

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF OASIS MEDIA MATRIX LTD.

In respect of Archi Shares & Stock Brokers Pvt. Ltd.

**(SEBI Registration No. INB 011092732
& INB 021092730)**

ORDER

**Under Regulation 28(2) read with Regulations 38 (2) of Securities and
Exchange Board of India (Intermediaries) Regulations, 2008**

1. Securities and Exchange Board of India (hereinafter referred as 'SEBI') had conducted investigation into the buying, selling and dealing in the shares of Oasis Media Matrix Ltd. (hereinafter referred as 'OMML') during the period April 8, 2002 to July 9, 2002.
2. During the period under investigation, the price of the scrip opened at Rs.15.10 on April 8, 2002, touched a high of Rs.37.95 on July 9, 2002 and closed at Rs.35.50 on July 9, 2002. The volume traded during the period of investigation was 6,45,492 shares in 64 days. It was alleged that the stock broker viz. Archi Shares & Stock Brokers Pvt. Ltd. (hereinafter referred to as 'noticee'), registered with SEBI as stock broker, bearing registration nos. INB 011092732 and INB 021092730) had entered circular/ reversal trades on behalf of its client with other brokers which created artificial volume and price rise in the shares of OMML.
3. Based on the findings of the said investigations, SEBI initiated enquiry proceedings as against the noticee in terms of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations'), by appointing an Enquiry Officer under Regulation 5(1) of Enquiry Regulations vide order dated August 23, 2007, read with subsequent order dated December 10, 2008. SEBI

appointed the Enquiry Officer, to enquire into the alleged violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (since repealed) read with SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations') and the Code of Conduct specified under Schedule II of SEBI (Stock Brokers and Sub-Broker) Regulation, 1992 (hereinafter referred to as 'Broker Regulations'). As the Enquiry Regulations were repealed with effect from the notification of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, the Enquiry Officer/ Designated Authority (hereinafter referred to as the Enquiry Officer) submitted his Report dated December 23, 2009, in terms of Regulation 27 of SEBI (Intermediaries) Regulations, 2008 recommending thereby warning to noticee for violating Clause A (2) of Code of Conduct specified under Schedule II of the Broker Regulations.

4. Subsequently, a Show Cause Notice (hereinafter referred to as 'SCN') under Regulation 28(1) of Intermediaries Regulations dated January 19, 2010, was issued by SEBI to the noticee, asking it to show cause as to why the appropriate penalty including penalty recommended by the Enquiry Officer should not be imposed. The noticee was advised to reply to the SCN, together with the documents that it may choose to rely upon in support of his reply within twenty one days of the receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer and SEBI shall be free to take such action in the manner as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the said SCN.
5. The noticee replied to the SCN vide its letter dated April 15, 2010, wherein it, without disputing the facts, accepted the recommendation made by the Enquiry Officer with the assurance that it will be careful in dealings for and on behalf of its clients in future.

6. Given the facts and circumstances of the case, I note that the broker has not challenged/ disputed the recommendations made by the Enquiry Officer and has also not requested for any personal hearing before me. In view of this, I find that the principles of natural justice have been duly complied with in the present matter and as no request for personal hearing has been made by the noticee, I find it appropriate to proceed further in the matter.
7. I have considered the Enquiry Report, the SCN issued to the noticee and other material available on record. I note that the Enquiry Officer has dropped the charge of violation of PFUTP Regulations. However, the Enquiry Officer has found the noticee guilty of violation of Regulation 7 read with Clause A (2) of the code of conduct for stock brokers and Regulation 15 read with clause A (2) of the code of conduct for sub-brokers, specified under Schedule II of the Broker Regulations, as it has failed to exercise due skill, care and diligence in the conduct of business. I note that, the Enquiry Officer has not found any evidence to show the link/ collusion between the noticee and other brokers involved in the synchronized/ structured/ reversal trades. Further, no evidence of such knowledge to the noticee regarding fraudulent nature of trades done by its client has been found by the Enquiry Officer. The Enquiry Officer has concluded that it is the responsibility of broker to verify the credentials of its clients to ensure that no malpractice is taking place. I have seen the trades entered and the pattern followed by the clients of the noticee while trading in the scrip of OMML, which appears to be structured in nature. I note that the noticee has not done any proprietary trading in the scrip of OMML during the relevant period of time. However, the noticee was expected to be cautious when trading takes place in an illiquid scrip like OMML.
8. In view of above, I agree with the findings of the Enquiry Officer and conclude that the noticee has not acted with due skill, care and diligence in the conduct of his business and has contravened the provisions of Regulation 7 read with Clause A (2) of the code of conduct prescribed for stock brokers and Regulation 15 read with clause A (2) of the code of conduct prescribed for sub-brokers, specified under Schedule II of the Broker Regulations.

9. I note that pursuant to the notification of the SEBI (Intermediaries) Regulations, 2008, the Enquiry Regulations have been repealed and in terms of Regulation 38(2) of the SEBI (Intermediaries) Regulations, 2008, notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been commenced under the corresponding provisions of SEBI (Intermediaries) Regulations, 2008.
10. Taking into the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby warn the noticee, Archi Shares & Stock Broker Pvt. Ltd. (SEBI Registration nos. INB 011092732 and INB 021092730) [PAN: AACCA 6154A], to be careful and cautious in the conduct of its business and to adhere to and comply with all the statutory provisions while carrying out its activities in the securities market.

DATE : 10/5/2010

PLACE: MUMBAI

**PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**