WTM/PS/73/IVD/ID-03/MARCH/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 Subhkam Securities Private Limited

(SEBI Registration No. INB 011059731)

Date of hearing: **April 25, 2011**

Appearances

For Noticee: **Mr. Ravi Kumar, Authorized Signatory**
Mr. Jayant Thakur, Consultant

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 Limited (hereinafter referred to as 'MITL') (formerly known as Martek Holdings Inc, USA) and CSI Technologies Limited 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 OCBs) 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 OCBs 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 Limited. These huge volumes in 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 Subhkam Securities Limited, (hereinafter referred to as the 'noticee'), a registered stock-broker at Bombay Stock Exchange (hereinafter referred to as 'BSE') [bearing SEBI Registration no. INB 011059731] had traded in the scrip of Mascon in large quantities on behalf of its six clients, viz. Subhkam Monetary Services Limited, Khazana Tradelink Private Limited, Asia Equity Investment Limited, Pushpak Securities Private Limited, Sweet Solution Limited, Milton Securities Limited and executed 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 the 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 July 21, 2009 under SEBI (Intermediaries) Regulations, 2008, recommending a penalty of suspension for a period of two weeks for violating the provisions of Regulation 4(2)(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 August 31, 2009 (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 and that 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.

6. The noticee vide its letter dated September 10, 2009, requested for a copy of the investigation report and sought an extension of 21 days for replying to the SCN. Before proceeding further, an opportunity of personal hearing was granted to the noticee on April 25, 2011. In the meantime, the noticee vide its letter dated April 19, 2011 replied to the SCN. On the date fixed for hearing, Mr. Ravi Kumar, authorized signatory and Mr. Jayant Thakur, Consultant appeared and made oral submissions before me. Pursuant to this, the noticee filed an application for the settlement of proceedings through a consent order. The application filed by the noticee was dealt in accordance with the SEBI Circular dated April 20, 2007. Subsequently, the proceedings initiated under the SCN were revived, as the application for consent was rejected by SEBI.

7. I have carefully considered the Enquiry Report, the SCN issued to the noticee and its reply. The submissions of the noticee in brief are:

- It is not connected with Ketan Parekh or any of its clients connected with Ketan Parekh. Sweet Solutions Limited, Subhkam Monetary Services Private Limited and Milton Securities Limited are its group companies and are not connected with Ketan Parekh group at all. Further, no underlying connection or understanding has been proved with Ketan Parekh.
- The trades were at the ruling market prices, resulted in delivery of shares and receipt of payment.
- The shares purchased by the client have been received and retained by them for a period of time till sold where applicable.
- During the period of investigation, there was no facility of bulk trades and a period for bulk trading was subsequently provided during which the parties can carry out such quantities of trades between two counter parties. As required by law and also the circumstances, the transactions were carried out almost wholly through bulk and single trades between the counterparties.
- The cross trades took place on four days. On each of these four days, there was a single trade on each day. Further, during three days out of these, there was a gap of nearly one month between each such trade.
- The Gujarat Gas case, reference of which has been made in the SCN is admittedly incomplete and no conclusion can be drawn by SEBI on the same.
- It is not connected with the company or its promoters.
- It has not been provided with a copy of the investigation report upon which the Enquiry Report has relied upon and conclusions have been arrived.

8. I note that the noticee had asked for a copy of the investigation report as the same allegedly makes substantial basis of the allegation leveled against it. I have seen that all the documents relied upon by SEBI have already been provided to the noticee. No document, which has not been provided to the noticee, is being relied upon by SEBI in the present proceedings.

9. I note that the noticee had bought 7,54,633 shares and sold 7,89,765 shares during the period of investigation while trading for its client in the scrip of

Mascon. It has been found by the Enquiry Officer that the clients of the noticee were controlled by Ketan Parekh. It is observed from the Enquiry Report that the noticee had executed trades on thirteen days during the period of December, 2000 to March, 2001 and out of this, on eleven days, the orders of the noticee were matched with the counterparty in a few seconds of each other. I have seen the details of transactions executed by the noticee in respect of its clients from the Enquiry Report.

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 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.

10. However, I note that the trades of the noticee were being matched in a synchronized manner. Further, I note form the Enquiry Report that the noticee had also executed cross trades for a total quantity of 4,79,285 shares in the scrip of Mascon during the period of investigation. The details of cross trades executed by the noticee are as under:

Trade				Buy			Sell			Time
Date	**Qty.**	**Price**	**Time**	**Broker**	**Client**	**Time**	**Broker**	**Client**	**Time**	**Difference**
05/12/2000	45,850	550	10:48:19	Noticee	Khazana	10:48:19	Noticee	EON	10:48:18	0:00:01
02/01/2001	24,000	350	11:56:44	Noticee	A025	11:56:42	Noticee	S026	11:56:43	0:00:01
13/03/2001	3,09,435	108	17:14:25	Noticee	S042	17:14:24	Noticee	AO25	16:57:51	0:16:33
16/03/2001	1,00,000	100	14:22:13	Noticee	K018	14:22:11	Noticee	P002	14:22:13	0:00:02

The noticee in its reply has submitted that as it knew both the parties, the trade had resulted within a small time gap. This explanation, in my view is not sufficient in the light of the liquidity in the scrip and the quantity of shares traded by the noticee. 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 subject dates as seen from the BSE website. 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.

11. I note that the broker is expected to be cautious when trading takes place hitherto in the scrip which is not so liquid and that too placing orders for the clients and trading in substantial volume. I note that the profile of the company whose shares are being traded call for a higher level of diligence on the part of the broker. The noticee being a responsible market intermediary should have allowed the orders to match in the system on their own, so that the public at large could have availed the benefit of such orders as otherwise the volumes in the scrip of Mascon has remained very thin. I note that interference with the market mechanism is not in the interest of securities market. 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.

12. In view of the discussion above, I find that the noticee 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.

13. 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.

14. 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 Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations,

2008, hereby suspend the certificate of registration of the stock broker namely Subhkam Securities Limited [SEBI Registration no. INB 011059731] for a period of two weeks.

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

DATE : MARCH 2ND, 2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA