

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: Dr. T.C.NAIR, WHOLE TIME MEMBER**

ORDER UNDER REGULATION 28(2) OF THE SEBI (INTERMEDIARIES) REGULATIONS, 2008 AGAINST M/s. BIPIN B DIWANI, SUB BROKER AFFILIATED TO M/s. VYOMIT SHARES STOCK AND INVESTMENTS PVT. LTD., SEBI REGISTRATION NO. INS010474513 IN THE SCRIP OF SAWACA COMMUNICATIONS LIMITED.

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation in to the buying, selling and dealing in the scrip of Sawaca Communications Limited (hereinafter referred to as "SCL") during the period October 1, 1999 to January 4, 2000. Investigations revealed that the price of the scrip at the Bombay Stock Exchange Ltd. (hereinafter referred to as "BSE") ranged between Rs. 19.35 on October 1, 1999 to Rs. 106 on January 04, 2000. Further, it was observed that the trading in the scrip was more or less infrequent prior to October 1999. It was observed from the price volume of the company that the shares were not traded on regular basis prior to September 15, 1999 and the volumes started picking up from October 1999 onwards. There was no significant change in the fundamentals of SCL, nor were there any major corporate developments which could have justified such steep increase in the price of the scrip.
2. Investigations revealed that among other brokers and sub brokers, Bipin V. Diwani, a sub broker (hereinafter referred to as "the sub broker") affiliated to M/s. Vyomit Shares, Stock and Investments Pvt. Ltd. member, BSE had traded significantly in the scrip. It was alleged that the sub broker failed to exercise due skill, care and diligence and thereby violated the Code of Conduct prescribed for sub brokers under Regulation 15 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

3. In view of the findings of the investigation, an enquiry proceedings were initiated under the then SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations 2002 (hereinafter referred to as the "Enquiry Regulations") vide order dated May 13, 2003 to enquire into the alleged contraventions/ violations committed by Bipin V Diwani. The Enquiry Officer conducted the enquiry in terms of the Enquiry Regulations and submitted his report dated February 11, 2005 recommending cancellation of certificate of registration of Bipin V Diwani as a sub broker.
4. In terms of Regulation 13 (2) of the Enquiry Regulations, a copy of the enquiry report along with show cause notice dated March 22, 2005 was forwarded to Bipin V Diwani, advising it to show cause as to why the appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed upon him. However, no reply to the show cause notice was received from Bipin V Diwani.
5. In adherence to principals of natural justice, an opportunity of hearing was granted to Bipin V Diwani on September 6, 2007 before me. Bipin V Diwani vide its letter dated August 20, 2007 communicated that he has acted a sub broker of Vyomit Shares Stock and Investments Pvt. Limited and had transacted in the scrip of SCL on behalf of his client Harvic Management Services Ltd. His client had transacted for 32,000 shares and no delivery was taken or given in the market through him. He further informed that he had already surrendered his sub broker registration with Vyomit Shares, Stock and Investments Pvt. Ltd in the year 2002-03 and has terminated his business and migrated to New Zealand with his family. The broker had also given no objection certificate (NOC) in this effect. He also stated that it would not be possible for him to avail the opportunity of personal hearing.
6. I have considered the Enquiry Report, show cause notice and the reply of Bipin V Diwani. My findings are as under:
 - 6.1 I note that Bipin V. Diwani transacted in the scrip of SCL through his broker on behalf of M/s. Harvic Management Services Limited

during the period under investigation. The settlement wise details of the trades were as follows :

Settlement No	Purchases	Sales	Gross	Net
29	15,800	15,800	31,600	0
30	2,700	1,100	3,800	1,600
31	15,000	50,500	65,500	-35,500
32	8,000	5,300	11,300	2,700
33	9,700	13,700	23,400	-4,000
34	5,600	5,600	11,200	0
37	10,000	0	10,000	10,000
38	5,000	15,000	20,000	-10,000
Total	71,800	1,07,000	1,78,800	-35,200

- 6.1 I note that Harvic Management Services Ltd. had transacted heavily in the scrip and manipulated the price of the scrip. Such large volume of transactions at higher rates in an otherwise illiquid scrip would have alerted any prudent stock broker /sub broker. The sub broker failed to exercise due skill, care and diligence while dealing on behalf of the client and thereby violated the code of conduct prescribed for sub brokers in Regulation 15 of the SEBI(Stock Brokers and Sub Brokers) Regulations, 1992.
- 6.2 I also find that Bipin V Diwani in his deposition before the investigation authority recorded as on June 20, 2002 and his reply vide letter dated August 20, 2007 with respect to the hearing notice had submitted that he had already stopped operations. He also stopped operations as a sub broker. He also submitted that he had surrendered his certificate of registration to the broker Vyomit Shares Stocks and Investments Pvt. Ltd. after settlement no. 38/1999 of BSE and no objection certificate in this effect was also given by the broker. I further note that the broker Vyomit Shares, Stock and Investments Pvt Ltd in their letter dated February 12, 2004 has submitted that they have also closed down their business.
- 6.2 I note that though the Enquiry Regulations were repealed with effect from the notification of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, anything done and any action taken under the said enquiry regulations shall be deemed to have been done or taken or commenced under the corresponding provisions of the Securities and Exchange Board of India

(Intermediaries) Regulations, 2008. In view of the above and having gone through the facts developments in the matter and considering the submissions made by Shri Bipin V Diwani, I agree with the findings and recommendation of the Enquiry Officer to cancel the certificate of registration of Bipin V Diwani as a sub broker.

7. Now, therefore, in exercise of powers conferred upon me in terms of section 19 of SEBI Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, I hereby cancel the certificate of registration of Bipin V. Diwani, sub broker affiliated to Vyomit Shares Stock and Investments Pvt. Ltd. SEBI Registration no. INS010474513.

PLACE: MUMBAI

DATE: 12.12.08

T .C. NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA