WTM/PS/56/IVD/ID-01/JAN/2012

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

IN THE MATTER OF T. SPIRITUAL WORLD LIMITED

In respect of Adolf Pinto

SEBI Registration no. INB 010001810

ORDER

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

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation into the dealings in the scrip of T. Spiritual World Limited (hereinafter referred to as 'TSWL') for the period of January 01, 2003 to July 11, 2003. During the period of investigation, the scrip of TSWL was listed at the Bombay Stock Exchange (hereinafter referred to as 'BSE') and Calcutta Stock Exchange (hereinafter referred to as 'CSE').

2. The trading details of different persons in the scrip of TSWL were collected and analyzed along with the data of the volumes contributed. During the period of investigation, the price of the scrip was in the range of ₹175 to ₹183.50. The total market volume during the investigation period was around 4,28,408 shares. The daily traded volume was around 2,000 shares except on March 25, 2003, March 26, 2007 and April 15, 2003 when the volumes in the scrip were substantial.

3. The investigation *inter alia* revealed that Adolf Pinto (hereinafter referred to as the 'noticee'), a registered broker at BSE, bearing SEBI Registration no. INB 010001810 had traded in the scrip of TSWL on behalf of its client Ketan Investments and entered into reversal/ circular/ synchronized trades.

4. 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 July 05, 2005. The Enquiry Officer enquired into the alleged violation of the provisions of the Code of Conduct prescribed for the stock 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 submitted his Report dated October 27, 2005, in terms of Regulation 13 (1) of the Enquiry Regulations, whereby no penalty was recommended against the noticee.

5. Subsequently, a show cause notice (hereinafter referred to as 'SCN') dated August 26, 2010, under Regulation 28(1) of the SEBI (Intermediaries) Regulations, 2008 was issued to the noticee intimating it that SEBI is not in agreement with the penalty as recommended by the Enquiry Officer since the same is not commensurate with the alleged violations committed by it. The noticee was asked to show cause as to why higher penalty should not be imposed on it. 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 from 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.

6. The noticee vide its letter dated September 16, 2010 replied to the SCN and submitted that he had acted as a broker and the trades are barred by limitation as they are old. Pursuant to this, an opportunity of personal hearing was granted to the noticee on July 01, 2011. On the date scheduled for personal hearing, the noticee failed to turn up without any intimation. The noticee was given another opportunity of personal hearing on August 25, 2011. In the meantime, the noticee vide his email dated August 10, 2011 declined the opportunity of personal hearing.

7. I have carefully considered the SCN issued to the noticee, reply of the noticee and the material available on record, the issue that arises for my

consideration is: Whether the acts of the noticee were in violation of Clause A(2) and (5) of the Code of Conduct prescribed for the stock brokers under Schedule II read with Regulation 7 of the Broker Regulations?

8. Whether the acts of the noticee were in violation of Clause A(2) and (5) of the Code of Conduct prescribed for the stock brokers under Schedule II read with Regulation 7 of the Broker Regulations?

a. I note that during the period of investigation the total volume traded was 2,63,058 shares with an average volume of about 2,000 shares, except on three days (i.e. March 25, 2003, March 26, 2003 and April 15, 2003). On these three days, the volume of the shares traded was comparatively high i.e. 1,00,920 shares on March 25, 2003, 50,300 shares on March 26, 2003 and 14,130 shares on April 15, 2003. I have seen the trading details in the scrip of TSWL as also brought out below and note that during the entire period of investigation, the trading was concentrated among three brokers i.e., the noticee trading on behalf of its client Ketan Investment, Sanchay Fincom Limited trading on behalf of the client V.B. Investment and Ramaben Samani Finance Pvt. Limited trading on behalf of the client Mr. Chander Singh:

Sl. No.	Broker	Client	Buy		Sell		Net Qty.
			Qty.	% of mkt. volume	Qty.	% of mkt volume	
1	Sanchay Fincom Ltd.	V.B. Investment	1,27,950	48.64	1,27,906	48.62	44
2	**Adolf Pinto**	**Ketan investment**	**1,06,999**	**40.68**	**1,06,999**	**40.68**	**0**
3	Ramaben Samani Finance	Chander Singh	23,930	9.09	23,628	9	302

b. I note that almost all the transactions done by the noticee were squared off with net position being nil at the end of most of the settlements. I have seen the trading pattern of the noticee for its client in the scrip of TSWL and note exact reversal of same number of shares on most of the days. An example of such exact reversal has been brought out below:

Date	Buy broker	Sell broker	Qty.	Time
01/01/2003	Sanchay Fincom	**Adolf Pinto**	800	12:51:45
01/01/2003	**Adolf Pinto**	Sanchay Fincom	800	13:02:16
03/01/2003	Sanchay Fincom	**Adolf Pinto**	825	12:37:18
03/01/2003	**Adolf Pinto**	Sanchay Fincom	825	13:02:44

I note that such pattern of trading was continued by the noticee for its client during the entire period of investigation. Further, it is seen that the trading of the noticee had contributed significantly to the total volume traded in the scrip of TSWL. A table of 'reversal of trades' executed among the noticee and other two brokers on sample basis have been brought out below for reference:

Date	Member	Client	Purchases	Sales	Gross % to total Volume	
					Purchase	Sale
1/1/2003	**Adolf Pinto**	Ketan Investments	800	800		
1/1/2003	Ramaben Samani Finance	Chander Singh	200	200		
1/1/2003	Sanchay Fincom	V.B. Investments	1,000	1,000		
	Total		**2,000**	**2,000**	**100**	**100**
2/1/2003	**Adolf Pinto**	Ketan Investments	850	850		
2/1/2003	Ramaben Samani Finance	Chander Singh	180	180		
2/1/2003	Sanchay Fincom	V.B. Investments	1,030	1,030		
	Total		**2,060**	**2,060**	**100**	**100**
3/1/2003	**Adolf Pinto**	Ketan Investments	825	825		
3/1/2003	Ramaben Samani Finance	Chander Singh	150	150		
3/1/2003	Sanchay Fincom	V.B. Investments	975	975		
	Total		**1,950**	**1,950**	**100**	**100**
6/1/2003	**Adolf Pinto**	Ketan Investments	800	800		
6/1/2003	Ramaben Samani Finance	Chander Singh	200	200		
6/1/2003	Sanchay Fincom	V.B. Investments	1,060	1,000		
	Total		**2,060**	**2,000**	**100**	**100**
7/1/2003	**Adolf Pinto**	Ketan Investments	750	750		
7/1/2003	Ramaben Samani Finance	Chander Singh	225	225		
7/1/2003	Sanchay Fincom	V.B. Investments	975	975		
	Total		**1,950**	**1,950**	**100**	**100**
8/7/2003	**Adolf Pinto**	Ketan Investments	810	810		
8/7/2003	Ramaben Samani Finance	Chander Singh	170	170		
8/7/2003	Sanchay Fincom	V.B. Investments	980	980		
	Total		**1,960**	**1,960**	**100**	**100**
9/7/2003	**Adolf Pinto**	Ketan Investments	775	775		
9/7/2003	Ramaben Samani Finance	Chander Singh	165	165		
9/7/2003	Sanchay Fincom	V.B. Investments	940	940		
	Total		**1,880**	**1,880**	**100**	**100**
10/7/2003	**Adolf Pinto**	Ketan Investments	820	820		
10/7/2003	Ramaben Samani Finance	Chander Singh	170	170		
10/7/2003	Sanchay Fincom	V.B. Investments	1,090	990		
	Total		**2,080**	**1,980**	**100**	**100**

From the above table, I note that almost exact reversal of trades for quantities of shares, are done between the same set of entities. Further, it is seen that such trading pattern of the noticee continued for about seven months. Considering the number of trades reversed by the noticee for its client and total volume traded in the scrip, I am of the view that the noticee should have noticed that the trading pattern of its client was repetitive and unique, that too in an illiquid scrip.

c. I note from the Enquiry Report that the time gap between the placing of buy and sell orders was ranging from five minutes to two hours and the same cannot be termed as synchronized trade. However, considering the fact that the scrip was illiquid, deliberate matching of the orders to result in trade cannot be ruled out. I am of the considered opinion that, if the trades executed by the client of the noticee were genuine, the possibility of such perfect reversal/ matching of trades continuously for such a long time and that too only among three brokers would have been next to nil.

d. I note that the broker is expected to be cautious when trading takes place in a scrip which is not so liquid and that too when orders are placed for the clients and trading in substantial volume. I note that the noticee should have noticed the unusual trading pattern of its client who was contributing significantly to the total volume in the scrip of TSWL and reversing trades in a regular manner. Thus, I find that the noticee has failed to perform its duties as specified in the code of conduct for the stock brokers in the Broker Regulations.

e. In view of the discussion above, I find that the noticee is guilty of violating the provisions of Clauses A (2) of the Code of Conduct prescribed for the stock brokers in Schedule II under Regulation 7 of the Broker Regulations.

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 SEBI (Intermediaries) Regulations, 2008.

10. Having regard to the above discussion, 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, I hereby prohibit the noticee, Adolf Pinto (SEBI Registration No. INB 010001810) member, Bombay Stock Exchange from taking up new clients for a period of one month.

11. This order shall come into force on expiry of twenty one days from the date of this order.

DATE : 18/JANUARY/2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA