

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11, 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST ALKA SECURITIES LIMITED

1. On noticing sudden rise in the price and traded volumes coupled with large off-market transfers in the shares of Alka Securities Limited, the Securities and Exchange Board of India (hereinafter referred to as SEBI) had examined the dealings in the shares of the said company for the period between November 2008 and March 2009. Based on the preliminary findings, SEBI, vide an ad interim ex-parte order dated July 28, 2009 had issued various directions. One of the directions was to prohibit the stock brokers, Alka Securities Limited (hereinafter referred to as ASL) and Mahesh Kothari Share & Stock Brokers Private Limited (hereinafter referred to as MKSBPL) from buying, selling or dealing in any securities on their respective proprietary/own accounts, until further orders. They were also directed not to take fresh clients, with immediate effect until further orders. Thereafter, the said order was confirmed by SEBI, vide order dated October 16, 2009, as stated therein, after affording an opportunity of hearing. Subsequently, the order dated October 16, 2009 was *inter alia* challenged by ASL and MKSBPL before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as SAT). The Hon'ble SAT, vide order dated November 11, 2009 disposed of the said appeal with a direction to SEBI to conclude the investigations expeditiously but not later than March 31, 2010. It was also observed in the said order "*Appellants through their counsel*

undertake to co-operate with the investigating officer and the independent auditor.”

2. Thereafter, National Stock Exchange of India Limited (hereinafter referred to as NSE), vide electronic mail dated April 19, 2010 informed SEBI that ASL was observed to have traded for two new clients, namely Mr. Jayant Shah (Permanent Account Number-BMMPS4001C) and Mr. Anna Adhikrao Gaikwad (Permanent Account Number-AGRPG9033E) on April 6, 2010 and April 7, 2010. It was stated that ASL informed NSE that the said clients were the clients of MKSBPL and that the trades (on behalf of the said clients) were inadvertently executed by ASL at NSE. Subsequently, NSE, vide electronic mail dated April 27, 2010 forwarded the trade details of ASL executed on behalf of Mr. Anna Adhikrao Gaikwad, on March 30, 2010. The trade details (in brief) of ASL executed on behalf of the aforesaid clients, as received from NSE, are given below:

Client code	Client Name	Trade Date	Symbol	Order No	Trade No	Traded Quantity
A0015	ANNA ADHIKRAO GAIKWAD	30-Mar-10	MRPL	2010033034303851	2010033033854880	500
J0010	JAYANT SHAH	6-Apr-10	BRANDHOUSE	2010040600646523	2010040600292397	45
J0010	JAYANT SHAH	6-Apr-10	BRANDHOUSE	2010040600646523	2010040600292398	1
J0010	JAYANT SHAH	6-Apr-10	BRANDHOUSE	2010040600646523	2010040600292399	200
J0010	JAYANT SHAH	6-Apr-10	BRANDHOUSE	2010040600646523	2010040600292400	4
J0010	JAYANT SHAH	6-Apr-10	BRANDHOUSE	2010040600646523	2010040600293470	470
J0010	JAYANT SHAH	6-Apr-10	BRANDHOUSE	2010040600646523	2010040600293471	280
J0010	JAYANT SHAH	6-Apr-10	BRANDHOUSE	2010040603435029	2010040602267372	1,000.00
A0015	ANNA ADHIKRAO GAIKWAD	7-Apr-10	MRPL	2010040733534162	2010040733410987	25

3. Further, NSE had also forwarded to SEBI, the details of Unique Client Codes (hereinafter referred to as UCC) in respect of the aforesaid clients. The said details are shown below:

UCC creation of J0010 (in respect of Mr. Jayant Shah):

NATIONAL STOCK EXCHANGE OF INDIA LIMITED **UCI - Online**

Reports Letter Generation Change Password Logout

TM Code: 06292 Client Code: J0010 Segment: C GET DETAILS RESET

Name	JAYANT SHAH	Pan No	BMMPS4001C	Category	1
Address1	446/2D	Address2	SHRAMIK SOCIETY, SE	Address3	CHARKOP, KANDIVALI
City	MUMBAI	State	MAHARASHTRA	Country	INDIA
Pin Code	400067	Full Address	446/2D, SHRAMIK SOC	Email	
Isd		Std		Telephone No	
Mob	9821780288	DOB	13/09/1951	Agreement Dt	16/12/2008
DP Id	IN300829	DP Name	NSDL	DP Ben Acc	11388394
Create Dt	13/04/2010 09:18:37 AM	First Trd Dt		Last Trd Dt	
Bank Name	SARASWAT CO-OP BA	Bank Add	CHARKOP KANDIVALI	Bank Acc Type	10
Bank Acc No	12441	Registration no		Registration Authority	
Registration Place		Registration Dt		Proof type	
Proof no		Proof Place		Proof Dt	
Person name1		Person Designation 1		Person Pan1	
Person Tel1		Person Address 1		Person Email1	

UCC creation of A0015 (in respect of Mr. Anna Adhikrao Gaikwad):

NATIONAL STOCK EXCHANGE OF INDIA LIMITED **UCI - Online**

Reports Letter Generation Change Password Logout

TM Code: 06292 Client Code: A0015 Segment: C GET DETAILS RESET

Name	ANNA ADHIKRAO GAI	Pan No	AGRPG9033E	Category	1
Address1	SAI VAHAR CHS C/45	Address2	ROOM NO.7 SECTOR H	Address3	JUI NAGAR NAVI
City	MUMBAI	State	MAHARASHTRA	Country	INDIA
Pin Code	440706	Full Address	SAI VAHAR CHS C/45, I	Email	
Isd		Std		Telephone No	
Mob	9869186382	DOB	15/04/1969	Agreement Dt	
DP Id	IN301151	DP Name	NSDL	DP Ben Acc	23250396
Create Dt	03/04/2010 13:39:22 PM	First Trd Dt	30/03/2010	Last Trd Dt	07/04/2010
Bank Name	HDFC BANK LIMITED	Bank Add	JUI NAGAR NAVI MUM	Bank Acc Type	10
Bank Acc No	2581530000341	Registration no		Registration Authority	
Registration Place		Registration Dt		Proof type	
Proof no		Proof Place		Proof Dt	
Person name1		Person Designation 1		Person Pan1	
Person Tel1		Person Address 1		Person Email1	

4. The above charts establish that the UCC- A0015 for Mr. Anna Adhikrao Gaikwad was created on April 3, 2010 and UCC -J0010 for Mr. Jayant Shah was created on April 13, 2010. This was despite the SEBI order prohibiting ASL from taking fresh clients. Thus, in short:

- i. ASL opened trading accounts for the said clients on April 3, 2010 and April 13, 2010.
- ii. ASL had also traded for the said clients on March 30, 2010, April 6, 2010 and April 7, 2010.

5. The aforesaid acts of ASL were in total contravention of SEBI order dated July 28, 2009 (which was subsequently confirmed on October 16, 2009). The very act of ASL in taking new clients when there was a specific prohibition from SEBI cannot be taken lightly. Thus, ASL as a stock broker had acted in utter disregard to the Order of SEBI. SEBI as a Regulator shall view such willful disobedience seriously. Such an intermediary cannot be allowed to function in the market and invite stringent action. SEBI as a Market Regulator does not expect the intermediaries to flout its directions and orders issued in the interest of the securities market, as has happened in this case. A stock broker is one of the key market functionaries who deals for his clients in the stock exchange trade mechanism and under the regulatory supervision of SEBI. I note that the Broker had stated to NSE that it had mistakenly transacted for the clients. The said plea is liable to be rejected *in-limine*. How could ASL take such plea when the Order of SEBI specifically prohibited it from taking up such activities? Further, the Broker besides uploading client details for the two new clients on the stock exchange platform also executed number of trades on behalf of the clients as stated in above paragraphs. SEBI also found that ASL had issued contract note to Mr. Jayant Shah in respect of a trade mentioned in the table at paragraph 2 above in this order. Both these acts of ASL, therefore cannot be said to be unintentional or not premeditated. In view of the above, the claim of

ASL that creating unique client codes and trading on behalf of the new clients was a mistake deserves to be dismissed outright. I also note that the non co-operative attitude of ASL in the on-going SEBI inspection was not that expected from a prudent market intermediary. ASL unduly delayed the data submission and back office access to SEBI's inspection. Thus, ASL not only adopted delaying tactics in the inspection process but has also deliberately violated the order of SEBI dated July 28, 2009 (which was subsequently confirmed on October 16, 2009). In this regard, I also note the observation of the Hon'ble SAT in the appeal (no. 60 of 2010) filed by ASL. While disposing of the said appeal, the Hon'ble SAT, vide order dated April 26, 2010, had *inter alia* observed "*It is however, made clear that in case the appellants intermingle their own securities or any security other than that of their existing clients in the newly opened account or do not to co-operate in the ongoing investigations/inspection, it shall be open to the Board to proceed against them accordance with law.*" The blatant and willful disobedience of the Order of SEBI by ASL (as a stock broker) requires immediate intervention of SEBI, as ordered below in this Order. Continuance of a market intermediary to whom the sanctity of the legal framework governing the securities market does not seem to matter in the least seriously compromises the integrity of the market itself.

6. In view of the foregoing, I, in exercise of powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11, 11(4) and 11B thereof, hereby prohibit the stock broker, Alka Securities Limited [Permanent Account Number-AAACA4835E], Member, National Stock Exchange of India Limited, from buying, selling or otherwise dealing in securities on behalf of its clients, in any manner, whatsoever, either directly or indirectly, until further orders.

7. This Order shall come into force with immediate effect.

8. Alka Securities Limited may file its objections, if any, to this Order, within fifteen days and, if it so desires, avail an opportunity of personal hearing before the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051, on a date and time to be fixed on a specific request.

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

**PLACE: MUMBAI
DATE: APRIL 29, 2010**