

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

IN THE MATTER OF VISION TECHNOLOGY INDIA LTD.

In respect of Consent Financial Services Pvt. Ltd.

ORDER

Under Section 11(4)(b) and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market)

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation into buying, selling and dealings in the shares of Vision Technology India Ltd. (hereinafter referred to as 'VTIL'), for the period of October 12, 1999 to March 07, 2000, *inter alia* to ascertain whether there was any violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations'). During the period of investigation the scrip of VTIL was listed at Bombay Stock Exchange (hereinafter referred to as 'BSE'), Madras Stock Exchange, Ahmedabad Stock Exchange, Jaipur Stock Exchange, and Bangalore Stock Exchange.
2. The trading details of the persons who had traded in the scrip were collected and analysed along with the data of volume contributed during the relevant period. During the investigation period, the price of the scrip at BSE increased from ₹4 as on October 12, 1999 to ₹650 as on March 07, 2000. It was found that before the period of investigation, there was no major price movement in the scrip.
3. Investigation *inter alia* revealed that Consent Financial Services Pvt. Ltd. (hereinafter referred to as 'noticee') had traded in the scrip of VTIL for client Vivenasri Financial Services Ltd. (hereinafter referred to as 'Vivenasri'), who

appeared as the major trader in the scrip. It was revealed that the noticee had acted as an unregistered sub-broker while trade in the scrip of VTIL for its clients. Noticee was also found aiding and abetting the clients for creating artificial market in the scrip of VTIL.

4. On completion of the investigation, SEBI *inter-alia* issued Show Cause Notice dated September 18, 2003 (hereinafter referred to as 'SCN') to the noticee under Sections 11(4)(b) and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. The SCN alleged that noticee while trading in the scrip of VTIL had acted as an unregistered sub-broker and further aided and abetted its clients in creating the artificial volumes in the scrip. The SCN, therefore alleged that the acts of noticee were in violation of the provisions of Regulations 4(a), (b) and (d) of PFUTP Regulations and Section 12(1) of SEBI Act. Accordingly, it called upon the noticee to show cause as to why directions under Sections 11(4)(b) and 11B of SEBI Act including directions debarring/ prohibiting it from buying and selling in the securities for a specific period should not be issued.
5. The SCN issued to noticee returned back undelivered with the comment incomplete address. Attempts were made to deliver the SCN, but the same returned undelivered. Before proceeding further opportunities of personal hearings were also granted to the noticee. However, the hearing notices also returned undelivered.
6. Due to change in appropriate authority opportunity of personal hearing was granted to the noticee before me on March 19, 2010, in compliance of principles of natural justice. However, the hearing notice returned undelivered. Considering the circumstances, another opportunity of personal hearing was granted to the noticee on April 30, 2010. The hearing notice remained undelivered and the matter was adjourned to June 14, 2010.

7. On this date also, the hearing notice issued to noticee returned undelivered. I note that SEBI has issued a press notification as a mode of substituted service on the noticee, with an advice that in absence of any reply, the matter would be proceeded *ex-parte*. I note that the stipulated period mentioned in the publication has expired. In view of 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. I have carefully considered the SCN and the material available on record. Having considered this, the issues arises for my consideration are:
- a. Whether noticee acted as an unregistered sub-broker?
 - b. Whether noticee aided and abetted its client Vivenasri in creation of artificial volume and price rise in the scrip of VTIL?
9. Whether noticee acted as an unregistered sub-broker?
- a. I note that the noticee was trading in the scrip of VTIL for its clients. Noticee has admitted before the investigating authority that it was acting as a sub-broker and has made an application to Active Finstock Pvt. Ltd., to register it as sub-broker. I note that the noticee has failed to produce the copy of such application. Further, it is seen from the investigations that Active Finstock Pvt. Ltd. has referred noticee as its client and not a sub-broker.
 - b. The database maintained by SEBI has revealed that noticee at no point of time was the registered sub-broker of Active Finstock Pvt. Ltd. In view of the present facts and circumstances of the case, I have no hesitation to hold that the noticee had acted as unregistered sub-broker while trading for its clients in the scrip of VTIL in violation of Section 12(1) of SEBI Act.
10. Whether noticee aided and abetted its client Vivenasri in creation of artificial volume and price rise in the scrip of VTIL?

- a. I note that the noticee during the relevant period had traded on behalf of Vivenasri in the scrip of VTIL. A summary of his dealings on behalf of Vivenasri has been brought out below:

Sett. No.	Purchases	Sales	Gross	Net
45	39,300	19,000	58,300	20,300
46	32,500	34,400	66,900	-1,900
47	9,100	31,200	40,300	-22,100
48	34,800	37,200	72,000	-2,400
49	25,000	25,600	50,600	-600
50	32,700	13,200	45,900	19,500
51	22,300	5,100	27,400	17,200
52	4,900	0	4,900	4,900
Total	2,00,600	1,65,700	3,66,300	34,900

- b. From these details, I note that noticee had actively traded in the scrip of VTIL for Vivenasri. Except this, I find nothing on record to show that noticee was aiding and abetting Vivenasri in creation of artificial volume and price rise in the scrip.
- c. I note that the acts of noticee have to be seen in the background of the charges leveled against it i.e. of aiding and abetting its client in creation of artificial volume and increase in prices of the scrip of VTIL. The SCN while giving the details of the trades of noticee for respective settlement has failed to show as to how the said trades had resulted in volume creation.
- d. Taking note of this, I find that the details given in SCN are insufficient to establish the charges leveled against the noticee. Considering the submissions of noticee and facts and circumstances of the case, I am of the considered view that the noticee is entitled for a benefit of doubt in respect of alleged violations of Regulation 4(a), (b) and (d) of PFUTP Regulations.
10. Therefore, taking into consideration, 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 Sections 11, 11(4) and 11B thereof, do hereby restrain the noticee viz. Consent Financial Services Pvt. Ltd. from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of six months from the date of this order.

- 11.** The stock exchanges are hereby directed to permit the respective members to square off its existing open positions, if any, at the earliest in Futures and Options segment.
- 12.** This order shall be served on all recognized stock exchanges and depositories to ensure that the noticee is not allowed to undertake transactions as prohibited in Para 11 above.
- 13.** This order shall come into force with immediate effect.

DATE : 25/OCT/2010
PLACE : MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA