

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

IN THE MATTERS OF DSQ BIOTECH LTD. AND MASCON GLOBAL LTD.

In respect of:

N.H. Securities Ltd., Classic Share and Stock Broking Services Ltd., Luminant Investments Pvt. Ltd., Panther Fincap and Management Services Ltd., Triumph Securities Ltd., Classic Credit Ltd., Saimangal Invest Trade Ltd., Kensington Investments Ltd., European Investments Ltd., Wakefield Holdings Ltd. and Brentfield Holdings Ltd.

Date of hearings: March 9, 2010 and March 10, 2010

Appearances

For Noticees: Mr. R. Krishnan, Advocate for N.H. Securities Ltd., Classic Share and Stock Broking Services Ltd., Luminant Investments Pvt. Ltd., Panther Fincap and Management Services Ltd., Classic Credit Ltd., Saimangal Invest Trade Ltd. and Triumph Securities Ltd.

None for others.

For SEBI: Mr. G. Ramar, Deputy General Manager
Mr. N. Sunil, Assistant General Manager
Mr. Jagannath Das, Manager
Mr. Pradeep Kumar, Legal Officer

ORDER

Under Section 11(4)(b) and 11B of Securities and Exchange Board of India Act, 1992

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigations into the buying, selling and dealings in the shares of **Mascon Global Ltd.** (hereinafter referred to as 'Mascon') (for the periods of August, 1999 to March, 2000 and December, 2000 to March, 2001) and **DSQ Biotech Ltd.** (hereinafter referred to as 'DSQ') (for the period of December, 1999 to January, 2001). The trading details of the person who had traded in these scrips were collected and analyzed along with the data of volumes traded during the relevant period.

2. Investigation in the scrip of **Mascon** revealed that it was a closely held company and prior to December, 2000, the scrip was highly illiquid. The closing price of the scrip as on December 04, 2000 was ₹483.35 which came down to ₹84 as on March 30, 2001. A sudden surge in the volumes of Mascon was also noticed during December, 2000 to March, 2001, largely on account of the off-loading of substantial number of shares by promoter group company of Mascon namely Mascon Information Technologies Ltd. and CSI Technologies Ltd. to various entities related/ connected/ associated to Ketan Parekh namely Panther Investtrade Ltd., Panther Fincap and Management Services Ltd. (hereinafter referred to as 'Panther'), Classic Credit Ltd. (hereinafter referred to as 'Classic'), Saimangal Invest Trade Ltd. (hereinafter referred to as 'Saimangal'), Luminant Investments Pvt. Ltd. (hereinafter referred to as 'Luminant') and Overseas Corporate Bodies (hereinafter referred to as OCB's) namely, Kensington Investments Ltd. (hereinafter referred to as 'Kensington'), European Investments Ltd. (hereinafter referred to as 'European'), Wakefield Holdings Ltd. (hereinafter referred to as 'Wakefield') and Brentfield Holdings Ltd. (hereinafter referred to as 'Brentfield').

During the period under consideration only these Ketan Parekh related entities and the said OCB's were active in the scrip. The analysis of movement of shares revealed that huge quantities of shares of Mascon were off-loaded by way of off-market transfers from the account of MITL and CSI Technologies Ltd. This huge volume in the shares was later-on used by the entities to indulge in rampant manipulation of price and volume in the scrip of Mascon.

3. Investigations in the scrip of **DSQ** revealed that it had increased its share capital by making a preferential issue of 80,30,000 equity shares priced at ₹275 (with face value of ₹10 and a premium of ₹265) during March, 2000 to its four related entities as under:

Table-A

Sr. No.	Name	No. of shares	%age of expanded paid up capital
1.	Deutsche Bank Custodial Ltd. (FII ¹)	22,00,000	9.77%
2.	Society Generale, Paris (France) (FII)	11,00,000	4.88%
3.	A.J. Finance Ltd. (OCB)	30,00,000	13.33%
4.	Greenfield Investment Ltd. (OCB)	17,30,000	7.69%

These particular shares were partly paid up upto the extent of 10%, paid at the time of the allotment. It was revealed by the investigations that the rest of 90% did not come into the company and was managed to be shown to have been credited to the company by fictitious bank entries through three Indian companies' viz. Continental Filaments, Athena Software and Uniforge Steel (all belonging to DSQ Group). Further, two of these companies namely Continental Filaments and Uniforge Steel were bought by the DSQ Group in March, 2000 itself.

These shares were dematerialized on the instruction of DSQ, into the accounts of Greenfield Investment Ltd. and A.J. Finance Ltd. which were then subsequently transferred to the demat account of DSQ Holdings Ltd. and were offloaded in the market through various brokers at National Stock Exchange (hereinafter referred to 'NSE') and Bombay Stock Exchange (hereinafter referred to 'BSE'). It was also found that these shares were used to satisfy the settlement obligations of various other DSQ group entities in the market by availing of financing through the market as these entities were provided the amount to the extent of the sale proceeds by their brokers on the date of the trade itself i.e. in advance of the pay out of the exchange.

The price of the scrip of DSQ at BSE had fallen from ₹223.30 as on July 17, 2000 to ₹58.55 as on October 19, 2000. Thereafter, the price of the scrip started rising from ₹60.80 as on October 21, 2000 and reached to the price of ₹183.50 as on November 17, 2000. During this period, volumes in the scrip also showed much volatility i.e. a high of 21,44,548 shares as on December 13, 2000 and a low of 48,442 shares October 04, 2000. At NSE also price

¹ Foreign Institutional Investors

variation was noticed as the price of the scrip had touched a high of ₹246 as on December 13, 2000 and a low of ₹58.50 as on October 19, 2000. The volumes traded touched a high of 66,69,885 shares on January 04, 2001 and a low of 1,35,030 shares as on September 27, 2000.

During the relevant period, DSQ Holdings Ltd. appeared as one of the major selling counterparties for the trades made by the associated entities. For these trades orders were put simultaneously or within close proximity of each other for same price and quantity. These orders were found to be in the nature of synchronized trades and were put with a view to match with prior understanding. At NSE during the period September, 2000 to January, 2001, possible structured deals and cross deals were found to have been executed between the brokers, which accounted for about 7.24% of the gross traded quantity in the scrip. At BSE during the period December, 1999 to April, 2000, synchronized trades were found to have entered by 12 brokers on behalf of related entities to the DSQ group, which accounted to 68.29% of the market volume. Further, the percentage of these trades to the particular day's trading was to the extent of 21% - 100%. Further, the brokers connived with the DSQ group to trade and offload unlisted preferential shares into the market.

4. Respective investigations in the scrips as stated above revealed that entities namely N.H. Securities Ltd., Classic Share and Stock Broking Services Ltd., Luminant, Panther, Classic, Saimangal, Kensington, European, Wakefield, Brentfield and Triumph Securities Ltd. were *prima facie* directly/ indirectly related/ connected to Mr. Ketan Parekh (hereinafter referred to as 'KP related entities') and were found to be involved in market manipulation activities in the aforesaid scrips in violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations').

It was revealed that the *modus operandi* adopted by these entities in manipulating the scrips of Mascon and DSQ, was, by and large, the same and Ketan Parekh was alleged to be the mastermind behind all their acts of

omission and commissions. In view of this, I am considering the show cause notices (hereinafter referred to as 'SCN') issued to N.H. Securities Ltd., Classic Share and Stock Broking Services Ltd., Luminant, Panther, Classic, Saimangal, Kensington, European, Wakefield, Brentfield and Triumph Securities Ltd. and passing a common order in the matters.

5. On completion of the investigation in the matter of **Mascon**, SEBI *inter-alia* issued SCN dated August 16, 2007, to Panther, Classic, Saimangal, Luminant, Kensington, European, Wakefield and Brentfield under Sections 11(4)(b) and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'). The SCN alleged that the said entities had entered into various synchronized deals with the members of Ketan Parekh group/ associates in the scrip of Mascon and executed fictitious trades in the scrip. The shares were being rotated among the said entities without actual change in beneficial ownership and thereby artificial demand in the scrip was created. The SCN dated August 16, 2007, therefore alleged that the acts of Panther, Classic, Saimangal, Luminant, Kensington, European, Wakefield and Brentfield were in violation of Regulation 4(b) and (d) of PFUTP Regulations.

SCN was also issued to Triumph Securities Ltd. in the scrip of Mascon on August 17, 2007, under Sections 11(4)(b) and 11B of SEBI Act as its certificate of registration as a stock broker was cancelled vide SEBI order dated March 08, 2004. The SCN had alleged that Triumph Securities Ltd. had placed synchronized orders and executed cross trades for its connected/ associated entities. Such trading of Triumph Securities Ltd. created artificial volume in the scrip of Mascon as the same was not intended to effect the transfer of beneficial ownership. The SCN dated August 17, 2007, therefore alleged that the acts of Triumph Securities Ltd. were in violation of Regulation 4(b) and (d) of PFUTP Regulations.

No reply was received from Panther, Classic, Saimangal, Luminant, European and Triumph Securities Ltd. Entities namely Kensington, Wakefield

and Brentfield replied to the SCN dated August 16, 2007, vide their respective letters all dated October 01, 2007 and requested for an opportunity of personal hearing. The contentions of Kensington, Wakefield and Brentfield in their replies are more or less similar, in brief, these are:

- Vide SEBI order dated May 16, 2002, there was a finding that Triumph International Finance (I) Ltd. has committed fraud on OCB's including them.
- They do not have any office/ permanent establishment in India.
- They are owned by Mr. R.C. Chandran and his wife Ms. Meena Chandran.
- Were not controlled by Ketan Parekh.
- Neither Ketan Parekh nor the entities controlled by him have any shareholding in them.
- Their purchases and sales were based on investment consideration.
- Transactions entered by them were genuine resulting in transfer of beneficial ownership.
- Had not sold shares via pre-negotiated structured deals.

6. As regards the matter of **DSQ**, on completion of investigation, SEBI *inter alia* issued separate SCNs all dated October 28, 2005, to Luminant, Panther, N.H. Securities Ltd. and Classic Share & Stock Broking Services Ltd. under Sections 11(4)(b) and 11B of SEBI Act. The SCNs, alleged that the acts of these entities were in violation of Regulation 4 (b), (c) and (d) of PFUTP Regulations. Accordingly, the SCNs called upon these entities to show cause as to why suitable directions under Sections 11(4)(b) and 11B of SEBI Act read with Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, including restraining them from accessing the capital market should not be issued against them.

Panther, Luminant, N.H. Securities Ltd. and Classic Share & Stock Broking Services Ltd. replied to the SCN dated October 28, 2005, vide their

respective letters and requested for an opportunity of personal hearing. The contentions of these in brief are:

i. Luminant vide its letter dated December 05, 2005.

- Alleged transactions were genuine trades. Shares duly delivered as per the settlement obligations of the stock exchanges.
- Is a separate legal entity. Some directors on its Board might be common with the Board of other entities, yet this does not make it an associate of other entities.
- No one person representing it could be aware of all transactions carried on during the period.
- Have not been provided with complete data and other information. Sought cross examination of persons whose statements have been relied upon.
- Sale proceeds received were used for the purposes of business dealings and operations.
- Had done only two sell trades in the scrip of DSQ. These by itself do not have the capacity to create structured deals.
- Have been debarred from associating with the securities market for a period of fourteen years vide order dated December 12, 2003.

ii. Panther vide its letter dated December 02, 2005.

- Alleged transactions were genuine trades. Shares duly delivered as per the settlement obligations of the stock exchanges.
- Was not related to Classic Credit and Luminant. Is a separate legal entity. Some directors on the Board might be common with the Board of other entities, yet this does not make it an associate of other entities.
- The onus is on the broker to execute the trade order for which is communicated by the client.
- While trading in the scrip of DSQ had never defaulted on pay-in and/ or pay-out obligations.

- The broker offered it to remit the sale proceeds on the very same day of transaction which it accepted as being in the business of investment.
- Negotiated deals are considered to be legal and permitted.
- The nature of transactions were the limit order purchases and it became imperative for the broker to execute the trades if only the price and quantity ordered by us would match.
- Had borrowed funds from HEM Securities on short term finance for enhancing its position in market.
- Have not been provided with complete data and other information. Sought cross examination of persons whose statements have been relied upon.
- Sale proceeds received from the sell trades of DSQ were used for the purposes of business dealings and operations.
- Have been debarred from associating with the securities market for a period of fourteen years vide order dated December 12, 2003.

iii. Classic Share & Stock Broking Services Ltd. vide its letter dated November 30, 2005.

- Is a separate legal entity. Some directors on the Board might be common with the Board of other entities, yet this does not make it an associate of other entities. Had no relation with Triumph International Finance Ltd., N.H. Securities Ltd., Panther.
- Trading volume stated is minimal.
- All transactions were done through the screen based mechanism of exchange. Had diligently carried out the instructions of the client. Was not concerned with the trading strategy of its client as its duty was to execute orders placed by its clients and ensure that the statutory and regulatory obligation are complied with. Were neither answerable nor accountable for the activities of the clients who transacted through it.

- Had two trading terminals at the relevant point of time and had not allotted any particular terminal to any client.
- Its clients had never defaulted in pay-in and pay-out obligations of stock exchanges.
- Squaring off transactions were allowed and permissible under law.
- Had no related entity active in securities market during the relevant period.
- Do not seem any wrong/ illegality in paying the sale proceeds before declaration of the same by the exchange.
- Have not been provided with complete data and other information. Sought cross examination of persons whose statements have been relied upon.

iv. N.H. Securities Ltd. vide its letter dated December 01, 2005.

- Is a separate legal entity. Some directors on the Board might be common with the Board of other entities, yet this does not make it an associate of other entities. Had no relation with Triumph International Finance Ltd., Classic Share & Stock Broking Services Ltd., Panther.
- Had diligently carried out the instructions of the client. Panther had never defaulted in its obligation at exchange.
- The dealing in the scrip of DSQ were purely a business activity and in no way concerned with the activity of company per se.
- Its client had disclosed the fact that they are trading through other broker.
- Have not been provided with complete data and other information. Sought cross examination of persons whose statements have been relied upon.

7. Before proceeding further in the matters opportunity of personal hearing was granted to all the entities named in the scrip of **Mascon** i.e. Panther, Classic, Saimangal, Luminant, Triumph Securities Ltd. on March 09, 2010 and

Kensington, European, Wakefield and Brentfield on March 10, 2010. On the date fixed Mr. R. Krishnan, Advocate, appeared on behalf of Panther, Classic, Saimangal, Luminant and Triumph Securities Ltd.

Mr. R. Krishnan placed orders of Hon'ble Company Law Board dated December 23, 2008, on record in the matters of Panther, Saimangal and Triumph Securities Ltd. I have seen the orders of Hon'ble Company Law Board and note that the same restrains the directors of the company to functions as directors. Mr. Krishnan also placed on record the order of Hon'ble Calcutta High Court dated July 07, 2005, in the matter of Classic. I note that as considerable time has elapsed from the date of alleged violation by these entities and the matter has already been delayed for long, I find no merit in keeping these proceedings further pending anymore. Considering this, I am proceeding in the matter of Triumph Securities, Panther, Saimangal and Classic on the basis of material available on record.

I note that Kensington, European, Wakefield and Brentfield have not turned up for the hearing. Further, no communication has been received from these OCB's. Considering this, I am compelled to proceed with the matter *ex-parte* on the basis of material available on record, having complied with the principles of natural justice.

8. Opportunity of personal hearing was also granted to Panther, Luminant, N.H. Securities Ltd. and Classic Share & Stock Broking Services Ltd. on March 09, 2010, in the matter of **DSQ**. On the date fixed Mr. R. Krishnan, Advocate, appeared on behalf of Panther, Luminant, N.H. Securities Ltd. and Classic Share & Stock Broking Services Ltd. and made oral submissions. Mr. Krishnan placed order of Hon'ble Company Law Board dated December 23, 2008, on record in the matter of Panther. I have seen the order of Hon'ble Company Law Board and note that the same restrains the directors of the company to functions as directors. I note that as considerable time has elapsed from the date of alleged violation by Panther and the matter has already been delayed for long, I find no merit in keeping these proceedings

further pending anymore. Considering this, I am proceeding in the matter on the basis of material available on record.

9. I have carefully considered the SCN, replies to the SCNs wherever received and the material available on record. Having considered these, before proceeding further in the matter, I wish to deal with some of the common preliminary issues raised by the entities. It has been argued by Panther, Luminant, N.H. Securities Ltd. and Classic Share and Stock Broking Services Ltd. that all relied upon documents have not been provided to them. To this, I observe that all relied upon documents have already been supplied to these entities. However, I note that no document, which has not been provided to them, is being relied upon in the present proceedings.

As regards the contention that Panther, Luminant, N.H. Securities Ltd. and Classic Share and Stock Broking Ltd. were not related and had no links with Ketan Parekh, my observations are as under:

- a. Most of these entities have argued that their shareholding pattern is different from each other and nothing is available on record to show that these were connected to each other. I note that Panther, Classic, Saimangal, Luminant and Triumph Securities Ltd. were directly related to Ketan Parekh and were being commonly referred as Ketan Parekh entities at the relevant point of time as noted in the SEBI order dated December 12, 2003.
- b. The available records shows that in the statement dated July 20, 2001, made by Ketan Parekh, he himself has admitted that he is connected in one way or the other with all the said entities. In this regard, I place my reliance upon the SEBI order dated December 12, 2003 and Hon'ble Securities Appellate Tribunal (hereinafter referred to as 'SAT') Order dated July 14, 2006, in the matter of KP entities wherein after detailed examination, both the authorities have held that Panther, Classic, Saimangal, Luminant and Triumph Securities Ltd. can be termed as 'KP

related entities'. These findings can be treated as confirmed by the Hon'ble Supreme Court in view of the dismissal of the appeal filed by Ketan Parekh and others challenging the order of Hon'ble SAT. In view of the aforesaid, there is no dispute regarding the close association of these entities with Ketan Parekh. Their close association is further confirmed by the fact that these corporate entities were either having the common directors or the common addresses. Further, vide SEBI order dated March 31, 2004, it has been discussed in detail that these were having nexus with Ketan Parekh and were also controlled by him. The findings of this order were also confirmed by Hon'ble SAT vide order dated May 04, 2007.

- c. Taking note of this, no doubt remains as regards the relationship of these entities among themselves and their close association with Ketan Parekh.

- 10. Having considered this, now, first I will deal with the scrip of **Mascon**. I note that Panther, Classic, Saimangal and Luminant had placed huge sell orders while trading in the scrip of Mascon through brokers namely Credit Swiss First Boston (India) Ltd., Triumph Securities Ltd., etc. and corresponding buy orders were placed by the related entities.

I note that the Panther was found executing fictitious trades in the scrip of Mascon by appearing on both sides of trade in a synchronized manner. It is observed that such trades of Panther had created an artificial volume to the tune of 29,99,500 shares in the scrip of Mascon. I have also seen the instances of trades where the KP related entities were found matching orders on the screen of exchange with a time difference of only a few seconds. It is seen that 90% of the transaction entered during the period of December, 2000 to March, 2001, in the scrip of Mascon, had got matched within 10 seconds of each other. All these details go on to show that the transaction were pre-arranged and concentrated in the hands of KP related entities and OCB's.

I note that entities namely Panther, Classic, Saimangal, Luminant, Kensington, European, Wakefield and Brentfield had together bought 2,34,21,159 shares and sold 2,48,56,403 shares in the scrip of Mascon. From the trade details, it appears that the buy and sell orders were entered from the same office premises. However, in absence of any reply/ explanation from Panther, Classic, Saimangal, Luminant and European it cannot be conclusively decided.

- 11.** As regards the scrip of **DSQ**, it is seen that Panther was appearing in the list of persons acting in concert with the company as on March 31, 2001. During the relevant period, Panther was found trading in the scrip of DSQ through seven brokers at BSE and had a gross purchase of 17,99,800 shares i.e. about 10.5% of the total market volume and gross sales of 10,22,279 forming about 6% of the total volume.

- a.** Panther while trading in the scrip of DSQ had executed various synchronized trades to the extent of 99.19%. The table below gives a wholesome picture of the same:

Table – A

Name of the Members at BSE	Sett. No.	Gross Purchase		Gross Sales		Total (₹)	Matched Trades	Others
		Qty.	Rate (₹)	Qty.	Rate(₹)			
Milan Mahendra Sec Pvt. Ltd.	24			22,279	210	22,279		22,279
Milan Mahendra Sec Pvt. Ltd.	29	1,50,000	106.8			1,50,000	1,50,000	
Woodstock Sec Pvt. Ltd.	29	2,00,000	98.25			2,00,000	2,00,000	
Hem Sec	29	2,00,000	106.8			2,00,000	2,00,000	
Chandravadan J. Dalal	29	1,50,000	106.5			1,50,000	1,49,900	100
Pravin V. Shah Stock	29	1,00,000	106.5			1,00,000	99,500	500
Triumph Sec Ltd.	29	3,99,800	98.15			3,99,800	3,99,800	
Pravin V. Shah Stock	33	2,00,000	96.4			2,00,000	2,00,000	
Hem Sec	33	2,00,000	96.75			2,00,000	2,00,000	
Milan Mahendra Sec Pvt. Ltd.	33	2,00,000	96.74			2,00,000	1,99,970	30
Credit Suisse First Boston	DR-147			1,000,000	63.4	10,00,000	10,00,000	
Total		17,99,800		1,022,279		28,22,079	27,99,170	22,909

I have seen the instances of such transactions stated to be synchronized by Panther in the scrip of DSQ as brought out in the SCN:

Table – B

		BUY					SELL					Executed	Execut
	Date	Member	Client	Order Time	Qty	Rate (₹)	Mem ber	Client	Order time	Qty	Rate (₹)	Time	ed rate (₹)
At NSE	09/10/00	HEM	Panther	15:58:19	1,00,000	106.5	DKB	Hulda	15:58:20	1,00,000	106.5	15:58:20	106.5
	09/10/00	HEM	Panther	15:58:36	1,00,000	106.5	DKB	Hulda	15:58:36	1,00,000	106.5	15:58:37	106.5
	06/11/00	HEM	Panther	14:34:03	2,00,000	96.5	CSFB	Prop.	14:34:02	2,00,000	96.5	14:34:03	96.5
	10/10/00	Triumph Sec.	Panther	14:48:18	4,00,000	98	UTI	DSQ Holdings	14:48:22	4,00,000	98	14:48:22 matched 399800	98
	10/10/00	Woodstock Sec	Panther	14:49:07	2,00,000	98	UTI	DSQ Holdings	14:49:08	2,00,000	98	14:49:09	98
At BSE	09/10/00	Chandradan Dalal	Panther	15:53:41	1,00,000	106.5	UTI Sec.	DSQ Holdings	15:53:44	1,00,000	106.5	15:53:44 matched 99900	106.5
	09/10/00	Milan Mahindra	Panther	16:00:11	50,000	106.5	UTI Sec.	DSQ Holdings	15:59:42 16:00:12	450 49,550	106.5	16:00:12	106.5
	09/10/00	Milan Mahindra	Panther	15:59:42	50,000	106.5	DKB	Hulda	15:59:19 15:59:42	500 49,500	106.5		
	06/11/00	HEM	Panther	14:34:03	2,00,000	96.5	CSFB	Prop.	14:34:02	2,00,000	96.5	14:34:03	96.5
	06/11/00	Milan Mahindra	Panther	14:34:18	2,00,000	96.5	CSFB	Prop.	14:34:19	1,99,970	96.5	14:34:19	96.5
	06/11/00	Pravin V. Shah	Panther	14:34:51	2,00,000	96.4	CSFB	Prop.	14:34:51	2,00,000	96.4	14:34:51	96.4

From the table above, it is seen that the Panther was matching its orders by putting consecutive buy orders through separate brokers. I note that the order time had been matched to the seconds. It has been observed from the above table and other instances of synchronized trades as seen in the SCN, that there was almost exact matching of the quantity, rate and also proximity in the time of inputting buy and sell orders. From these details, it becomes clear that these orders were synchronized and were entered into the system with a view to match these with other orders entered with prior understanding. Such trades of Panther were not genuine and surely entered for some manipulative purposes.

- b. It is also seen that Panther while trading in the scrip of DSQ had received advance amount to the extent of the sale proceeds due to it for its sales consideration from the brokers. A few instances of the same have been brought out below for reference:

Table – C

Broker	Transaction Date	Trade Qty.	Market Rate (₹)	Trade Amt. (₹)	Date of Payment	Exchange Settlement date
Dresdner Kleinwort Benson Securities India Ltd. (at BSE)	20/11/2000	4,00,000	190.25	7,53,48,000	20/11/2000	02/12/2000
Dresdner Kleinwort Benson Securities India Ltd. (at BSE)	04/12/2000	2,00,000	188.60	3,73,46,000	04/12/2000	16/12/2000
Dresdner Kleinwort Benson Securities India Ltd. (at NSE)	07/12/2000	5,00,000	186.25	9,21,95,000	07/12/2000	20/12/2000
Dresdner Kleinwort Benson Securities India Ltd. (at NSE)	13/12/2000	1,50,000	238.25	3,53,61,000	13/12/2000	27/12/2000

It is an admitted fact that Panther had received advance payment from its brokers to the extent of its sale proceeds, while the settlement obligation at the exchange was discharged later on by the brokers. The payment for such trades were made to Panther either on the date of transaction or on the immediate next date of transaction without waiting for pay-out of funds from the exchange. A perusal of these transactions shows that Panther was getting immediate finance while trading on stock exchange mechanism. The pattern adopted here appears to be a special arrangement between Panther and its brokers. In this arrangement brokers provided sale proceeds of the shares received from the clients in advance and in result the client has made use of this advance for pay-in obligation of the same shares through the counter party broker.

I observe that by adopting this mechanism, Panther in connivance with its brokers had given colour of a legitimate transaction on the stock exchange and made the transactions liable for clearing and settlement by the exchange on one side and on the other hand Panther got immediate finance upto the extent of the sales proceeds on the immediate day of delivery of shares for further use. It is noted that in the ordinary course of settlement the proceeds of the sales would be payable by the broker to the client on receiving the pay out declared by the exchange, while on the buy side the payment for the buy position has to be made before the pay-in which in the present case has preceded the pay out. This pattern clearly suggests that Panther had availed finance from its brokers while trading in the scrip of DSQ. I note that BSE vide

its circular no. 5638/96 dated October 01, 1996, advised the brokers that funding/ financing transactions are not being considered genuine transactions between the brokers and mentioned that such transactions would also fall within the ambit of fictitious transactions. It was further advised that serious view shall be taken against those members who were found to be involved in such transactions. Further, BSE vide its subsequent notice no. 80626/2001 dated March 17, 2001, once again advised its members, not to enter into such transactions and has warned the members concerned of strict disciplinary action in case of any such violation, besides, annulment of such transactions and non availability of Trade Guarantee Fund cover etc. Taking note of this it can be said that Panther had received finance from its brokers in clear violation of the above directives of BSE.

- 12.** I note that Luminant while trading in the scrip of DSQ through broker Credit Swiss First Boston (India) Securities Pvt. Ltd. had also received payment for the sale transactions on the very same day. The table below shows the instances of such receipt of payments:

Table – D

S. No.	Date of transactions	Client	Qty.	Date of delivery to broker	Date of money released
1.	29/12/2000	Luminant	5,10,000	29/12/2000	29/12/2000
2.	01/01/2001	Luminant	5,50,000	01/01/2001	01/01/2001

Having seen this, it is clear that Luminant had received immediate payments for its trades in the market, which is against the sound market practices as discussed above. I note that Luminant had not provided any details about its trading objective and other details before the investigating authority in the matter.

- 13.** I note that the brokers N.H. Securities Ltd. and Classic Share and Stock Broking Services Ltd. were the registered brokers of NSE at the relevant point of time. However, vide SEBI order dated March 31, 2004, their registration was cancelled. Hence, the present proceedings have been initiated against these under Sections 11B and 11(4)(b) of the SEBI Act.

It is seen that a common charge has been leveled against both these brokers that they had not sought to know the trading strategy/ objective of their clients while trading in the scrip of DSQ as part of the due diligence and in compliance with the member-client agreement. These brokers have placed a common argument that their client Panther was an old client and had never in past defaulted in its obligations. By doing this, I note that N.H. Securities Ltd. and Classic Share and Stock Broking Services Ltd. had downplayed the importance and requirements of KYC by not satisfying themselves about the genuineness and the financial soundness of their client and its investment objectives. I have seen the specific clause in the 'Member Client Agreement' which reads as under:

“Whereas the MEMBER has satisfied and shall continuously satisfy himself about the genuineness and financial soundness of the CLIENT and investment objectives relevant to the services to be provided”

A reading of this clause clearly refers that the requirement is continuous and necessary. I note that the noticee had not sought to know the objective of its client's inspite of the fact that it was aware of the relationship between the clients and the scrip in which they were trading.

It is seen that both these brokers had heavily traded in the scrip of DSQ in their proprietary account and had always squared up the trades. I also note that these brokers themselves were not able to tell about their own trading strategy in the scrip.

Further, entity namely Classic Share and Stock Broking Services Ltd. had entered various structured/ synchronized trades in the scrip of DSQ. The instances thereof have been brought out below for reference:

Table – E

Trade date	Trade time	Trade price(₹)	Trade Qty.	Buy				Sell				Time Diff.
				Order Time	Order Price(₹)	Broker	Client	Order Time	Order Price(₹)	Broker	Client	
4/10/2000	11:13:33	136.50	99,600	11:13:33	136.50	Classic Share and Stock	Own	11:13:32	136.50	Prabhudas Lilladher	DSQ Holdings	0
4/10/2000	11:13:49	136.50	400	11:13:33	136.50	Classic Share and Stock	Own	11:13:49	136.50	Prabhudas Lilladher	DSQ Holdings	0
4/10/2000	11:13:49	136.50	99,600	11:13:49	136.50	Classic Share and Stock	Own	11:13:49	136.50	Prabhudas Lilladher	DSQ Holdings	0
4/10/2000	11:14:00	136.50	400	11:13:49	136.50	Classic Share and Stock	Own	11:14:00	136.50	Prabhudas Lilladher	DSQ Holdings	0
4/10/2000	11:14:01	136.50	99,600	11:14:01	136.50	Classic Share and Stock	Own	11:14:00	136.50	Prabhudas Lilladher	DSQ Holdings	0
4/10/2000	11:14:09	136.50	400	11:14:01	136.50	Classic Share and Stock	Own	11:14:09	136.50	Prabhudas Lilladher	DSQ Holdings	0
4/10/2000	11:14:10	136.50	74,600	11:14:10	136.50	Classic Share and Stock	Own	11:14:09	136.50	Prabhudas Lilladher	DSQ Holdings	0
4/10/2000	13:01:46	137.75	20,000	13:01:45	137.75	Classic Share and Stock	Own	13:01:46	137.75	Prabhudas Lilladher	DSQ Holdings	0
25/10/2000	10:35:55	64.70	98069	10:35:55	64.70	Classic Share and Stock	Own	10:35:55	64.70	Credit Suisse	Own	0:00:00
25/10/2000	10:36:05	64.70	1866	10:35:55	64.70	Classic Share and Stock	Own	10:36:05	64.70	Credit Suisse	Own	0:00:10
25/10/2000	10:36:05	64.70	10000	10:36:04	64.70	Classic Share and Stock	Own	10:36:05	64.70	Credit Suisse	Own	0:00:01
25/10/2000	10:36:26	64.70	86634	10:36:26	64.70	Classic Share and Stock	Own	10:36:05	64.70	Credit Suisse	Own	0:00:21
25/10/2000	10:36:44	64.70	2701	10:36:26	64.70	Classic Share and Stock	Own	10:36:44	64.70	Credit Suisse	Own	0:00:18
25/10/2000	10:36:44	64.70	97199	10:36:44	64.70	Classic Share and Stock	Own	10:36:44	64.70	Credit Suisse	Own	0:00:00
25/10/2000	10:36:51	64.70	2701	10:36:44	64.70	Classic Share and Stock	Own	10:36:51	64.70	Credit Suisse	Own	0:00:07
25/10/2000	10:36:51	64.70	97199	10:36:51	64.70	Classic Share and Stock	Panther	10:36:51	64.70	Credit Suisse	Own	0:00:00
25/10/2000	10:37:01	64.70	2701	10:36:51	64.70	Classic Share and Stock	Own	10:37:01	64.70	Credit Suisse	Own	0:00:10
25/10/2000	10:37:01	64.70	97299	10:37:00	64.70	Classic Share and Stock	Panther	10:37:01	64.70	Credit Suisse	Own	0:00:01
25/10/2000	10:37:08	64.70	2501	10:37:00	64.7	Classic Share and Stock	Own	10:37:08	64.70	Credit Suisse	Own	0:00:08
25/10/2000	10:37:08	64.70	97499	10:37:08	64.7	Classic Share and Stock	Panther/Own	10:37:08	64.70	Credit Suisse	Own	0:00:00
25/10/2000	10:37:20	64.70	2301	10:37:08	64.7	Classic Share and Stock	Own	10:37:20	64.70	Credit Suisse	Own	0:00:12
25/10/2000	10:37:21	64.70	97388	10:37:21	64.7	Classic Share and Stock	Own	10:37:20	64.70	Credit Suisse	Own	0:00:01
25/10/2000	10:37:27	64.70	2612	10:37:21	64.7	Classic Share and Stock	Own	10:37:27	64.70	Credit Suisse	Own	0:00:06
25/10/2000	10:37:27	64.70	95388	10:37:26	64.7	Classic Share and Stock	Own	10:37:27	64.70	Credit Suisse	Own	0:00:01
25/10/2000	10:37:32	64.70	4412	10:37:26	64.7	Classic Share and Stock	Own	10:37:32	64.70	Credit Suisse	Own	0:00:06
25/10/2000	10:37:33	64.70	95473	10:37:33	64.7	Classic Share and Stock	Own	10:37:32	64.70	Credit Suisse	Own	0:00:01
25/10/2000	10:37:42	64.70	3952	10:37:33	64.7	Classic Share and Stock	Own	10:37:42	64.70	Credit Suisse	Own	0:00:09
25/10/2000	10:37:45	64.70	94598	10:37:45	64.7	Classic Share and Stock	Own	10:37:42	64.70	Credit Suisse	Own	0:00:03

From the table above, it is seen that Classic Share and Stock Broking Services Ltd. while trading in its own account had synchronized its order in

the scrip of DSQ. These orders were entered with prior understanding/ arrangement between the buying and selling side. These trades cannot be termed as mere coincidence that every time, Classic Share and Stock Broking Services Ltd. managed to sell to/ buy from the same counterparty client and/ or related/ associated client. Thus, it is inferred that these transactions were not genuine sale-purchase transaction and had the effect of creating artificial volume in the shares of DSQ. I note that such artificial trades generate interest of genuine investors who trade in the scrip seeing the activity in the scrip. I note that this is serious market irregularity which tends to disturb the market equilibrium. In these trades there was no change in beneficial as the buying and selling clients were belonging to the same group. This is in clear violation of Regulation 4(b), (c) and (d) of PFUTP Regulations.

While trading in this fashion, I note that Classic Share and Stock Broking Services Ltd. and N.H. Securities Ltd. had misused the screen based trading system. In view of the findings stated above, I note that these brokers have failed to exercise due skill, care and diligence which are expected from a prudent stock broker who has a duty not only towards its client but also towards the securities market.

14. Taking into consideration of the above discussion, I am of the view that the trades in the scrip of **Mascon** were with some prior understanding between the buying and selling brokers/ clients. I note that Triumph Securities Ltd. had acted in concert with KP related entities for creation of artificial market in the scrip of Mascon. The trades entered by Triumph Securities Ltd. were in synchronized manner. I also note that Triumph Securities Ltd. had executed various cross trades in the scrip of Mascon and thereby created huge volumes in the scrip. I have also seen the credit facility mechanism of KP related entities and note that the same is against the sound market practice. In view of this, it can be said that Panther, Classic, Saimangal, Luminant had misused the screen based trading mechanism by creation of false/ artificial market in the scrip of Mascon.

- 15.** As discussed above in the scrip of **DSQ**, instant liquidity was availed by the entities for the sales made by them in the market. Further the trades were synchronized to the extent that the shares were picked up by some other related entity on the other side of the trade. It can be said that by adopting this method of trading there was no change in the beneficial ownership and the shares remained within the group of associated/ related entities. Immediate funds were made available to the selling entities, instead of waiting for the payout date from the exchange. Such financing transactions were given the colour of purchase and sell transactions on the stock exchanges. I note that this has clearly resulted in the abuse of the trading and settlement mechanism of the stock exchanges.
- 16.** In 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, do hereby issue the following directions:
- a.** Panther Fincap and Management Services Ltd. [PAN: AAACP 3045P], Luminant Investment Pvt. Ltd. [PAN: AAACL 0834A], Classic Credit Ltd. [PAN: AABCC 4018N] and Saimangal Investtrade Ltd. [PAN: AABCS 4255R] be restrained from buying, selling or dealing in securities and from associating with securities market in any manner whatsoever for a period of fourteen years.
 - b.** Triumph Securities Ltd. [PAN: AAAC T 2152P], N.H. Securities Ltd. [PAN: AAACS 7140Q] [SEBI Reg. no. INB 230643938] and Classic Share and Stock Broking Services Ltd. [SEBI Reg. no. INB 230597033] be restrained from buying, selling or dealing in securities and from associating with securities market in any manner whatsoever for a period of five years.
 - c.** As all OCB's were derecognized in India as eligible classes of investor vide Reserve Bank of India Circular No. A.P. (DIR Series) Circular No. 14 dated September 16, 2003. Further, the OCB's were derecognized vide Reserve

Bank of India Circular No. 44/2003 dated December 12, 2003. Having seen this, I note that no useful purpose will be served by issuing any directions at this stage to Kensington Investments Ltd., European Investments Ltd., Wakefield Holdings Ltd. and Brentfield Holdings Ltd. as these are no longer active in the Indian markets. However, if there is any change in the policy of Reserve Bank of India regarding OCBs, SEBI shall be free to initiate action against these for allegations made herein.

17. It is clarified that so far as the entities namely Classic Credit Ltd., Panther Fincap and Management Services Ltd., Luminant Investments Pvt. Ltd. and Saimangal Investrade Ltd. which were covered under the SEBI Order dated December 12, 2003 and November 12, 2007, this order shall run concurrently and shall be deemed to be effective from December 12, 2003. As regards entities namely Triumph Securities Ltd. and N.H. Securities Ltd. which were covered under the SEBI Order dated November 12, 2007, this order shall run concurrently and shall be deemed to be effective from November 12, 2007.
18. As regards Classic Share and Stock Broking Services Ltd. the Order shall come into effect from the date of this order.

DATE : 23/9/2010
PLACE : MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA