WTM/PS/70/IVD/ID-03/FEB/2012

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

IN THE MATTER OF MASCON GLOBAL LIMITED

In respect of Claridges Investment and Finance Private Limited

(SEBI Registration no. INB 011060531)

Date of hearing: **December 02, 2011**

Appearances

For Noticee: **Mr. Ashwin Shah, CFO**

For SEBI: **Mr. G. Ramar, General Manager**
Mr. N. Sunil, Assistant General Manager
Mr. Pradeep Kumar, Assistant Legal Adviser

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 to as 'SEBI') conducted investigation into the dealings in the scrip of Mascon Global Limited (hereinafter referred to as 'Mascon') for the periods of August 1999 to March 2000 and December, 2000 to March, 2001.

2. Investigation revealed that Mascon was a closely held company. During the period of investigation, the scrip of Mascon had fallen from ₹420 to a low of ₹85. A sudden surge in the volumes of Mascon was noticed during December, 2000, largely on account of the off-loading of substantial number of shares by promoter group companies of Mascon, viz., namely Mascon Information Technologies Ltd. (hereinafter referred to as 'MITL') (formerly known as Martek Holdings Inc, USA) and CSI Technologies Ltd. to various entities related/ connected/ associated to Mr. Ketan Parekh namely Panther Investrade Limited, Panther Fincap and Management Services Ltd., Classic Credit Limited, Saimangal Invest Trade Limited and Luminant Investments

Private Limited and Overseas Corporate Bodies (hereinafter referred to as OCB's) namely, Kensington Investments Limited, European Investments Limited, Wakefield Holdings Limited and Brentfield Holdings Limited. During the investigation period, only these Ketan Parekh related entities and the said OCB's were active in the scrip. The trading details of different individuals/ entities in the scrip of Mascon were collected and analysed along with the data of volumes contributed. It was 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. These huge volumes of the shares were allegedly used by the entities related/ connected/ associated to Ketan Parekh to indulge in rampant manipulation of price and volume in Mascon.

3. The investigation *inter alia* revealed that Claridges Investment and Finance Private Limited (hereinafter referred to as the 'noticee'), a registered stock-broker at the Bombay Stock Exchange [bearing SEBI Registration no. INB 011060531] had traded in the scrip of Mascon in large quantities in its proprietary account as well as for its clients on five days. The trades executed by the noticee were alleged to be structured and cross trades.

4. Based on the findings of investigation, SEBI initiated enquiry proceedings as against the noticee in terms of the 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 November 29, 2006 read with order dated November 23, 2007. The Enquiry Officer enquired 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 'PFUTP Regulations') and the Code of Conduct prescribed for the brokers under Schedule II of SEBI (Stock Brokers and Sub-Broker) Regulations, 1992 (hereinafter referred to as 'Broker Regulations'). The Enquiry Officer/ Designated Authority (hereinafter referred to as the 'Enquiry Officer') submitted his Report dated April 27, 2010 under SEBI (Intermediaries) Regulations, 2008, recommending a penalty of suspension for a period of two weeks for violating the provisions of Regulation 4(b) and

(d) of PFUTP Regulations and Regulation 7 read with Clauses A (1), (2) and (3) of the code of conduct for Stock Brokers, specified in Schedule II of the Stock Brokers Regulations.

5. Subsequently, a show cause notice dated May 03, 2010 (hereinafter referred as SCN') under Regulation 28 of the SEBI (Intermediaries) Regulations, 2008, was issued to the noticee, asking it to show cause as to why the appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed. The noticee was advised to reply to the SCN, within twenty one days from the date of receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer. A copy of the Enquiry Report was also forwarded to the noticee along with the SCN.

6. The noticee vide its letter dated May 12, 2010 communicated to SEBI about the appointment of advocates and solicitors to act, appear and plead on its behalf. Thereafter, the solicitors of the noticee vide their letter May 17, 2010 sought an extension of two weeks for replying to the SCN. SEBI vide its letter dated August 04, 2010 issued reminder to the noticee for replying to the SCN. However, no reply was received. Before proceeding further, an opportunity of personal hearing was granted to the noticee on April 25, 2011. The noticee vide its letter dated April 15, 2011 requested for an adjournment of four months on medical reasons of one of its directors. The request of the noticee was acceded to and the matter was adjourned. Another opportunity of personal hearing was granted to the noticee on December 02, 2011. On the date fixed for personal hearing, Mr. Ashwin Shah, CFO of the noticee appeared and made oral submissions before me. The main submissions of the noticee are that they were the victims of Ketan Parekh group and the matter is very old. The noticee also submitted that their membership card is defunct.

7. I have carefully considered the Enquiry Report, the SCN issued to the noticee and the submissions made during the hearing. I note that the noticee had bought 6,76,566 shares and sold 6,37,628 shares during the period of

investigation while trading in its own account and for its client namely M/s Ashok Mittal & Co., Classic Credit Limited and European Investments Limited in the scrip of Mascon. It has been found by the Enquiry Officer that the clients of the noticee were controlled by Mr. Ketan Parekh. It is observed from the Enquiry Report that the noticee had executed trades on five days during the period of December, 2000 to March, 2001 and out of this, on three days, the orders of the noticee were matched with the counterparty with very little time difference. I have seen the details of such matched trades from the Enquiry Report.

8. The Enquiry Report makes a reference to the nexus between the clients of the noticee and their counterparty clients. I note that the Enquiry Report does not explain as to what was the nexus. The only reference made is to the investigation report that the clients of the noticee and counterparty clients were related/ connected to Ketan Parekh and while trading for the said clients, the noticee had aided and abetted Ketan Parekh in the execution of fictitious trades in the scrip of Mascon. I observe that this inference about the nexus is not supported by any proof and in the absence of the same it is difficult to conclude that the noticee was aware of the counterparty clients/ broker for the trades of its clients.

9. Further, I note that, on two days, the noticee had executed cross trades in the scrip of Mascon. The details of such trades are as under:

Trade					Buy			Sell			Order Time Diff.
No.	Date	Qty.	Price	Time	Member	Client	Order Time	Member	Client	Order Time	
78	20/12/2000	3,00,000	475	14:51:02	190	2001	14:51:02	190	2021	14:51:02	0:00:00
104	23/03/2001	50,000	70	11:06:11	190	2001	11:06:11	190	2061	11:06:11	0:00:00
105	23/03/2001	50,000	70	11:08:39	190	2001	11:08:39	190	2061	11:08:37	0:00:02
106	23/03/2001	2,00,000	70	11:09:01	190	2001	11:09:00	190	2061	11:09:01	0:00:01

From the above, I note that the noticee had executed cross trades for a total quantity of 6,00,000 shares in the scrip of Mascon during the period of investigation. The trading details show that the orders for such cross deals were matched within a time difference of 0-2 seconds. I find that the noticee has not offered any explanation for trading in synchronized manner for such huge quantities. I note that the scrip of Mascon was illiquid at the relevant

point of time and it is understood that it would be difficult to get the counterparties to such large trades. Further, these large trades had accounted for a considerable quantity of the total volume of shares traded in the scrip on the subject dates as seen from the BSE website. It is seen that on December 20, 2000, the noticee has executed trade for 3,00,000 shares of Mascon which amounted to 98.60% of the total traded volume on exchange in the subject scrip. Similarly, on March 23, 2001 the noticee executed trade for 3,00,000 shares of Mascon amounting to 42% of the total traded volume in the scrip. In view of this, it can be concluded that these cross trades in the scrip were arranged in such a manner that the orders will match with the specified counterparties.

10. From the above discussed details about the trades in the scrip of Mascon, 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 the orders are placed for the clients and trading in substantial volume. Having seen this, I note that the noticee had facilitated the creation of false market in the scrip of Mascon by its client. The diligence on the part of the broker should ideally extend to whether large volume of trading is justified in such illiquid scrips. 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.

11. In view of the discussion above, I find that the noticee is guilty of violating the provisions of Regulation 4(b) and (d) of the PFUTP Regulations and Clauses A(2) and A(3) of the Code of Conduct prescribed for the stock brokers in Schedule II under Regulation 7 of the Broker Regulations.

12. I note that pursuant to the notification of the Intermediaries Regulations, the Enquiry Regulations have been repealed and in terms of Regulation 38(2) of the Intermediaries Regulations. Notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been commenced under the corresponding provisions of the Intermediaries Regulations.

13. I, therefore, 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, hereby suspend the certificate of registration of the stock broker namely Claridges Investment and Finance Private Limited (SEBI Registration no. INB 011060531) [PAN: AAACC 1607N] for a period of two weeks.

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

DATE : 27/FEBRUARY/2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA