

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V. K. CHOPRA, WHOLE TIME MEMBER

ORDER

{Under Regulation 13(4) SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 against M/s Harvestdeal Securities Ltd, Broker, Bombay Stock Exchange Ltd. (BSE) in the matter of Nedungadi Bank Ltd.}

1.0 BACKGROUND

- 1.1 Securities and Exchange Board of India (hereinafter referred to in short as "SEBI") had ordered an investigation into the abnormal price and volume movement in the scrip of Nedungadi Bank Ltd. (hereinafter referred to in short as "NBL") at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange (NSE).
- 1.2 Investigations revealed that the scrip which was being traded around Rs 56/- on January 15, 1998 moved to Rs 91.90 on March 25, 1998 i.e. an increase of 64% in a period of about 2 months. The said price rise was coupled with increased volumes. On February 18, 1998, a total of 2,54,400 shares were traded on BSE as against volume of 15,000 shares only in January 1998. On analyzing of the trading details obtained from NSE and BSE, it was observed that a group of brokers traded in large volumes for common clients in the NBL scrip during the period under consideration.
- 1.3 Investigations also revealed that the NBL shares were first sold on spot basis to certain entities and subsequently purchased back at higher prices through the market. This was done by a group of entities to raise finance using the stock exchange trading mechanism and the price was thus artificially inflated using the said trading pattern. It was observed that R K. Banthia, a BSE broker later on corporatised as M/s Harvestdeals Securities Ltd (hereinafter referred to in short as 'Noticee'), Shri. S. G. Mantri (hereinafter referred to in short as 'SGM') and First Custodian Fund (India) Limited (hereinafter referred to in short as 'FCFIL') sold NBL shares on spot basis to M/s Daisy Investments, Goshar Group (comprising of Pankaj Goshar, Naval Goshar, Kamal Champsi, Nutanbean Champsi, and Sakar Hirji) and Shah group (comprising of M. L. Shah, Pankaj Shah, Aamy Shah, Anurag Tulsyan). These entities in turn sold these shares at BSE through Enpee Enterprises and at NSE through Good Fortune Advisory Services Pvt. Ltd. which were purchased by the above three brokers (Banthia & his associates).

2.0 ENQUIRY PROCEEDING

- 2.1 SEBI after considering the Investigation Report initiated Enquiry proceedings against the Noticee and other two brokers SGM and FCFIL. Accordingly, Enquiry Officer was appointed to enquire into the violations allegedly committed by the Noticee under the provisions of Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to in short as "Stock Brokers Regulations"), Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 (hereinafter referred to in short as "PFUTP Regulations"), Securities and Exchange Board of India Act, 1992 (hereinafter referred to in short as "SEBI Act") and Memorandum and Articles of Association of the Company, Regulations and Bye-laws of BSE.
- 2.2 The Enquiry Officer recorded the submissions made by the Noticee during the course of enquiry proceedings and relevant submissions of the Noticee are also reproduced hereunder:
 - *The Show Cause Notice is based on the erroneous assumption and premise that Harvestdeal Securities Ltd., Shrikant G. Mantri and First Custodian Fund (I) Ltd., are associate concerns. As clearly explained in our reply to the Show Cause Notice dated 12.11.1998 and repeated herein below the said three concerns are independent companies and are not connected with each other in any manner whatsoever.*
 - *It is not understood now and in what manner SEBI came to the conclusion that there was abnormal price and volume movement in the scrip of Nedungadi bank Ltd. (NBL) at both BSE and NSE. There is no yardstick or norm laid down to determine what movement is abnormal or normal. In the absence of such yardstick or norm, any inference that movements are normal or abnormal is purely a matter of individual perception and is totally subjective.*
 - *The fact that close relatives of Shri Rajendra Banthia are directors in First Custodian Fund (I) Ltd does not make that company, a company within the same Management as HSL as per Sec 370 of the Companies Act, 1956.*
 - *It is a normal practice especially in the stock broking trade to take and give accommodation loans between fellow brokers. It is a fact that HSL has received and given such accommodation loans to M/s. Shrikant G Mantri and M/s. First Custodian Fund (I) Ltd. Such accommodation loans have also been advanced and/or taken from others. All these transactions are on commercial terms.*

- *It is true that HSL had dealings with Enpee Enterprises. The same was on broker-to-broker basis. It is a fact that HSL sold 227100 shares on spot basis to Enpee Enterprises. HSL is not aware and does not have any information as to the identity of the client of Enpee.*
- *We had purchased only 338100 shares on various dates on BOLT. The identity of the seller could not have been known on the BOLT and was not known. HSL became aware for the first time the identity of the seller on receipt of the data from SEBI. It is one of those rare and strange coincidence that the seller of 237000 shares in this instant case as per the records available with SEBI turned out to be Daisy Investment, client of Enpee Enterprises.*
- *HSL has given the fullest details of its transactions with Enpee to SEBI. It is therefore not understood on what basis SEBI can come to the conclusion that incomplete and misleading information has been given by HSL.*
- *As regards the statement made by C.K.Shah it is most pertinent to point out that at all relevant times, our dealings with Enpee Enterprises were done through Nilesh Popat only, the designated Director of Enpee Enterprises. We never dealt with C.K.Shah at any time. Hence it is beyond any doubt that the statements made by C.K. Shah are pure heresay without his personal knowledge and therefore cannot be relied upon in these proceedings, in any manner whatsoever.*
- *It is vehemently denied that our Director Shri Rajendra Banthia used to call Mr.Nilesh Popat and indicate the quantity and price to put as 'order trade' in the terminal of Enpee Enterprises. In these circumstances there was no question of Mr.Banthia picking the same and putting the quantity and price in quote form at HSLs terminal or that at all as alleged by SEBI.*
- *We repeat and reiterate that all transactions of purchase or sale done by us were genuine transactions. These transactions have either been done on BOLT and when done on Spot, were invariably and without any default reported to the BSE on the same day of the transaction. It could be possible that the seller in the instant case on BOLT was the same party. No adverse inference can be attributed to such coincidence when the transactions are legitimate and bonafide.*
- *The total purchases of HSL was done on 68 days. The purchases made by HSL were in line with the sale quotes appearing on BOLT and by no stretch of imagination can it be attributed that HSL predetermined the scrip prices.*

2.3 The Enquiry Officer, after conducting an enquiry submitted a report dated April 27, 2006 wherein he observed that the Noticee violated Regulations 4(a), 4(b) and 4(c) of PFUTP Regulations and Clause A(3) and A(4) of the Code of Conduct for Stock Brokers under Schedule II of SEBI Stock Brokers Regulations. He recommended suspension of certificate of registration of the Noticee for a period of three months.

3.0 SHOW CAUSE NOTICE

3.1 Pursuant to the receipt of the said Enquiry Report, a Show Cause Notice dated May 10, 2006 was issued to the Noticee, enclosing therewith a copy of the Enquiry Report advising the Noticee to show cause as to why the action as recommended by the Enquiry Officer should not be imposed against him. The Noticee submitted its reply dated October 12, 2006 to the show cause notice and also requested for a personal hearing in the matter.

4.0 REPLY OF THE NOTICEE TO THE SHOW CAUSE NOTICE

4.1 The Noticee denied the increase of volume in the NBL scrip from 15,000 shares in the month of January 1998 to 2,54,400 on February 18, 1998 as stated in the enquiry report. The Noticee stated that the volume of trading in the NBL scrip in January 1998 at BSE was 3,84,100 as evidenced from the data available on BSE website.

4.2 The Noticee submitted that the clients normally give orders to different brokers for purchasing and selling the same scrip as it is a common practice in the market and nothing is unusual in these kinds of transactions.

4.3 The Noticee submitted that the total trades done by them in the NBL shares for the period January to March 1998 was 338100 shares on BOLT out of which 147500 shares was on vyapar account and 190600 shares was for various clients. They sold 56800 NBL shares out of which 43100 shares on vyapar account and 13700 shares on behalf of their clients on BOLT.

4.4 The Noticee submitted that the enquiry officer has proceeded on erroneous assumption and premise that SGM., FCFIL. and the Noticee are associate concerns. The Noticee submitted that they are separate and distinct entity and are not an associate of the above entities.

4.5 The Noticee submitted that all spot transactions done by them amounting to 4,22,000 shares were reported to BSE as per the requirements of Circular no. SMD/RCG/CIR/(BKG)/293/95. The Noticee stated that it purchased 3,38,100 NBL shares and 4,22,000 NBL shares were sold on spot basis. However, total purchase of 3,38,100 shares on BOLT were done on 68

days. It may be possible that the seller in the instant case on BOLT was the same party, but no adverse inference can be attributed to such coincidence when the transactions are legitimate and bonafide.

- 4.6 The Noticee stated that their trades done at BSE in the NBL scrip were substantial. It is also stated that stock market price of the scrip goes up when buyers are more than sellers and vice versa than the price level which is attractive to sellers.
- 4.7 The Noticee submitted that it executed 68,100 shares for Sukhdev Mundra and 28,500 shares for VMS trading and not 20,500 shares as alleged in the said report. Further shares traded in our Vyapar A/c are 1,56,900 and not 73,500 as alleged in the said report.
- 4.8 The Noticee stated that SGM entered into a number of spot deals in the NBL scrip and the Noticee sold 1,77,900 NBL shares to Enpee Enterprises, 55,300 to M L Shah group and 75,000 to Goshar Group and the same were reported to the exchange.
- 4.9 The Noticee stated that they are not aware about the identical quantities of shares sold by the same entities subsequent to the spot deals as the transactions were done on BOLT where there is no possibility to know the identity of the counterparty. The Noticee became aware for the first time the identity of the seller on receipt of the data from SEBI.
- 4.10 With regard to the finding of continuous purchase of NBL shares at prices higher than the prices in the earlier settlement, the Noticee submitted that if a buy order is for a larger quantity of shares vis a vis the quantity available for sale the buy orders will have to be placed at a price higher than the ruling price / last traded price. The Noticee added that if buy orders were to be placed at the existing price / last traded price or at a relatively lower price, it may be possible that the full quantity required by client may not be available and to ensure that full quantity of buy order is fulfilled it would have been necessary to place orders higher than ruling price / last traded price.
- 4.11 The Noticee submitted that the trades done by it were not artificial as it has purchased / sold shares and payment has been received / made accordingly. It added that trades for which delivery was taken and given could never have created artificial or false market. The Noticee further stated that the enquiry report does not provide any details of the price increase from Rs 56/- to Rs 91.90 during a period of 3 months. It is also stated that the volume of the shares traded by Noticee in the NBL scrip was a very low percentage of the market total volume during the investigation period.
- 4.12 The Noticee submitted that all transactions executed by them were on behalf of their clients except of few in 'vyapar account' (which is only a very low percentage) and as such the clients are responsible for their decisions. The Noticee stated that they were neither aware of any predetermined plan nor were a party to the predetermined plan as alleged. Further, it is stated that the Noticee is not associated with FCFIL or SGM.
- 4.13 The Noticee admitted that it had sold NBL shares by way of spot transactions, which invariably and without default and delay were reported to BSE. The transactions for the purchase and sale were genuine transactions and the transactions for purchase have been done on BOLT. It is stated that when buy order is entered in the automated trading mechanism of the Stock Exchange, the order can be picked up by any one and the trading mechanism being fast, orders get converted in to trades in a fraction of a second.
- 4.14 The Noticee denied the finding of purchasing of identical quantities and meeting of minds between SGM with Noticee and FCFIL. It is further stated that even assuming there was any meeting of minds among them, the Noticee had merely executed the instructions of clients in good faith and in the ordinary course of business and therefore, it cannot be inferred that the Noticee is a part of the alleged wrong doing of clients without establishing or producing credible evidence to show that there was meeting of minds for a common objective or purpose.
- 4.15 The Noticee submitted that it had not violated the provisions of PFUTP Regulations and Stock Brokers Regulations and requested to drop the recommendation of the Enquiry Officer. The Noticee has also requested for a personal hearing in the matter.

5.0 HEARING

- 5.1 The request of the Noticee for personal hearing in the matter was granted and accordingly they were advised to attend the personal hearing before me at SEBI's Office at Mumbai on December 08, 2006 at 11.15 a.m. Thereafter, on request from Noticee, two more opportunities of personal hearing were granted on December 18, 2006 and January 04, 2007 which they did not attend. Therefore, I am proceeding in the matter on the basis of the submissions of the Noticee and the materials before me.

6.0 CONSIDERATION OF ISSUES & FINDINGS

- 6.1 I have carefully examined the findings of investigation, enquiry report, show cause notice and reply of the Noticee.
- 6.2 The Enquiry Officer found that the Noticee was acting with a predetermined plan with other brokers such as FCFIL and SGM and select group of clients and executed artificial trades which resulted in price and volume rise in the NBL scrip. The price

of the NBL scrip moved up from Rs 56/- on January 15, 1998 to Rs 91.90 on March 25, 1998 coupled with increased volume of trading. It is also found that a group of brokers traded in the scrip in large volumes. Accordingly, client details of the said group of brokers were also analyzed and it was observed that there were a few common clients who traded in the scrip through the said group of brokers. The trading details of the brokers who had executed substantial trades in the NBL scrip during the said period are provided in the following table:

Exchange	Broker	Net Buy Position	Net Sell Position
BSE	SGM	398300	
	Harvest Deal Securities Ltd. (The Noticee herein)	225600	
	Suresh KJ	130600	
	Enpee Enterprises		591800
	PP Shah		100000
NSE	First Custodian Fund (India) Ltd.	678500	
	Wood Stock Broking Ltd.	74700	
	Good Fortune Advisory		461900

- 6.3 It is also found that Shri. R. K. Banthia, Director of the Noticee in association with FCFIL and SGM dealt mainly in the NBL scrip in both the NSE and BSE. Noticee and SGM are brokers of BSE and FCFIL is a broker of NSE. A large number of financing transactions among these entities were observed and the affairs of all these three entities were being handled mainly by Shri. R. K. Banthia. (the director of Noticee). The Enquiry Officer observed that these three entities are having the same office. However, the Noticee stated that the above stated three entities are independent companies and are not connected with each other in any manner whatsoever. They also stated the very fact that the close relatives of Shri R. K Banthia are directors in FCFIL does not mean that both the Noticee and FCFIL were under the same management. The Noticee submitted that they are tenant in those premises at Surya Mahal and rent for the same is paid by their Director R.K Banthia. The rent for telephone bills, electricity bills etc are also being paid by them. However, they admitted that the said three entities share the office facilities such as EPABX, Fax, reception, pantry and toilet. Further, they admitted that they have advanced as well as taken loan from fellow brokers including SGM and FCFIL. Considering these facts and trades of these entities in the NBL scrip, it may be observed that these three entities are one way or other connected and had the same intention to create artificial price and volume in the scrip to derive undue gain thereof.
- 6.4 The Enquiry Officer also noted that the Banthia group which includes SGM, FCFIL and the Noticee was holding approximately 19% of the equity of NBL out of which SGM and his family members were holding 10.5% and Shri. R. K. Banthia and his family members were holding 8.4%. It is also found that the Banthia Group formed substantial part of total trades in the NBL scrip at the exchanges. Delivery of shares by them is noted to be as high as 83% of the total delivery of shares at BSE and 65% of the total delivery of shares at NSE. The Banthia Group purchased the shares at successively at higher prices when the price moved up from Rs 56/- to Rs 98/- and said purchase resulted in sudden spurt in the price and volume of the NBL scrip.
- 6.5 The Enquiry Officer observed that the major clients of the Noticee were Sukdev Mundra and VMS trading and both of these clients bought 68100 shares and 20500 NBL shares respectively through the Noticee. The Noticee purchased 73500 NBL shares in his Vyapar account. However, the Noticee has given a different figure stating that it executed 28500 shares for VMS trading and 156900 shares in its vyapar account. I have noted that the figure given by the Noticee is more than that of the figure given by the enquiry Officer. Further, even assuming that the said statement of the appellant is correct, then also it does not vitiate the findings of the Enquiry Officer since these are based on the evidence of linkage of the entities dealing in the NBL scrip, their trading pattern, modus operandi and their intention etc.
- 6.6 Apart from the above regular transactions, there were a large number of spot deals in the scrip and the said details are given hereunder:

Buyers in spot deals	Quantity
Enpee Enterprises	88400
M L Shah Group	55300
Goshar Group	75000
Sellers in spot deals	Quantity
R K Banthia	29100
Vyapar Account	55300
V M Soni	75000
Pragati Asia	42800
S.Aditya Kumar HUF	16500

6.7 The Noticee admitted that they have entered into various spot deals on BSE and that the same were reported to the Exchange. They have produced some document to show that they have reported the same to the exchange. However, I find that the said document does not show that all the trades executed by them were reported to the exchange. Further, the issue is that they have followed a pattern by entering into spot deals and subsequent to the spot deals, identical quantity of shares were sold in the market by the same entities with a pre determined plan to execute fictitious trades in the NBL scrip. Hence, their stand that they have reported spot deal to the exchange does not absolve them from the charges levelled against them.

6.8 During the said period, there were continuous purchases of NBL shares at prices higher than the prices in the earlier settlement. The large and continuous delivery based purchases created an artificial market and it resulted in substantial increase in price of NBL from Rs.56 to Rs.92 during the period of about three months. The Noticee stated that there is no possibility to know the identity of the counter party when the deals are executed on BOLT and they became aware of the counter party for the first time only when they received data from SEBI. This contention is not tenable as Enpee Enterprises purchased shares for Mantri family, FCFIL, R.K Banthia (the director of the Noticee) and Pragati Asia. The Enquiry Officer found that Enpee Enterprises sold these shares and the Banthia group purchased 88.34% of the shares sold. Details of these trades are given hereunder:

Settlement Number	Quantity Sold	Purchased by	
		SGM	RK Banthia
41	56500	1900	50300
42	99500	56500	42100
43	27000	0	27000
44	99200	60700	38500
45	45500	45500	0
46	89500	83200	0
47	49100	9600	28600
48	105800	22900	52600
49	54700	0	15500
50	72300	68000	4300
51	11000	11000	0
1	10000	9900	100
2	28900	28900	0
3	11000	11000	0
4	27900	1500	26400
Total	787900	410600	285400

- 6.9 The above transactions were not disputed by the Noticee. What they submitted in their reply to the show cause notice is that the calculation of the percentage is wrong as they had only purchased 1,47,500 NBL shares from Enpee Enterprises. I have verified the facts and find that the said stand of the Noticee is not correct. In the table given above, it is clearly provided that the director of Noticee Shri R.K Banthia purchased 285400 shares and SGM purchased 410600 shares from Enpee Enterprises. It is also relevant to mention here that the Noticee never disputed the sale of NBL shares to Enpee Enterprises and purchase of the shares of NBL at a later date.
- 6.10 I find that the main client of Enpee Enterprises was Daisy Investments. Shri. Nilesh M. Poppat and Shilpa M Poppat are the Directors of Enpee Enterprises. Ms. Manjula M. Poppat, mother of Nilesh M Poppat is the Director of Daisy Investments. Nilesh M. Poppat used to manage the daily affairs of Daisy Investments. It is noticed that Daisy Investments had purchased 7,48,400 shares on spot from BSE broker Rajendra Banthia through Enpee Enterprises. It sold 7,87,900 NBL shares most of which were purchased in spot. Out of these, 7,66,500 shares were purchased back by Banthia and his associates. Regarding the dealings of Daisy Investments, the Noticee submitted during the enquiry proceedings that it had purchased 338100 shares on various dates on BOLT and it was one of those rare and strange coincidence that the seller of 2,37,000 shares turned out to be Daisy Investments, client of Enpee Enterprises. The trading pattern of the Noticee as stated above indicates their knowledge of trades among themselves.
- 6.11 The shares of NBL purchased by Enpee enterprises in various spot deals through the Noticee and SGM for Gohar and Shah Group are also provided as hereunder:

Name of the Broker	Dates of Spot Deals
Shrikant Mantri	January 7, 1998, January 10, 1998, January 12, 1998, January 24, 1998, February 4, 1998, February 9, 1998, February 26, 1998, March 4, 1998, March 19, 1998, April 6, 1998
Harvest Deal Securities Pvt. Ltd.	February 17, 1998, February 26, 1998, March 9, 1998

- 6.12 On analyzing the available information as also findings of Enquiry Officer and the reply submitted by the Noticee, I find that the Banthia group was holding approximately 19% of the equity of NBL out of which SGM and his family members were holding 10.5% and Shri. R. K. Banthia and his family members were holding 8.4%. They were selling shares on spot basis to various clients mainly Daisy Investment (through broker Enpee Enterprises), Goshar group (comprising of Pankaj Goshar, Naval D Goshar, Kamal Champsi, Nutanben Champsi Goshar, Sarkar Hirji), M.L Shah group (comprising of M.L Shah, Anurang Tulsyan, Pankaj Shah and Amy Shah) and Parikh group (comprising of Panther Fincap, Ketan Parikh, Jayanth Parikh and Karthik Parikh). They sold back these shares through regular market under 'All or None' category in BSE and in Special Term category in NSE which was picked up by the Banthia Group. The Noticee stated that all the said transactions were reported to exchange and produced copies of the letter addressed to BSE intimating the spot deals. The said copies of the letter only show the reporting of some transactions. However, the issue in this matter is manipulation of the price and volume of the NBL scrip and as such the contention of the Noticee that they have reported the spot deals to the exchange would not help them to disprove the charges levelled against them.
- 6.13 I find from the nature of trades and trading pattern of the Noticee and his associates that they sold the NBL shares on spot basis to financiers whenever they were in need of short term finance. Later these shares were bought from these clients as regular market transactions, through structured deals by asking the clients to put the orders in "All or None Category" or "Special Term Category". The said brokers including Noticee ensured that they matched the quantity and price that their clients have put in the trading terminals. Thus the orders were executed and the shares were received back by them through the clearing house. Payment for this purchase was made during the regular "pay in date of the exchange". The loan thus was enjoyed by the Noticee for around 12 days. The interest for this loan was added in the price at which shares were purchased back. It is pertinent to note that the trades by way of structured deals, selling in spot and buying back of the shares through regular market reduced the risk of lenders since the payment was assured through the exchange mechanism. Further, with regard to the issue of financing trade, the Noticee admitted that loan had been taken and given to the above referred entities and it was a normal trade practice. Considering these facts and the association of Noticee with FCIL and SGM and their trading pattern, it clearly establishes that the loan had been taken / given by the Noticee for creating artificial market in the NBL scrip as also to derive undue gain.
- 6.14 I also find that the pattern of trading of Noticee in the NBL scrip is also indicative of collusion with FCIL and SGM. I have noted that these three entities were the major buyers in the scrip at BSE and NSE at the period under consideration and also noted that delivery of shares by them constituted 83% of the total delivery of shares in BSE and 65% of the total delivery of shares at NSE. Further, they were purchasing identical quantities of shares that were sold earlier by them. The said pattern over a long period of time is indicative of meeting of mind and cannot be termed as a mere coincidence. I also find that these three entities were operating their business from the same premises. Shri. Sushil Mantri who is a brother of SGM was also a Director of FCIL and the close relatives of Shri Rajendra Banthia (the director of Noticee) are directors in FCFIL. Further, the admission of Noticee that loan had been given to and taken from these entities and also had broker

client relationship with them leads to the manipulative role played by these entities. In view of large volumes traded between these entities, the argument that this was a mere coincidence can not be accepted as valid.

- 6.15 From the above facts, it is established that the Noticee was acting in accordance with predetermined plan with the other brokers such as FCFIL, SGM and also with select group of clients and together they created false market causing steep price and volume rise in the scrip. This type of artificial price and volume creation gives wrong message to the investors and may induce them to trade in the shares, where the chances of them incurring loss is great. In view of all these facts, it is evident that the Noticee has violated the provisions of Regulation 4 (a), (b) and (c) of PFUTP, which provides that,

4. No person shall –

(a) Effect, takepart in, or enter into either directly or indirectly, trasactions in securities, with the intention of artificially raising or depressing the price 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;

- 6.16 Further, the Noticee has not taken due care and diligence essentially required in conducting his business as a stock broker and thus violated 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 personal gains.

(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 interference with the fair and 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 soundness".

- 6.17 Under section 11 of the SEBI Act, SEBI can take steps to protect the interests of investors and to regulate the securities market inter alia by registering and regulating the working of stock brokers. If the regulatory requirements are violated by the stock brokers without attracting any action, the measures taken by SEBI for regulation of the stock brokers would be rendered nugatory and the regulatory function would be jeopardized. It is to be noted that indulgence of the Noticee in the transactions which are prohibited can not be allowed as bonafide transactions since they are likely to have a detrimental effect on the functioning and integrity of the securities market.

- 6.18 I have also noted that the certificate of registration granted to the Noticee was suspended for a period of 12 months from July 14, 2003 (i.e. the date on which the interim order was passed) vide Order dated March 5, 2004 passed by the then Chairman of SEBI for the irregular transactions of the Noticee in the same NBL scrip. Similar Orders were also passed against SGM and FCFIL and the issues of their linkage/association and the reasons for executing artificial and manipulative trades in the NBL scrip were also established in the said orders.

- 6.19 Having considered all aspects of the matter and looking into the violations committed by the said broker, I am satisfied that it is necessary to impose a penalty on the Noticee. Hence, I agree with the recommendation of the Enquiry Officer that the registration of the Noticee be suspended for a period of three months.

7.0 ORDER

- 7.1 Taking into account all facts and circumstances of the case and in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 read with Regulation 13(4) of SEBI Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby impose a minor penalty of suspension of certificate of registration of M/s Harvestdeal Securities Ltd, a registered broker, Bombay Stock Exchange Ltd. (BSE) with SEBI Registration No. INB010985237, for a period of 3 months.

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

Place: Mumbai
Date: April 17, 2007

V. K. CHOPRA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA