

SECURITIES AND EXCHANGE BOARD OF INDIA

**CEASE AND DESIST ORDER AGAINST DR. NALAMOTHU VENKATA KRISHNA
UNDER SECTION 11D READ WITH SECTION 19 OF SECURITIES AND
EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF SOLICITING
INSIDER INFORMATION.**

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) has noticed an online offer made by Dr. Nalamothu Venkata Krishna (hereinafter referred to as Dr. Krishna) in his blog "stockmarketguide.in" (<http://www.stockmarketguide.in/2009/03/bumber-offers-from-stock-market-guide.html>) on March 7, 2009 soliciting unpublished price sensitive insider information in return for a share in the profits between Rs.10,000 & Rs. 1 lakh.
2. The print out of the online offer is placed at (Annexure A). The material portion of the offer is its solicitation from the people who have access to insider information on corporate news like stake sale, mergers, acquisitions or any significant news or events. It invited persons who may have such insider information to mail the information to mail id of Dr.Krishna (dr.krishna@gmail.com).
3. Dr. Krishna in his blog further offered that the informants would get money according to the returns his subscribers would get. Dr.Krishna further promises to pay the money to the informants in proportion to returns made by his subscribers. The prospective informants were offered to be paid Rs 10,000 for inside news that will fetch 10-20% returns to his subscribers. Prospective informants were offered to be paid Rs 25,000, Rs 40,000, Rs 60,000 and Rs 1 lakh if his subscribers reap return of 20-30%, 30-50%, 50-70%, more than 70% respectively on his investment, for parting with insider information. He also offered

to increase the payments to the informants once he gets more number of subscribers. He offered to pay Rs. 5 lakh if 100% sure inside news is provided of a major company. The said payments were offered even if his subscribers have not used the information.

4. Under the circumstances, the following issues arise for consideration.
 - (i) Whether the information which Dr. Krishna sought in his blog amounts to unpublished price sensitive information which has the potential to generate unjust profits for Dr. Krishna and his subscribers to the detriment of public at large?
 - (ii) Whether the blog induces those in possession of the insider information to part with such information?
 - (iii) Whether the blog encourages persons (who are not insiders) to solicit, pass on or deal on such insider information.
 - (iv) If so, whether Dr Krishna is liable to be proceeded against under the SEBI Act, 1992 and the Regulations made thereunder?
5. It is noticed that Dr Krishna through his blog had sought unpublished price sensitive information, like those relating to stake sale, mergers, acquisitions or any significant news or events from the people who have access to insider information and promised to reward the person who parted with such insider information by sharing profits with them. In this regard Regulation 2(ha) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. (hereinafter referred to as Insider Trading Regulations) may be referred to which reads as follows:

[(ha) “price sensitive information” means any information which relates directly or indirectly to a company and which if published is likely to

materially affect the price of securities of company.

Explanation.—the following shall be deemed to be price sensitive information:—

....

(v) amalgamation, mergers or takeovers;

(vi) disposal of the whole or substantial part of the undertaking; and

(vii) significant changes in policies, plans or operations of the company;]

6. From the above it is clear that Dr. Krishna has solicited news relating to stake sale, mergers, acquisitions or any significant news or events relating to companies. Such unpublished price sensitive information from insiders which is not in public domain may be used to derive unjust profits to the detriment of general public.
7. Dr. Krishna through his blog was clearly inducing the insiders to part with the above price sensitive information to make unjust profits. It is observed that the online offer was made to persons who may be in possession of unpublished price sensitive information to disclose such information and the person would be suitably rewarded as stated in the online offer.
8. It is significant that the offer is open not only to people who have access to inside information but also to allure his subscribers to obtain the said insider information through his blog to make illegal gains from insider trading.
9. From the foregoing analysis, it prima-facie, appears that Dr. Krishna through his blog is inducing persons who may be in possession of unpublished price sensitive information for a return of share in profits. Since trading in securities based on unpublished price sensitive information which is not in public domain would jeopardize the interest of investors and integrity of the market, a situation has arisen that warrants immediate regulatory interference to protect the interest of

investors by restraining such activities which is in violation of SEBI (Prohibition of Insider Trading) Regulations, 1992. As a regulator, it is the statutory duty of SEBI to take urgent and immediate steps to prevent Dr. Krishna from further undertaking such activity and impair the integrity of the market. The general public should also exercise utmost care and caution not to be misled by the promises made in his blog.

ORDER:

1. Now, therefore, in exercise of the powers conferred under Section 11D read with Section 19 of SEBI Act, 1992, I hereby, by way of ex-parte order, direct Dr. Nalamothu Venkata Krishna, to cease and desist from the following acts:
 - a. Issuing or continuing to issue online offer soliciting unpublished price sensitive information from the insiders in violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.
 - b. Communicating directly or indirectly, any inside information received.
 - c. Trading directly or indirectly on the basis of inside information received.
 - d. Recommending or counseling trading in scrips for which inside information is received.
2. All investors are also cautioned not to avail of the online offers made by Dr. Krishna in this regard, or any similar proposals contained in advertisements, in print or electronic media.
3. The order shall come into force with immediate effect. However, it is open to Dr. Krishna to file objections, if any, to this order within fifteen days and avail an opportunity of personal hearing at the Securities Exchange Board of India, Head Office, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051 on a date and time to be fixed at his request in this regard.

**DR.K.M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**

Place: Mumbai

Date: November 18 , 2009