

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

ORDER

DIRECTIONS UNDER SECTIONS 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST MR. SHARAD B. SHAH IN THE MATTER OF WASHINGTON SOFTWARE LIMITED

Date of Hearing: March 9, 2010

Appearance:

Mr. Sharad B. Shah, in person

For the Securities and Exchange Board of India: Mr. Suresh Gupta, General Manager
Mr. Vijayakrishnan G., Deputy Legal Adviser
Mr. Rajesh Gujjar, Assistant General Manager

1. In view of the extreme volatility in the share price of Washington Software Limited (hereinafter referred to as the company) noticed at Bombay Stock Exchange Limited (hereinafter referred to as BSE), the Securities and Exchange Board of India (hereinafter referred to as SEBI) had conducted an investigation into the dealing in the shares of the company for the periods-October 18, 1999 to March 3, 2000, May 2, 2000 to June 20, 2000 and July 3, 2000 to July 25, 2000. The investigation revealed that Mr. Sharad B. Shah (hereinafter referred to as the noticee) had acted as an unregistered sub-broker on behalf of certain persons and was therefore alleged to have contravened Section 12(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the Act) and Rule 3 of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992 (since rescinded) read with Regulation 11(1) of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as the Broker Regulations). Accordingly, a show cause notice dated June 29, 2009 containing the relevant observations of the investigation was issued by SEBI to the noticee. The show cause enclosed a copy of the noticee's statement given before the investigating authority. As SEBI did not receive any reply from the noticee as advised

in the show cause notice, a reminder was issued to him, on September 4, 2009. Thereafter, vide letter dated October 3, 2009, the noticee submitted his reply and thereafter, appeared before me on March 9, 2010 for a personal hearing. In the hearing, the noticee stated that neither he nor the persons for whom he had traded were alleged to have indulged in manipulation. He further stated that he had already furnished his reply and that his statement was also recorded on March 16, 2004 by the Investigating Authority.

2. I have considered the show cause notice, the submissions of the noticee and other material available on record. The allegation leveled against the noticee is that he had acted as an unregistered sub-broker on behalf of certain persons namely Mr. Nilesh Bhalerao (company secretary of the company), Mr. Parimal Gole, Mr. Ganesh Pokale and Mr. Hasmukh J. Shah and Mr. Mukund Mulay, while dealing in the shares of the company. It was also found that the noticee had executed the trades for his aforesaid persons on BSE through the sub-broker Growever Investment Private Limited (affiliated to the stock broker, Latin Manharlal Securities Private Limited). The noticee had bought 11,495 shares and sold 2,965 shares on behalf of the aforesaid persons during the relevant period, as per the details given below:

Name of the person	Buy Quantity	Sell Quantity	Gross Quantity
Mr. Nilesh Bhalerao	2,300	225	2,525
Mr. Mukund Mulay	2,400	240	2,640
Mr. Parimal Gole	3,795	-	3,795
Mr. Ganesh Pokale	3,000	-	3,000
Mr. Hasmukh J. Shah	-	2,500	2,500
Total	11,495	2,965	14,460

3. The noticee in his reply did not deny the allegations leveled against him. Further, in his reply, he had furnished the details of the trades done by him for the clients through Growever Investment Private Limited. The said trade details matched with the buy-sell quantities mentioned in the show cause notice issued to him. I also note that the noticee in his statement to SEBI on March 16, 2004 had admitted that he was placing orders on behalf of the persons mentioned in the show cause notice.

4. Admittedly, the noticee was trading for certain persons through Growever Investment Private Limited in the shares of the company. The noticee was not a sub-broker registered with SEBI during the relevant period when he had traded for the aforesaid persons. A person cannot buy, sell or deal in the securities market as a stock broker or sub-broker without obtaining a certificate of registration as required in terms of Section 12 of the Act and the Broker Regulations. The requirement of registering with SEBI as mandated under law is to ensure that the persons/entities dealing in the securities market are 'fit and proper' to undertake such business in the capital market. As the noticee had not obtained the registration during the relevant period, as required, he is guilty of contravening the provisions of Section 12(1) of the Act and Rule 3 of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992 (since rescinded) read with Regulation 11(1) of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992. Considering the totality of the facts and circumstances, I dispose of the show cause notice issued to Mr. Sharad B. Shah as ordered hereinbelow.

5. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(4) and 11B thereof, hereby warn Mr. Sharad B. Shah (Permanent Account Number - AIDPS7669G) for his aforesaid violation. He is further directed to comply with the relevant laws including the guidelines and circulars that govern his activities in the securities market.

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

PLACE: MUMBAI
DATE: MARCH 13, 2010