	B
1212	12-Jul-01	10:28:13 AM	541505062	12-Jul-01	10:28:13 AM	5000	3.20	S
1213	12-Jul-01	1:53:55 PM	541507591	12-Jul-01	1:53:55 PM	2000	3.20	S
1213	12-Jul-01	1:53:55 PM	541507590	12-Jul-01	1:53:35 PM	2000	3.20	B
1214	12-Jul-01	1:53:55 PM	541507590	12-Jul-01	1:53:35 PM	2000	3.20	B
1214	12-Jul-01	1:53:55 PM	541507591	12-Jul-01	1:53:55 PM	2000	3.20	S
1215	12-Jul-01	1:53:55 PM	541507590	12-Jul-01	1:53:35 PM	2000	3.20	B
1215	12-Jul-01	1:53:55 PM	541507591	12-Jul-01	1:53:55 PM	2000	3.20	S
1216	12-Jul-01	1:53:55 PM	541507591	12-Jul-01	1:53:55 PM	2000	3.20	S
1216	12-Jul-01	1:53:55 PM	541507590	12-Jul-01	1:53:35 PM	2000	3.20	B
1217	12-Jul-01	1:53:55 PM	541507590	12-Jul-01	1:53:35 PM	2000	3.20	B
1217	12-Jul-01	1:53:55 PM	541507591	12-Jul-01	1:53:55 PM	2000	3.20	S
1218	12-Jul-01	1:54:23 PM	541507595	12-Jul-01	1:54:17 PM	2500	3.20	B
1218	12-Jul-01	1:54:23 PM	541507596	12-Jul-01	1:54:22 PM	2500	3.20	S
1219	12-Jul-01	1:54:23 PM	541507596	12-Jul-01	1:54:22 PM	2500	3.20	S
1219	12-Jul-01	1:54:23 PM	541507595	12-Jul-01	1:54:17 PM	2500	3.20	B
1220	12-Jul-01	1:54:23 PM	541507595	12-Jul-01	1:54:17 PM	2500	3.20	B
1220	12-Jul-01	1:54:23 PM	541507596	12-Jul-01	1:54:22 PM	2500	3.20	S
1221	12-Jul-01	1:54:23 PM	541507595	12-Jul-01	1:54:17 PM	1000	3.20	B
1221	12-Jul-01	1:54:23 PM	541507596	12-Jul-01	1:54:22 PM	1000	3.20	S
1222	12-Jul-01	1:54:43 PM	541507600	12-Jul-01	1:54:42 PM	2500	3.20	S
1222	12-Jul-01	1:54:43 PM	541507598	12-Jul-01	1:54:36 PM	2500	3.20	B
1223	12-Jul-01	1:54:43 PM	541507598	12-Jul-01	1:54:36 PM	2500	3.20	B
1223	12-Jul-01	1:54:43 PM	541507600	12-Jul-01	1:54:42 PM	2500	3.20	S
1224	12-Jul-01	1:54:43 PM	541507598	12-Jul-01	1:54:36 PM	2500	3.20	B
1224	12-Jul-01	1:54:43 PM	541507600	12-Jul-01	1:54:42 PM	2500	3.20	S
1225	12-Jul-01	1:54:43 PM	541507600	12-Jul-01	1:54:42 PM	2500	3.20	S
1225	12-Jul-01	1:54:43 PM	541507598	12-Jul-01	1:54:36 PM	2500	3.20	B
1226	12-Jul-01	1:55:01 PM	541507602	12-Jul-01	1:54:57 PM	5000	3.20	B
1226	12-Jul-01	1:55:01 PM	541507603	12-Jul-01	1:55:01 PM	5000	3.20	S
1227	12-Jul-01	1:55:01 PM	541507602	12-Jul-01	1:54:57 PM	5000	3.20	B
1227	12-Jul-01	1:55:01 PM	541507603	12-Jul-01	1:55:01 PM	5000	3.20	S
1228	13-Jul-01	2:06:23 PM	541512563	13-Jul-01	2:06:17 PM	2000	3.10	B

1228	13-Jul-01	2:06:23 PM	541512565	13-Jul-01	2:06:23 PM	2000	3.10	S
1229	13-Jul-01	2:06:23 PM	541512563	13-Jul-01	2:06:17 PM	2000	3.10	B
1229	13-Jul-01	2:06:23 PM	541512565	13-Jul-01	2:06:23 PM	2000	3.10	S
1230	13-Jul-01	2:06:23 PM	541512565	13-Jul-01	2:06:23 PM	2000	3.10	S
1230	13-Jul-01	2:06:23 PM	541512563	13-Jul-01	2:06:17 PM	2000	3.10	B
1231	13-Jul-01	2:06:23 PM	541512563	13-Jul-01	2:06:17 PM	2000	3.10	B
1231	13-Jul-01	2:06:23 PM	541512565	13-Jul-01	2:06:23 PM	2000	3.10	S
1232	13-Jul-01	2:06:23 PM	541512563	13-Jul-01	2:06:17 PM	2000	3.10	B
1232	13-Jul-01	2:06:23 PM	541512565	13-Jul-01	2:06:23 PM	2000	3.10	S
1233	13-Jul-01	2:06:43 PM	541512573	13-Jul-01	2:06:43 PM	2500	3.10	S
1233	13-Jul-01	2:06:43 PM	541512570	13-Jul-01	2:06:38 PM	2500	3.10	B
1234	13-Jul-01	2:06:43 PM	541512570	13-Jul-01	2:06:38 PM	2500	3.10	B
1234	13-Jul-01	2:06:43 PM	541512573	13-Jul-01	2:06:43 PM	2500	3.10	S
1235	13-Jul-01	2:06:43 PM	541512570	13-Jul-01	2:06:38 PM	2500	3.10	B
1235	13-Jul-01	2:06:43 PM	541512573	13-Jul-01	2:06:43 PM	2500	3.10	S
1236	13-Jul-01	2:06:43 PM	541512573	13-Jul-01	2:06:43 PM	2500	3.10	S
1236	13-Jul-01	2:06:43 PM	541512570	13-Jul-01	2:06:38 PM	2500	3.10	B
1237	13-Jul-01	2:07:02 PM	541512578	13-Jul-01	2:06:56 PM	2000	3.10	B
1237	13-Jul-01	2:07:02 PM	541512580	13-Jul-01	2:07:02 PM	2000	3.10	S
1238	13-Jul-01	2:07:02 PM	541512578	13-Jul-01	2:06:56 PM	2000	3.10	B
1238	13-Jul-01	2:07:02 PM	541512580	13-Jul-01	2:07:02 PM	2000	3.10	S
1239	13-Jul-01	2:07:02 PM	541512580	13-Jul-01	2:07:02 PM	2000	3.10	S
1239	13-Jul-01	2:07:02 PM	541512578	13-Jul-01	2:06:56 PM	2000	3.10	B
1240	13-Jul-01	2:07:02 PM	541512578	13-Jul-01	2:06:56 PM	2000	3.10	B
1240	13-Jul-01	2:07:02 PM	541512580	13-Jul-01	2:07:02 PM	2000	3.10	S
1241	13-Jul-01	2:07:02 PM	541512578	13-Jul-01	2:06:56 PM	500	3.10	B
1241	13-Jul-01	2:07:02 PM	541512580	13-Jul-01	2:07:02 PM	500	3.10	S
1242	13-Jul-01	2:09:05 PM	541512602	13-Jul-01	2:09:04 PM	5000	3.10	S
1242	13-Jul-01	2:09:05 PM	541512597	13-Jul-01	2:08:50 PM	5000	3.10	B
1243	13-Jul-01	2:09:05 PM	541512601	13-Jul-01	2:09:00 PM	5000	3.10	B
1243	13-Jul-01	2:09:05 PM	541512602	13-Jul-01	2:09:04 PM	5000	3.10	S
1244	13-Jul-01	2:09:08 PM	541512597	13-Jul-01	2:08:50 PM	5000	3.10	B
1244	13-Jul-01	2:09:08 PM	541512604	13-Jul-01	2:09:08 PM	5000	3.10	S
1245	13-Jul-01	2:09:08 PM	541512604	13-Jul-01	2:09:08 PM	5000	3.10	S
1245	13-Jul-01	2:09:08 PM	541512601	13-Jul-01	2:09:00 PM	5000	3.10	B
1246	13-Jul-01	2:09:21 PM	541512605	13-Jul-01	2:09:15 PM	9000	3.10	B
1246	13-Jul-01	2:09:21 PM	541512606	13-Jul-01	2:09:21 PM	9000	3.10	S
1322	19-Jul-01	2:34:44 PM	451454362	19-Jul-01	2:34:18 PM	5000	3.10	B
1322	19-Jul-01	2:34:44 PM	451454368	19-Jul-01	2:34:44 PM	5000	3.10	S
1323	19-Jul-01	2:34:48 PM	451454369	19-Jul-01	2:34:48 PM	10000	3.10	S
1323	19-Jul-01	2:34:48 PM	451454364	19-Jul-01	2:34:25 PM	10000	3.10	B
1324	19-Jul-01	2:34:53 PM	451454366	19-Jul-01	2:34:31 PM	5000	3.10	B
1324	19-Jul-01	2:34:53 PM	451454373	19-Jul-01	2:34:52 PM	5000	3.10	S
1325	19-Jul-01	2:35:19 PM	451454378	19-Jul-01	2:35:04 PM	10000	3.10	B
1325	19-Jul-01	2:35:19 PM	451454387	19-Jul-01	2:35:18 PM	10000	3.10	S
1326	19-Jul-01	2:35:22 PM	451454390	19-Jul-01	2:35:22 PM	10000	3.10	S
1326	19-Jul-01	2:35:22 PM	451454382	19-Jul-01	2:35:09 PM	10000	3.10	B
1327	19-Jul-01	2:35:28 PM	451454385	19-Jul-01	2:35:14 PM	5000	3.10	B
1327	19-Jul-01	2:35:28 PM	451454391	19-Jul-01	2:35:28 PM	5000	3.10	S
1328	19-Jul-01	2:36:04 PM	451454395	19-Jul-01	2:35:49 PM	5000	3.20	B
1328	19-Jul-01	2:36:04 PM	451454398	19-Jul-01	2:36:04 PM	5000	3.20	S
1329	19-Jul-01	2:36:07 PM	451454399	19-Jul-01	2:36:07 PM	5000	3.20	S
1329	19-Jul-01	2:36:07 PM	451454396	19-Jul-01	2:35:53 PM	5000	3.20	B
1330	19-Jul-01	2:36:13 PM	451454397	19-Jul-01	2:35:59 PM	2800	3.20	B
1330	19-Jul-01	2:36:13 PM	451454402	19-Jul-01	2:36:12 PM	2800	3.20	S
1333	20-Jul-01	2:39:26 PM	541531714	20-Jul-01	2:39:11 PM	5000	3.20	B
1333	20-Jul-01	2:39:26 PM	541531719	20-Jul-01	2:39:26 PM	5000	3.20	S
1334	20-Jul-01	2:39:30 PM	541531714	20-Jul-01	2:39:11 PM	500	3.20	B
1334	20-Jul-01	2:39:30 PM	541531720	20-Jul-01	2:39:30 PM	500	3.20	S
1335	20-Jul-01	2:39:30 PM	541531720	20-Jul-01	2:39:30 PM	2500	3.20	S
1335	20-Jul-01	2:39:30 PM	541531715	20-Jul-01	2:39:17 PM	2500	3.20	B

1336	20-Jul-01	2:39:33 PM	541531715	20-Jul-01	2:39:17 PM	500	3.20	B
1336	20-Jul-01	2:39:33 PM	541531721	20-Jul-01	2:39:33 PM	500	3.20	S
1337	20-Jul-01	2:39:33 PM	541531717	20-Jul-01	2:39:22 PM	800	3.20	B
1337	20-Jul-01	2:39:33 PM	541531721	20-Jul-01	2:39:33 PM	800	3.20	S
1338	20-Jul-01	2:39:50 PM	541531722	20-Jul-01	2:39:50 PM	500	3.20	S
1338	20-Jul-01	2:39:50 PM	541531717	20-Jul-01	2:39:22 PM	500	3.20	B
1384	26-Jul-01	2:19:53 PM	571273163	26-Jul-01	2:19:48 PM	5000	3.50	B
1384	26-Jul-01	2:19:53 PM	571273167	26-Jul-01	2:19:53 PM	5000	3.50	S
1385	26-Jul-01	2:19:53 PM	571273167	26-Jul-01	2:19:53 PM	5000	3.50	S
1385	26-Jul-01	2:19:53 PM	571273163	26-Jul-01	2:19:48 PM	5000	3.50	B
1392	30-Jul-01	2:55:32 PM	511671378	30-Jul-01	2:55:32 PM	2000	4.60	S
1392	30-Jul-01	2:55:32 PM	511671375	30-Jul-01	2:55:23 PM	2000	4.60	B
1393	30-Jul-01	2:55:32 PM	511671375	30-Jul-01	2:55:23 PM	2000	4.60	B
1393	30-Jul-01	2:55:32 PM	511671378	30-Jul-01	2:55:32 PM	2000	4.60	S
1394	30-Jul-01	2:55:32 PM	511671375	30-Jul-01	2:55:23 PM	2000	4.60	B
1394	30-Jul-01	2:55:32 PM	511671378	30-Jul-01	2:55:32 PM	2000	4.60	S
1395	30-Jul-01	2:55:32 PM	511671378	30-Jul-01	2:55:32 PM	2000	4.60	S
1395	30-Jul-01	2:55:32 PM	511671375	30-Jul-01	2:55:23 PM	2000	4.60	B
1396	30-Jul-01	2:55:32 PM	511671375	30-Jul-01	2:55:23 PM	2000	4.60	B
1396	30-Jul-01	2:55:32 PM	511671378	30-Jul-01	2:55:32 PM	2000	4.60	S
1397	30-Jul-01	2:55:50 PM	511671381	30-Jul-01	2:55:45 PM	1000	4.60	B
1397	30-Jul-01	2:55:50 PM	511671382	30-Jul-01	2:55:50 PM	1000	4.60	S
1398	30-Jul-01	2:55:50 PM	511671382	30-Jul-01	2:55:50 PM	1000	4.60	S
1398	30-Jul-01	2:55:50 PM	511671381	30-Jul-01	2:55:45 PM	1000	4.60	B
1399	30-Jul-01	2:55:50 PM	511671381	30-Jul-01	2:55:45 PM	1000	4.60	B
1399	30-Jul-01	2:55:50 PM	511671382	30-Jul-01	2:55:50 PM	1000	4.60	S
1400	30-Jul-01	2:55:50 PM	511671381	30-Jul-01	2:55:45 PM	1000	4.60	B
1400	30-Jul-01	2:55:50 PM	511671382	30-Jul-01	2:55:50 PM	1000	4.60	S
1401	30-Jul-01	2:55:50 PM	511671382	30-Jul-01	2:55:50 PM	1000	4.60	S
1401	30-Jul-01	2:55:50 PM	511671381	30-Jul-01	2:55:45 PM	1000	4.60	B
1402	30-Jul-01	2:56:05 PM	511671385	30-Jul-01	2:56:01 PM	3000	4.60	B
1402	30-Jul-01	2:56:05 PM	511671386	30-Jul-01	2:56:05 PM	3000	4.60	S
1403	30-Jul-01	2:56:05 PM	511671385	30-Jul-01	2:56:01 PM	3000	4.60	B
1403	30-Jul-01	2:56:05 PM	511671386	30-Jul-01	2:56:05 PM	3000	4.60	S
1420	06-Aug-01	1:13:33 PM	541566859	06-Aug-01	1:13:33 PM	4000	3.60	S
1420	06-Aug-01	1:13:33 PM	541566849	06-Aug-01	1:13:12 PM	4000	3.60	B
1421	06-Aug-01	1:13:38 PM	541566852	06-Aug-01	1:13:18 PM	4000	3.60	B
1421	06-Aug-01	1:13:38 PM	541566860	06-Aug-01	1:13:38 PM	4000	3.60	S
1422	06-Aug-01	1:13:42 PM	541566854	06-Aug-01	1:13:23 PM	4000	3.60	B
1422	06-Aug-01	1:13:42 PM	541566862	06-Aug-01	1:13:42 PM	4000	3.60	S
1423	06-Aug-01	1:13:46 PM	541566863	06-Aug-01	1:13:46 PM	4000	3.60	S
1423	06-Aug-01	1:13:46 PM	541566857	06-Aug-01	1:13:28 PM	4000	3.60	B
1451	14-Aug-01	3:05:48 PM	511729991	14-Aug-01	3:05:41 PM	3200	2.70	B
1451	14-Aug-01	3:05:48 PM	511729996	14-Aug-01	3:05:48 PM	3200	2.70	S
1452	14-Aug-01	3:05:52 PM	511729994	14-Aug-01	3:05:46 PM	2000	2.70	B
1452	14-Aug-01	3:05:52 PM	511730000	14-Aug-01	3:05:51 PM	2000	2.70	S
1455	17-Aug-01	3:28:21 PM	541593823	17-Aug-01	3:28:09 PM	5000	3.30	B
1455	17-Aug-01	3:28:21 PM	541593827	17-Aug-01	3:28:20 PM	5000	3.30	S
1456	17-Aug-01	3:28:23 PM	541593830	17-Aug-01	3:28:23 PM	5000	3.30	S
1456	17-Aug-01	3:28:23 PM	541593824	17-Aug-01	3:28:13 PM	5000	3.30	B
1457	17-Aug-01	3:28:26 PM	541593825	17-Aug-01	3:28:17 PM	5000	3.30	B
1457	17-Aug-01	3:28:26 PM	541593831	17-Aug-01	3:28:26 PM	5000	3.30	S
1458	17-Aug-01	3:28:43 PM	541593832	17-Aug-01	3:28:31 PM	5000	3.30	B
1458	17-Aug-01	3:28:43 PM	541593835	17-Aug-01	3:28:42 PM	5000	3.30	S
1459	17-Aug-01	3:28:46 PM	541593836	17-Aug-01	3:28:46 PM	5000	3.30	S
1459	17-Aug-01	3:28:46 PM	541593833	17-Aug-01	3:28:34 PM	5000	3.30	B
1460	17-Aug-01	3:28:48 PM	541593834	17-Aug-01	3:28:38 PM	5000	3.30	B
1460	17-Aug-01	3:28:48 PM	541593837	17-Aug-01	3:28:48 PM	5000	3.30	S
1463	21-Aug-01	11:23:55 AM	571321264	21-Aug-01	11:22:59 AM	200	3.50	B
1463	21-Aug-01	11:23:55 AM	571321267	21-Aug-01	11:23:55 AM	200	3.50	S
1464	21-Aug-01	11:25:13 AM	571321271	21-Aug-01	11:24:51 AM	300	3.60	B

1464	21-Aug-01	11:25:13 AM	571321272	21-Aug-01	11:25:13 AM	300	3.60	S
1467	21-Aug-01	12:04:35 PM	571321378	21-Aug-01	12:04:35 PM	500	3.40	S
1467	21-Aug-01	12:04:35 PM	571321377	21-Aug-01	12:04:24 PM	500	3.40	B
1470	21-Aug-01	12:45:00 PM	571321597	21-Aug-01	12:44:49 PM	600	3.10	B
1470	21-Aug-01	12:45:00 PM	571321598	21-Aug-01	12:45:00 PM	600	3.10	S
1463	21-Aug-01	11:23:55 AM	571321264	21-Aug-01	11:22:59 AM	200	3.50	B
1463	21-Aug-01	11:23:55 AM	571321267	21-Aug-01	11:23:55 AM	200	3.50	S
1464	21-Aug-01	11:25:13 AM	571321271	21-Aug-01	11:24:51 AM	300	3.60	B
1464	21-Aug-01	11:25:13 AM	571321272	21-Aug-01	11:25:13 AM	300	3.60	S
1467	21-Aug-01	12:04:35 PM	571321378	21-Aug-01	12:04:35 PM	500	3.40	S
1467	21-Aug-01	12:04:35 PM	571321377	21-Aug-01	12:04:24 PM	500	3.40	B
1470	21-Aug-01	12:45:00 PM	571321597	21-Aug-01	12:44:49 PM	600	3.10	B
1470	21-Aug-01	12:45:00 PM	571321598	21-Aug-01	12:45:00 PM	600	3.10	S
1545	30-Aug-01	1:40:22 PM	541621726	30-Aug-01	1:40:16 PM	1000	4.00	B
1545	30-Aug-01	1:40:22 PM	541621728	30-Aug-01	1:40:22 PM	1000	4.00	S
1546	30-Aug-01	2:02:43 PM	541621775	30-Aug-01	2:02:36 PM	2500	4.00	B
1546	30-Aug-01	2:02:43 PM	541621777	30-Aug-01	2:02:42 PM	2500	4.00	S
1548	31-Aug-01	3:06:13 PM	511770000	31-Aug-01	3:06:13 PM	2000	4.80	S
1548	31-Aug-01	3:06:13 PM	511769997	31-Aug-01	3:06:01 PM	2000	4.80	B
1549	31-Aug-01	3:06:15 PM	511769998	31-Aug-01	3:06:05 PM	2000	4.80	B
1549	31-Aug-01	3:06:15 PM	511770002	31-Aug-01	3:06:15 PM	2000	4.80	S
1550	31-Aug-01	3:06:18 PM	511769999	31-Aug-01	3:06:10 PM	1000	4.80	B
1550	31-Aug-01	3:06:18 PM	511770003	31-Aug-01	3:06:18 PM	1000	4.80	S

- 1.7 In view of the above, it has been alleged that the Broker had prima facie 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 SEBI appointed an Enquiry Officer vide order dated July 8, 2004 under regulation 5(1) of Securities and Exchange Board of India (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 filed its reply to the said show cause notice and also appeared before the Enquiry Officer and made submissions. The Enquiry Officer in his report dated September 30, 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, the shares of which were illiquid at the time of the trades. In the process, the Broker had executed several cross deals almost on a regular basis. 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 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 21, 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 six months should not be imposed against it. The Broker vide letter dated May 16, 2006 requested SEBI to grant time upto May 31, 2006 to file its reply.
- 3.3 The Broker vide letter dated June 1, 2006 inter alia stated that it had placed purchase order for a specific quantity against the sell order received for the same quantity. The Broker clarified that all the transactions were recorded at CSE at the prevailing market price. The Broker denied of executing matching transactions and that it had only executed the trades as per the orders received from its clients. The Broker further stated that it had not violated any of the provisions of the law of the land and further assured that it would be more vigilant, cautious and careful in all its future dealings and transactions and would maintain highest standard of professionalism and ethics in all its transactions.
- 3.4 The Broker was also granted an opportunity of hearing on February 19, 2007. Shri S.B. Bhutra, Proprietor of the Broker appeared before me and reiterated the submissions made by the Broker vide letter dated June 1, 2006.

- 3.5 I have perused the investigation report, the Enquiry Report, the show cause notice dated April 21, 2006, the reply of the Broker dated June 1, 2006, the oral submissions made on behalf of the Broker at the time of the hearing and other materials available on record. At the outset, I would like to deal with the contention of the Broker that the Enquiry Officer had at length perused all the records and submissions made on behalf of it which was supported with necessary documentary evidences. 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.
- 3.6 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. 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 21, 2006 was issued to the Broker and thereby, an opportunity was 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 by me on February 19, 2007. The said 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 impose major penalty. Therefore, as evident from regulation 13(4) of the Enquiry Regulations, the recommendations of the Enquiry Officer are not binding on the Competent Authority i.e. Chairman or the Member, SEBI, as the case may be and he can pass such order as it thinks fit. In view of the above, I am unable to accept the contention of the Broker and accordingly the same is rejected.
- 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 July, 2001 to September, 2001. In the said process, the Broker had executed trades for 6,55,550 (between July 2, 2001 and August 31, 2001) shares of the said company out of the total turnover of 64,86,302 shares at CSE. I 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 explained in detail in the table given at para 1.6 above..
- 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 July, 2001 to August, 2001 as shown 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 would clearly establish that the same were meant for the purpose of manipulating the price / volume 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 of the shares of the company artificially to induce the genuine investors to invest in the said shares.
- 3.11 It can be seen from the table shown at para 1.6 above, that the cross deals executed by the Broker comprised of 90% of its total volume in the shares of the company, which was illiquid at the time of the said trades. 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. would 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 is only compatible with the purposes of manipulating the securities market on the part of the Broker. Such transactions undoubtedly created an artificial market to mislead the genuine investors and the said transactions create false volumes in the shares of the company. 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 should have stopped executing such transactions which would affect the interest of the genuine investors in the securities market. The Broker failed to do such exercise 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. The Broker, by virtue of its presence, on both sides of the terminal, was a necessary party and privy to the ongoing manipulation which was detrimental to the interest of unsuspecting investors. Therefore, his plea of innocence based upon market dynamics can not pass muster, when such dynamics was engineered by artificiality to jack up the price for obvious collateral benefits to the parties at the cost of the integrity of the market.

- 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 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.
- 3.14 In this context, 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.
- 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. 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 and was intended to operate only as a device to inflate, depress, or cause fluctuations in the said shares. 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. In terms of the Code of Conduct specified in 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 would prove that the said trades in the shares of the company created a misleading appearance in the market and further created artificial volume and price in the said shares by vitiating 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 S.B. Bhutra & Co. {Registration no. INB 030037516}, Member, Calcutta Stock Exchange Association Ltd. for a period of six 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 OF INDIA

Date: 13- 4- 07

Place: Mumbai :