

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

IN THE MATTER OF DATASOFT APPLICATION SOFTWARE (INDIA) LIMITED

In respect of Ruchiraj Shares and Stock Brokers Private Limited

SEBI Registration No. INB 010982132

Date of hearing: June 28, 2011

Appearances

For Noticees : Ms. Anamika Dubey, Advocate

For SEBI : Mr. Rajeev Rastogi, Presenting Officer
Mr. Krishnanand Raghavan, Deputy General Manager
Ms. Anitha Anoop, Deputy Legal Advisor
Mr. Naveen Kumar, Manager
Mr. Pradeep Kumar, Assistant Legal Adviser

ORDER

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

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation in respect of trading in the shares of Datasoft Application Software (India) Limited (hereinafter referred to as 'Datasoft') for the period from November 06, 2000 to January 25, 2001. The scrip of Datasoft, during the period of investigation was listed at the Bombay Stock Exchange Ltd. (hereinafter referred to as 'BSE') and Ahmedabad Stock Exchange (hereinafter referred to as 'ASE').
2. SEBI analyzed the trading details along with the data of the volumes contributed by the persons who had traded in the scrip. The investigation *inter alia* revealed that Ruchiraj Shares and Stock Brokers Pvt. Limited (hereinafter referred to as the 'noticee'), a registered stock-broker at BSE [bearing SEBI Registration No. INB 010982132] had traded in the scrip of Datasoft in large quantities on behalf of its clients, Rijan Securities Pvt. Limited (hereinafter referred to as 'Rijan') and Vivenasri Financial Services Limited (hereinafter

referred to as 'Vivenasri'), executed matched trades, made excess delivery of shares to its client, Vivenasri for the trades carried out by another client Rijan.

3. Based on the findings of the investigation, 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 March 27, 2008 read with subsequent order dated November 18, 2009. The Enquiry Officer was appointed, 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 (hereinafter referred to as the 'PFUTP Regulations') and the Code of Conduct prescribed for the brokers under Schedule II read with Regulation 7 of the SEBI (Stock Broker and Sub Brokers) Regulations, 1992 (hereinafter referred to as 'Broker Regulations'). The Enquiry Officer/ Designated Authority (hereinafter referred to as 'Enquiry Officer') submitted his Report dated July 06, 2010 under the SEBI (Intermediaries) Regulations, 2008 recommending a penalty of warning to the noticee.
4. Subsequently, a Show Cause Notice (hereinafter referred to as 'SCN') dated October 04, 2010 and April 11, 2011 under Regulation 28(1) of the SEBI (Intermediaries) Regulations, 2008 was issued to the noticee, asking it to show cause as to why the action as recommended by the Enquiry Officer or as considered appropriate, 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 its 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 SCN.

5. The noticee replied to the SCN vide its letter dated April 19, 2011. The noticee stated in its reply that it preferred to rely upon the submissions made vide its letter dated December 21, 2009 before the Enquiry Officer. An opportunity of personal hearing was granted to the noticee on June 28, 2011. On the date fixed, Ms. Anamika Dubey, advocate, appeared as the authorized representative of the noticee and made oral submissions.
6. I have carefully considered the Enquiry Report, the SCN issued to the noticee, submission of the noticee and the material available on record. I note that the noticee had traded for 3,81,135 shares out of the total market volume of 24,72,692 shares, during the period of investigation. It is seen that the client of the noticee, namely Vivenasri bought 2,26,810 shares i.e., 18.34% of the total buy volume of 12,36,346 shares, during the period of investigation. I note that this quantity was matched with its own sell orders through a different broker. This amounts to 9.17% of the total traded volume of 24,72,692 shares (buy+sell). Further, the noticee had also traded for its client, Rijan for a total quantity of 1,54,325 shares, this constitutes 6.24% of the total traded volume of 24,72,692 shares (buy+sell) during the period of investigation.
7. It has been found by the investigation that the clients of the noticee i.e., Vivenasri and Rijan were executing matched trades in the scrip of Datasoft wherein the orders of these clients were being matched by the clients themselves while trading through another broker. I note from the Enquiry Report that, no manipulative intent has been found on behalf of the noticee while executing the trades on behalf of its clients in the scrip of Datasoft. However, I note that the orders of the noticee for its clients, Vivenasri and Rijan matched in a synchronized manner. Considering the number of such shares and the trades executed by the noticee for its clients, I note that the noticee should have suspected the trading pattern of its client, when allowing such high position in an illiquid scrip. Thus, I find that the noticee has failed to perform its duties as specified in the code of conduct for stock brokers in the Broker Regulations.

8. The broker is expected to be cautious when large volumes of trading takes place in an illiquid scrip like Datasoft and that too, while placing orders for the clients. The profile of the company whose shares are being traded should be a subject matter for diligence on the part of the broker. The noticee cannot plead complete ignorance and shrug off its responsibility as a broker and hence the recommendation of a minor penalty to remain cautious and careful, while dealing for its clients in the securities market.
9. I note that pursuant to the notification of the SEBI (Intermediaries) Regulations, 2008, the Enquiry Regulations have been repealed 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 the SEBI (Intermediaries) Regulations, 2008.
10. Having regard to the above discussion, I find no reason to differ with the recommendations of the Enquiry Officer. Accordingly, 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 the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, I hereby dispose of the Enquiry proceedings against Ruchiraj Shares & Stock Brokers Private Limited (SEBI Registration no. INB 010982132) by directing it to be cautious and careful while dealing for its clients in the securities market.

DATE : 3/NOV/2011
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA