

SECURITIES AND EXCHANGE BOARD OF INDIA

Coram: Dr. T. C. Nair, Whole Time Member

ORDER

UNDER REGULATION 13(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002, AGAINST M/s. HARVIC MANAGEMENT SERVICES INDIA LIMITED (PAN – AABCH1644M), SUB-BROKER AFFILIATED TO M/s. B. M. GANDHI SECURITIES LTD., MEMBER, BOMBAY STOCK EXCHANGE LTD., MUMBAI AND BEARING SEBI REGISTRATION NUMBER INS 010496938 IN THE MATTER OF THEIR DEALING IN THE SCRIP OF M/s. NUMERO UNO PROJECTS LIMITED

WTM/TCN/ID6/ 57/08/2007

1.0 BACKGROUND

- 1.1 The Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted an investigation in the dealing in the scrip of M/s. Numero Uno Projects Limited (hereinafter referred to as 'the company' or 'NUPL') for the period from June, 2002 to July, 2002. The investigations alleged that M/s. Harvic Management Services India Limited (hereinafter referred to as 'sub-broker'), a sub-broker affiliated to M/s. B. M. Gandhi Securities Ltd., Member, Bombay Stock Exchange Ltd., Mumbai, bearing SEBI Registration number INS 010496938 had violated the provisions of Regulation 4 (b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (herein after referred to as 'FUTP Regulations'), Code of Conduct for Sub-Brokers specified in Schedule II read with Regulation 15 of the SEBI (Stock Broker and Sub-broker) Regulations, 1992 (hereinafter referred to as 'Broker Regulations'), SEBI Circular SMD/SED/CIR/93/23321 dated 18-11-1993 and SEBI Circular SMD/POLICY/CIRCULAR/5-97 dated 11-04-1997. In view of the above allegations, it was thought fit to conduct an enquiry against the sub-broker.
- 1.2 Accordingly, SEBI vide an order dated 26-07-2004 appointed an Enquiry Officer to enquire into the contraventions, if any committed by the sub-broker while dealing in the scrip of the company.

2.0 ENQUIRY PROCEEDINGS

- 2.1 In order to convey the charges against the sub-broker, a notice in terms of Regulation 6(1) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as the 'Enquiry Regulations') was issued to it. The notice also enclosed documents which were the basis for the allegations against the sub-broker. The notice required the sub-broker to reply to the same within 21 days.
- 2.2 The sub-broker had replied to the notice by its reply dated 21-09-2004 through their counsel. The Enquiry Officer had also heard the sub-broker in accordance with Regulation 9 of the Enquiry Regulations.
- 2.3 After conducting the enquiry, the Enquiry Officer vide his Report dated 31-01-2005 had concluded that the sub-broker had violated the provisions of Regulation 4 (b) and (d) of the FUTP Regulations and Clauses A(1) and (2), B(8) and D(3), (4) and (5) of the Broker Regulations. The conclusions arrived at by the Enquiry Officer are :
- That the sub-broker has assisted the promoter associated entities in selling their shares
 - That the sub-broker had accepted incomplete client registration form from its clients
 - That they have routed sale of shares through other related entities so as to escape detection and suspicion of concentration of trading in thinly traded scrips
 - That the sub-broker in connivance with other related entities have created artificial volumes in the scrip and thereby a false and misleading appearance of trading in the securities market
 - That the sub-broker was buying and selling shares at the same time in connivance with other related entities without intending to effect transfer of beneficial ownership
- 2.4 The Enquiry Officer based on the findings and conclusions has recommended that the registration granted to the sub-broker be suspended for a period of 3 months as penalty for their violations.

3.0 SHOW CAUSE NOTICE, REPLY AND HEARING

- 3.1 After considering the Enquiry Report submitted to it, the Board issued a show cause notice dated 21-02-2005 to the sub-broker under Regulation 13(2) of the Enquiry Regulations, whereby the sub-broker was to show cause as to why penalty as recommended by the Enquiry Officer or any other appropriate penalty should not be imposed for its contraventions. The sub-broker replied to the show cause notice by its reply dated 04-03-2005 wherein they made their submissions.

4.0 CONSIDERATION OF ISSUES

- 4.1 I have carefully perused the Enquiry Report, the notice and the submissions made by the sub-broker. The issue before me for consideration are:
- i) Whether the sub-broker has entered into any dealing which contravenes the relevant provisions of the FUTP Regulations?
 - ii) Whether the sub-broker had acted in a manner so as to contravene the provisions of SEBI Circulars, SEBI Circular SMD/SED/CIR/93/23321 dated 18-11-1993 and SEBI Circular SMD/POLICY/CIRCULAR/5-97 dated 11-04-1997?
 - iii) Whether the sub-broker has contravened the relevant provisions of the code of conduct prescribed for sub-brokers under the Broker Regulations?

4.2 I note that the charge against the sub-broker was that they connived with the promoters of the company by creating misleading appearance of trading in the scrip of NUPL thereby luring innocent investors to invest in the said scrip. Necessary facts relevant to the case are that, NUPL had advertised in some leading newspapers about the proposed buy-back of its shares. I note that the investigations have revealed that a small part of the advertisement cost has been paid by the sub-broker and another entity called M/s. Havmore Financial Services Limited, an associate of the noticee. But the sub-broker has stated that the payments were made to the advertisement agency only for publishing their annual result which is mandated by the stock exchanges. This submission has not been corroborated by any documentary proof of publishing their annual result in the newspapers. The investigations have brought that Shri Kaplesh K. Chawalla was a director of Harvic and M/s. Havmore Financial Services Limited, Shri Hemang D. Jangla was a director of Harvic and M/s. Danhem Management Services and Shri Dinesh T. Jangla was director in Harvic and in M/s. Havmore Financial Services Limited. This would establish the link between the aforesaid entities.

4.3 I note that prior to the advertisement by the company of their proposed buy-back, the traded volumes increased substantially from 1,50,000 shares to 3,50,000 whereas the price was stable between Rs.2.50/- and Rs.3/- . The sub-broker had started to trade in the scrip of the company during May, 2002 on instructions of Shri Harish Ruparel, promoter of the company. The promoters of the company had transferred 16,30,000 shares to the account of the sub-broker from their associates, namely, M/s. Avdh Investment and Capital Private Limited, M/s. Numero Uno Credit Capital and Investment Private Limited, M/s. Numero Uno Securities Private Limited and Darshna Ruparel. From out of 16,30,000 shares obtained from the promoters of the company, the sub-broker in turn transferred 1,96,000 shares to their associates M/s. Havmore Financial Services Limited, M/s. Danhem Holdings and Shri Kerul Shah (stated to be an employee of the sub-broker) who sold the shares through various other brokers. I note that the sub-broker has done the above transfer instead of selling the shares as instructed by the promoters. The Enquiry Officer has observed that the sub-broker has transferred the shares of the company in order to escape detection and suspicion of concentration in the scrip. I, further note that these transfers enabled the group entities to engage in a series of transactions such as structured deals, that were intended to create artificial volumes and price in the scrip of NUPL. The tables below would throw more light on how Harvic group entered into self deals within the group.

(i) The table below give details of the transactions entered into between M/s. Havmore Financial Services Limited and M/s. Danhem Holdings on 28-06-2002.

Transactions between Havmore and Danhem on 28/6/2002 for 16000 shares

Trade no	Order no	Broker No	Qty	Rate	Buy/ Sell	Date	Time	Counter broker	Client code
554	32806100000003376	D0328	600	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
555	32806100000003376	D0328	2200	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
556	32806100000003376	D0328	2200	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
557	32806100000003376	D0328	2200	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
558	32806100000003376	D0328	2200	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
559	32806100000003376	D0328	2200	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
560	32806100000003376	D0328	2200	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
561	32806100000003376	D0328	2200	3.55	B	28-Jun-02	2:49:01 PM	D0601	MMD007
554	60100100010040000	D0601	600	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623
555	60100100010040000	D0601	2200	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623
556	60100100010040000	D0601	2200	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623
557	60100100010040000	D0601	2200	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623
558	60100100010040000	D0601	2200	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623
559	60100100010040000	D0601	2200	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623
560	60100100010040000	D0601	2200	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623
561	60100100010040000	D0601	2200	3.55	S	28-Jun-02	2:49:01 PM	D0328	7623

From the above table it is evident that the transactions which were in the nature of cross/self deals and Havmore and Danhem (Harvic group) were buying and selling through different brokers. It is seen that on 28/6/2002, the Harvic group was buying and selling shares at the same time. The Client Code No. MMD007 belonged to client Danhem Holdings with Geojit Securities (broker No. D0328) and Client Code No. 7623 belonged to Havmore Financial with broker no. D0601- R D Shah. Total trade shares amounted to 16000 shares. Danhem was buying shares and at the same time Havmore was selling them the deals being self deals.

(ii) The table below shows the transactions between Havmore and Kerul

Shah entered on 28/6/2002 for 24000 shares

Transactions between Havmore and Kerul Shah on 28/6/2002 for 24000 shares

Trade no	Order no	Broker No	Qty	Rate	Buy/ Sell	Date	Time	Counter broker	Client code
187	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
188	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
189	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
190	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
191	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
192	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
193	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
194	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
195	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
196	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623

Trade no	Order no	Broker No	Qty	Rate	Buy/ Sell	Date	Time	Counter broker	Client code
197	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
198	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
199	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
200	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
201	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
202	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
203	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
204	60101900000000299	D0601	1000	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
205	60101900000000299	D0601	1500	3.45	B	28-Jun-02	11:24:47 AM	D0222	7623
187	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
188	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
189	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
190	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
191	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
192	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
193	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
194	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
195	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
196	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
197	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
198	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
199	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
200	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
201	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
202	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
203	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
204	22200100010041313	D0222	1000	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209
205	22200100010041313	D0222	1500	3.45	S	28-Jun-02	11:24:47 AM	D0601	K209

From the trade data it is seen that on 28/6/2002, the Harvic group was buying and selling shares at the same time. Client Code No. K209 belonged to Harvic associated client Kerul Shah with broker No. 222 – G R Pandya. Client Code No. 7623 belonged to Havemore Financial with broker No. 601- R D Shah. Consecutive trades from Nos. 555 to 561 are observed in this specific transaction and the total trade was for 24000 shares. Havemore was buying the shares and at the same time, Kerul Shah was selling the shares, wherein the deals were self deals.

From the data collated by the investigations, I find that a total of 40000 shares were traded at the same time between the entities in the Harvic group. This comprised around 8% of the total trading volumes. This volume on a relatively illiquid scrip such as NUPL is significant to arouse investor interest in the market. The table below brings out the volumes traded by the Harvic group and the total volume traded in the market.

Date	Qty of self deals	Total Volume on the stock exchanges	Percentage
9-May-02	3000	33582	8.95
15-May-02	30000	84655	35.45
17-May-02	40100	102789	39.05
24-May-02	3000	39025	7.70
5-Jun-02	3600	36607	9.85

Thus, as a result of such deals, artificial volumes were created by the Harvic group. This was done to create trading interest in the scrip in addition to the trading interest generated by the advertisement by the company.

Harvic group also indulged in large proprietary dealings in the shares of the company. Date-wise proprietary trading details of Harvic group (sub broker – Harvic, Havemore and Danhem) has been tabulated below for reference -

Date	Quantity Purchased	Quantity Sold	Exchange Volume on that day	Percentage Purchase	Percentage Sold
15.04.02	2000	0	6605	30.28	0.00
16.04.02	0	2000	7000	0.00	28.57
09.05.02	9291	5291	33582	27.67	15.76
10.05.02	2205	2205	32237	6.84	6.84
13.05.02	3000	3500	15932	18.83	21.97
14.05.02	21892	7595	49112	44.58	15.46
15.05.02	49605	34710	84665	58.59	41.00
16.05.02	58089	36010	66599	87.22	54.07
17.05.02	43350	59545	102789	42.17	57.93
20.05.02	16812	11668	25872	64.98	45.10
21.05.02	1900	0	5050	37.62	0
22.05.02	13945	18035	29380	47.46	61.39
23.05.02	11615	6315	17430	66.64	36.23
24.05.02	17800	17800	39025	45.61	45.61
27.05.02	3945	3610	6365	61.98	56.72
28.05.02	6810	2700	12510	54.44	21.58

Date	Quantity Purchased	Quantity Sold	Exchange Volume on that day	Percentage Purchase	Percentage Sold
29.05.02	5240	2020	8240	63.59	24.51
30.05.02	5830	4500	10840	53.78	41.51
31.05.02	7300	44300	56500	12.92	78.41
03.06.02	6610	11024	21830	30.28	50.50
04.06.02	28770	4610	60620	47.46	7.60
05.06.02	10300	10300	36607	28.14	28.14
06.06.02	10540	10540	25944	40.63	40.63
07.06.02	29000	22900	79500	36.48	28.81
10.06.02	65086	53043	149695	43.48	35.43
11.06.02	155465	133063	243816	63.76	54.58
12.06.02	93560	87410	156470	59.79	55.86
13.06.02	42265	47381	108720	38.88	43.58
14.06.02	46350	46350	126550	36.63	36.63
17.06.02	77500	60100	173500	44.67	34.64
18.06.02	98721	76035	170272	57.98	44.66
19.06.02	53590	81266	161310	33.22	50.38
20.06.02	36300	46300	120160	30.21	38.53
21.06.02	59880	62550	185580	32.27	33.71
24.06.02	23645	16160	94470	25.03	17.11
25.06.02	49510	31400	222765	22.23	14.10
26.06.02	49050	33950	129500	37.88	26.22
27.06.02	12700	10300	74500	17.05	13.83
28.06.02	150300	132275	535725	28.06	24.69
01.07.02	129450	149370	261820	49.44	57.05
02.07.02	147126	135251	394577	37.29	34.28
03.07.02	216127	193053	391255	55.24	49.34
04.07.02	482066	383604	1013064	47.58	37.87
05.07.02	290474	403785	1013572	28.66	39.84
08.07.02	6799	2000	243804	2.79	0.82
09.07.02	66073	46841	200665	32.93	23.34
10.07.02	499350	490850	1095600	45.58	44.80
11.07.02	364182	396713	895049	40.69	44.32
12.07.02	55839	55839	481847	11.59	11.59
15.07.02	9530	5900	42080	22.65	14.02
16.07.02	64625	18455	237885	27.17	7.76
17.07.02	7400	40090	90960	8.14	44.07
18.07.02	16663	9900	69153	24.10	14.32
19.07.02	16600	3400	37950	43.74	8.96
22.07.02	1305	77318	90618	1.44	85.32
26.07.02	10900	0	22500	48.44	0.00

It can be seen from the above that the dealings of the group were considerable when compared with the volumes traded on the exchange. Harvic group purchases were as high as around 88% and sales were as high as 85% of total exchange traded volume. On other dates as well, both purchase and sale quantities comprised a significant quantity of stock exchanges volumes. I find that the Harvic group had thus generated volume in the scrip in order to facilitate or create an artificial market for selling shares of the company.

4.4 I have also taken note of the deposition of Shri Kalpesh Chawalla, Director of the sub-broker, who testified that he had on certain occasions entered into cross deals and that he had also placed a sell order through one broker and bought the same through another. On a perusal of the trade data of the scrip, it is evident that Harvic group (comprising the sub-broker, Havmore Financials, Kerul Shah and Danhem) was involved in buying and selling the shares of NUPL at the same time. I note that the Enquiry Officer had observed that a total of 40,000 shares were traded at the same time among the Harvic group which comprised about 8% of the total trading volumes. It was also observed that such concentrated trading in relatively less liquid scrip was significant. I am in full agreement with the finding of the Enquiry Officer that such deals were created by the Harvic group only to give a false impression of trading and to increase the attractiveness of the price of NUPL shares, when it had advertised about the proposed buy-back. I also note that the Enquiry Officer had observed that the trades were squared off which resulted in nil deliveries. The manner of trading by the Harvic group would prove that the trades were not in any ordinary course but structured so as to give a false picture of actual trading in the scrip of the company. The creation of artificial volumes also was intended to facilitate the promoters to off load their stake easily.

4.5 I also note that the Harvic group had entered into certain proprietary trades during April 1, 2002 to August 1, 2002 through Shri Kerul Shah (employee of the sub-broker) and Shri Sandeep Sakpal and such trades also contributed to the creation of artificial volumes in the scrip. Trades of these two persons were entered through another sub-broker called My Money Investments (affiliated to JHP Securities). The findings reveal that Shri Kerul Shah was introduced by M/s. Havmore Financial, one of the associates of the sub-broker and Shri Kerul Shah had in turn introduced Shri Sandeep Sakpal to My Money Investments. I note that Shri Sandeep Sakpal had also squared off his trades. The table below would indicate the trades that were squared off.

Date	Gross Buy	Gross sales	Buy % to stock exchanges volume	sales % to stock exchanges volume
13/06/2002	13000	13000	12.0%	12.0%
14/06/2002	10000	10000	7.9%	7.9%
17/06/2002	12000	12000	6.9%	6.9%
20/06/2002	9000	9000	7.5%	7.5%
21/06/2002	10000	10000	5.4%	5.4%
26/06/2002	15700	15700	12.1%	12.1%
28/06/2002	40000	40000	7.5%	7.5%
01/07/2002	25200	25200	9.6%	9.6%
02/07/2002	18800	23600	4.8%	6.0%
03/07/2002	47249	47249	12.1%	12.1%

Date	Gross Buy	Gross sales	Buy % to stock exchanges volume	sales % to stock exchanges volume
04/07/2002	146000	146000	14.4%	14.4%
05/07/2002	118220	118220	11.7%	11.7%
08/07/2002	106778	106778	43.8%	43.8%
09/07/2002	11400	11400	5.7%	5.7%
10/07/2002	166100	166100	15.2%	15.2%
11/07/2002	105300	105300	11.8%	11.8%

It is seen from the above that transactions are in the nature of squaring off. No delivery of shares has been taken. These transactions comprised a significant percentage of stock exchanges volume on those dates. The client agreement form of Shri Kerul Shah with My Money brings out that Shri Kerul Shah was introduced by Havemore itself. Further, Shri Kerul Shah had introduced the client, Shri Sandeep Sakpal to My Money. This act of introducing Shri Sandeep Sakpal would prove the nexus between the two. Shri Sakpal traded to the extent of purchase of 783527 shares and sale of 783127 shares and his transactions were in the nature of squaring off. I note that Harvic group had admitted that they knew Shri Bipin Dewani – owner of My Money Investments. The findings as brought out above would indicate that the Harvic group used M/s. My Money Investments for creating artificial volumes and helping in offloading promoter sales.

- 4.6 It is also noted that the client registration form of Darshana Ruparel is not complete. This is the same for clients, Avdh Investments, Numero Uno Securities, Numero Uno Credit Capital and Shri Mayur Jadeja. The Enquiry officer has also observed that the sub-broker has not paid the entire sale consideration to the promoter group of NUPL and that an amount of Rs.9.67 Lakh was still outstanding. The sub-broker has also admitted errors while punching orders for its clients and not fulfilling the 'KYC' requirements properly.
- 4.7 The sub-broker, by conniving with his associate group has dealt in the scrip thereby manipulating it, so as to create a false appearance of trading in the scrip, which act amounts to fraudulent and unfair practice prohibited by the SEBI Act, 1992 and the provisions of Regulation 4(b) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. The sub-broker has also traded in scrip without any intention to effect transfer of beneficial ownership. Thus, I find that the sub-broker has contravened the provisions of Clause (b) and (d) of Regulation 4 SEBI (Prohibition of Unfair and Fraudulent Trade Practice relating to Securities Market) Regulations, 1995.
- 4.8 The sub-broker by accepting incomplete client registration forms for some of their clients (M/s. Darshana Ruparel, AVDH Investments, Numero Uno Securities, Numero Uno Credit Capital, Mayur Jadeja) has failed to exercise due care and diligence expected of a sub-broker. The code of conduct prescribed for sub-brokers requires that the sub-broker shall not indulge in manipulative, fraudulent or deceptive transactions which the sub-broker has breached by conniving with its associate group in manipulating so as to create a false appearance of trading in the scrip. The rules of conduct also prescribe that a sub-broker shall not create false market or indulge in any act detrimental to public interest. Thus I find that the sub-broker has contravened Clauses A (1) and (2), B (8) and D (4) and (5) of the Code of Conduct prescribed for sub-brokers in SEBI (Stock Broker and Sub-broker) Regulations, 1992.
- 4.9 The notice issued under Regulation 6(1) of the "Enquiry Regulations" also alleges that the sub-broker has contravened SEBI Circular SMD/POLICY/CIRCULAR/5-97 dated 11-04-1997. This circular prescribes a standard format for Client - Registration Form and the Member - Client Agreement. The circular also prescribed that in case of a small investor, an exemption may be made for the Annual Income, Income Tax No. and Market Value of Portfolio details in the Individual Client Registration Application Form, in cases where the Annual Gross Turnover (i.e. Purchases + Sales of securities) of the client is not more than Rs. 500,000/- (Rupees Five Lakhs). But there is no finding with respect to the status of the investor for whom the client registration form was incomplete. Even assuming that the investor was a small investor, still the sub-broker has failed to collect the other relevant details like the name of introducer, demat account details etc. Since there is no finding by the Enquiry Officer with respect to the same, I do not wish to delve further.
- 4.10 In the result, I find that the sub-broker has contravened the legal provisions mentioned supra and thus have no reasons to differ from the findings of the Enquiry Officer. I find that the penalty of 2 months on M/s Harvic Management Services I Ltd., would meet ends of justice.

5.0 ORDER

- 5.1 Therefore, in exercise of powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 and Regulation 13(4) SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby direct that the registration granted to the sub-broker M/s. Harvic Management Services India Limited (PAN – AABCH1644M), SEBI Registration No. INS 010496938 affiliated to M/S. B. M. Gandhi Securities Ltd., Member, Bombay Stock Exchange Ltd., Mumbai, be suspended for a period of 2 months.

The said penalty shall be operative from the expiry of 21 days from the date of this order.

PLACE: MUMBAI

DATE: 23.08.2007

T C NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA