SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER

ORDER

UNDER REGULATION 28(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 AGAINST M/S P. ARORA CO. IN THE MATTER OF SRU SHARE BROKERS LIMITED

Date of Hearing: December 18, 2009

Appearance:

For M/s P. Arora & Co., : Mr. Roop Kishor, Authorised Representative
For Securities and Exchange Board of India: Mr. Achal Singh, Deputy General Manager.
Mr. Vijayakrishnan G., Deputy Legal Adviser
Ms. Chhavi Sinha, Legal Officer.

1. Pursuant to the unusual price variations in share price of SRU Share Brokers Limited (hereinafter referred to as the company) at the Ludhiana Stock Exchange Limited (hereinafter referred to as LSE) during the period between November 1995 and June 1996, Securities and Exchange Board of India (hereinafter referred to as SEBI) had examined the buying, selling and dealing in the shares of the company. During the examination, it was *prima facie* noticed that the stock broker namely, M/s P. Arora & Co. (hereinafter referred to as the stock broker), Member, LSE had indulged in unauthorized 'carry forward trading' while dealing in the shares of the company during the relevant period. Thereafter, SEBI appointed an Enquiry Officer to enquire into the allegations leveled against the stock broker. While recommending the suspension of the certificate of registration of the stock broker for a period of six months, the Enquiry Officer found that the stock broker had violated Clause A(5) of the code of conduct for stock brokers specified in Schedule II of the provisions of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 and Rule 4(b) of the then existing Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992. Subsequently, a show cause notice dated January 16, 2004

was issued to the stock broker along with the copy of the Enquiry report. The stock broker, vide letter vide letter dated February 12, 2004 *inter alia* stated that it had not violated the provisions of law. According to the stock broker, all the transactions were made through LSE. Thereafter, SEBI had provided various opportunities of personal hearing to the stock broker. During the hearing held on November 7, 2008, the authorized representative of the stock broker had informed that it was opting for consent, in terms of the SEBI Circular dated April 20, 2007. Subsequently, a consent application dated November 26, 2008 was received from the stock broker. Pursuant to the rejection of its consent application, another opportunity of hearing was granted to the stock broker on December 18, 2009. Mr. Roop Kishore, authorised representative of the stock broker appeared before me on the said date and requested to take a lenient view in the matter, as the violation was of the year 1995 and that pursuant to its executing carry forward transactions, the same was allowed at LSE on its platform. He submitted that the brokerage earned by the stock broker out of the carry forward transactions were nearly Rs. 20,000/-.

2. I have considered the Enquiry Report, the oral as well as the written submissions of the stock broker and other material available on record. Analysis of the trades executed by the stock broker in the shares of the company during the relevant period showed a pattern of trades executed on Fridays, which were mostly reversed on succeeding Mondays. Details of such trades executed by the stock broker are explained in the Enquiry Report During the relevant period, carry forward trading was not authorised at LSE. The stock broker is expected to be aware that the transactions in question were in the nature of carry forward and were illegal. Clearly, the stock broker had not shown due diligence, skill and care in the conduct of his business. During the hearing, the Authorised Representative of the stock broker admitted the execution of such trades. His only submission, was that the said violations, considering its nature and period, does not call for a penalty of suspension, at this stage. The above instances would prove that the stock broker had failed to maintain high standards of integrity and fairness in the

conduct of its business. The trades of the stock broker were, no doubt, manipulative and deceptive in nature. In the facts and circumstances, I do not have any hesitation to hold that the stock broker had violated Clauses A(1), A(3) and A(5) of the Code of Conduct for stock brokers specified in the provisions of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 and the then existing Rule 4(b) of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992, as observed by the Enquiry Officer. However, considering the case in its totality, I consider that a warning against the stock broker would meet the interests of justice. Accordingly, the present proceeding is disposed of in terms of the provisions of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, as ordered hereinunder.

3. In view of the foregoing, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28 (2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, the stock broker, M/s P. Arora & Co [Registration Number– INB 120305118], Member, Ludhiana Stock Exchange Limited, is warned for the violations committed by it.

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

PLACE: MUMBAI
DATE: DECEMBER 29, 2009