

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

IN THE MATTER OF ORIENT TRADE LINK LTD.

**In respect of M/s MLD Securities Pvt. Ltd.
(SEBI Registration No. INB 51005639)**

Date of Hearing: September 16, 2011

Appearance

For noticee: Mr. Satish Chander
Mr. Ramjag Kanojia

For SEBI: Mr. Biswajit Choudhury, Deputy General Manager
Ms. Anju Mahendra, Assistant Legal Adviser
Ms. K Muthulakshmi, Assistant General Manager
Ms. Vasudha Goenka, 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 M/s Orient Trade Link Ltd. (hereinafter referred to as '**OTL**'/ '**the company**') for the period from July 01, 2002 to October 28, 2002 (hereinafter referred to as the '**Investigation Period**') at the Bombay Stock Exchange Ltd. (hereinafter referred to as '**BSE**'). During the relevant period, the scrip of OTL was listed in BSE and Ahmedabad Stock Exchange Ltd (hereinafter referred to as '**ASE**'). However it was traded only in BSE during the investigation period.
2. The details of the trading in the scrip during the investigation period were analyzed. From the price volume data of the scrip of OTL for the period from July 1, 2002 to October 28, 2002, it was observed that the price of the scrip fell from Rs.13.00 on July 1, 2002 to Rs.3.45 on October 28, 2002. Large volumes were observed in the scrip from August 30, 2002 to September 26, 2002 and October 16, 2002 to October

28, 2002. Investigation *prima facie* revealed that **MLD Securities Pvt. Ltd.** (hereinafter referred to as '**the noticee**'/ '**MLD**'), a broker of the Delhi Stock Exchange (hereinafter referred to as '**DSE**') and a registered client of the BSE stock broker, TCP Stock Brokers Ltd (hereinafter referred to as '**TCP**'), traded on BSE for its clients, and thus acted as an unregistered sub-broker. It was also observed that the noticee received third party delivery of the shares against the sales made by its clients and made advance payments to its clients against the sales made by them in successive settlements. Further, numerous matched and reversal of trades executed by the noticee on behalf of its client(s).

3. Based on the findings of investigation, SEBI initiated enquiry proceedings 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 vide order dated November 18, 2009 under Regulation 5(1) of the Enquiry Regulations, to enquire into the alleged violation of the provisions of the SEBI Act, 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as '**PFUTP Regulations, 1995**') and the Code of Conduct specified under Schedule II of the SEBI (Stock Brokers and Sub-Broker) Regulations, 1992 (hereinafter referred to as '**Broker Regulations**'). As the Enquiry Regulations were repealed with effect from the notification of SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as the '**Intermediaries Regulations**'), the Enquiry Officer/ Designated Authority (hereinafter referred to as the '**Enquiry Officer**') submitted her Report dated October 18, 2010 in terms of Regulation 27 of the Intermediaries Regulations, recommending thereby, a suspension of the certificate of registration for a period of one month for the violation of the provisions of

- Section 12(1) of the SEBI Act and Regulation 11(1) of the Broker Regulations.
- Regulations 4(a) and (c) of the PFUTP Regulations, 1995 read with Regulation 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade

Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations, 2003**') and

- Clauses A(1) to (5) of the Code of Conduct specified under Schedule II of the Broker Regulations.
4. Subsequently, a show cause notice dated October 22, 2010 (hereinafter referred as SCN) under Regulation 28 of the Intermediaries Regulations was issued by SEBI to the noticee, asking it to show cause as to why action should not be taken against it as recommended by the Enquiry Officer or a higher penalty should not be imposed as deemed fit by the Competent Authority. 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 to reply, 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.
5. However, no reply was received from the noticee. A reminder, vide letter dated May 24, 2011, was sent to the noticee asking it to file its reply within 15 days from the date of the letter. Thereafter, the noticee filed its reply vide letter dated May 30, 2011. An opportunity of personal hearing was granted to the noticee on September 16, 2011. On the scheduled date, Mr. Satish Chander and Mr. Ramjag Kanojia, authorized representatives of the noticee, appeared for the personal hearing before me and made submissions. The submissions of the noticee in brief are:
- The noticee reiterated the submissions made by them before the Enquiry Officer.
 - The noticee submitted that most of the lapses observed in the Enquiry Report are procedural in nature, and that they have accepted the same.
 - The noticee had no financial role in these transactions and made no monetary gain other than brokerage.

- The noticee was never a part of the manipulative trades of Gajinder Pal Dhody and was misled.
 - The noticee accepted its lapses on account of not exercising due diligence and procedural compliance, and requested that a lenient view be taken.
6. I have carefully considered the SCN, the reply of the noticee and the material available on record. The issues that arise are:
- Whether the noticee acted as an unregistered sub-broker on the BSE in violation of Section 12(1) of SEBI Act and Regulation 11(1) of the Broker Regulations?
 - Whether the noticee made advance payments to its clients against sales made by them and received delivery of shares from third parties in respect of sales made by its clients and whether the noticee aided and abetted its client, namely Gajinder Pal Dhody, in carrying out manipulative trades in violation of Regulations 4(a) and (c) of the PFUTP Regulations, 1995 read with Regulation 13 of the PFUTP Regulations, 2003 and Clauses A(1) to (5) of the Code of Conduct specified under Schedule II of the Broker Regulations?

Whether the noticee acted as an unregistered sub-broker on the BSE?

7. I note that the noticee was registered with SEBI as a member of DSE. The noticee was not registered as a sub-broker on the BSE, and was registered only as a client of TCP. The noticee traded on BSE for its clients, namely, Gajinder Pal Dhody and 21st Century Media Works. I also note that Gajinder Pal Dhody was the proprietor of 21st Century Media Works. The noticee executed sales transactions for 8,39,905 shares and purchase transactions for 4,08,449 shares on behalf of these two clients on the BSE through its broker TCP.
8. I therefore find that **the noticee traded as an unregistered sub-broker in the shares of OTL** on BSE during the investigation period in violation of Section 12(1) of the SEBI Act and Regulation 11(1) of the Broker Regulations.

Whether the noticee made advance payments to its clients against sales made by them and received delivery of shares from third parties in respect of sales made by its clients and whether the noticee aided and abetted its client, namely Gajinder Pal Dhody, in carrying out manipulative trades in violation of Regulations 4(a) and (c) of the PFUTP Regulations, 1995 read with Regulation 13 of the PFUTP Regulations, 2003 and Clauses A(1) to (5) of the Code of Conduct specified under Schedule II of the Broker Regulations?

9. I note that during the investigation period, the noticee traded for its clients Gajinder Pal Dhody and 21st Century Media Works (of which, Gajinder Pal Dhody is the Proprietor) on BSE. The details of trading of the noticee for the two clients named above are as follows:

Broker	Sub-broker	Client	Quantity bought	Quantity sold	Gross (buy + sell)	% to market volume
TCP Stock Brokers Ltd.	MLD	Gajinder Pal Dhody.	3,88,449	7,38,830	11,27,279	19.78%
TCP Stock Brokers Ltd.	MLD	M/s 21st Century Media Works	20,000	1,01,075	121075	2.12%
Total:			4,08,449	8,39,905	1248354	21.91 %

10. Further, I observe from the Enquiry Report that the total matched and reversed trades executed by the noticee, during the investigation period, amounts to 6,56,740 shares, which constitutes 11.50 % of the total market volume (56,97,585 shares) of OTL. I observe that the counterparty client for such reversed and matched trades was Pramukh Securities Pvt. Ltd (hereinafter referred to as '**Pramukh**'), dealing through the sub-broker Exponential Financial Services Ltd. hereinafter referred to as '**Exponential**'). Gajinder Pal Dhody is the director of Pramukh and thus the counterparty clients are related to each other. The connected clients, that is, Pramukh and Gajinder Pal Dhody squared off their net positions to zero on all these days. The volume and the percentage of these trades to the daily market volume is 41%-75% on all of the days. The trades, as submitted by the noticee, were executed from the terminal provided by TCP. The day wise details of the matched and reversed transaction are as given below:

MLD				Exponential		
Client- Gajinder Pal Dhody (CG002)				Client- Pramukh (E1PAK)		
Sl. No.	Date	Bought	Sold	Bought	Sold	% to daily Market volume
1.	September 3, 2002	10,500	10,500	10,500	10,500	61.49%
2.	September 4, 2002	49,100	49,100	49,100	49,100	64.1%
3.	September 5, 2002	52,900	52,900	52,900	52,900	75.00%
4.	September 6, 2002	38,200	38,200	38,200	38,200	68.76%
5.	September 9, 2002	42,800	42,800	42,800	42,800	41.98%
6.	September 11, 2002	40,950	40,950	40,950	40,950	49.72%
7.	September 12, 2002	30,620	30,600	30,600	30,600	53.59%
8.	September 13, 2002	39,700	38,500	38,500	38,500	51.41%
9.	September 16, 2002	23,600	23,600	23,600	23,600	44.36%

Thus, the trading of the noticee for its clients constitutes 21.91% of the market volume of 56,97,585 shares during the investigation period.

11. I observe from the order log which was also provided to the noticee in the SCN that the quantity and price of the orders matched exactly and the time was same or at times minimal time gap of few seconds.
12. Further, I note from the Enquiry Report that Sunil Dhuper, Director of MLD, in his statement recorded before the Investigating Authority on November 16, 2004, stated that Gajinder Pal Dhody was a family friend and distantly related to him. Hence, the noticee and Gajinder Pal Dhody are connected/related to each other.
13. I note that such trades were executed by the noticee for a number of days in the illiquid scrip of OTL. The submission of the noticee that it was unaware of the manipulation is not an adequate defense. Further, as noted above, the noticee and the client are also found connected/related. The trading of the noticee for its clients constitutes 21.91% of the market volume of 56,97,585 shares during the investigation period, which is also significant. In view of such details, I do not find merit in the submissions of the noticee. I am of the view that **the noticee has aided and abetted its client, namely Gajinder Pal Dhody, in carrying out manipulative trades.**

14. Further, I observe from the demat account number 10017997, held by the noticee, that during the period under investigation, there was transfer of a sum of 3,17,000 shares from the demat account number 10020804, which was held in the name of Pramukh. These transfers were made to meet the delivery requirements in view of sales made by Gajinder Pal Dhody and 21st Century Media Works through the member TCP. Moreover, in respect of the sales made by Gajinder Pal Dhody in settlement numbers 142 & 143, 40,000 & 60,000, shares were transferred directly from the demat account of Pramukh to the pool account of TCP on October 17, 2002 and October 21, 2002 respectively. Further, the ledger accounts of Gajinder Pal Dhody and 21st Century Media Works in the books of account of the noticee revealed that the noticee made advance payments to these two clients against sales made by them. Thus, I find that **the noticee made advance payments to its clients against sales made by them and received delivery of shares from third parties in respect of sales made by its clients.**
15. In view of the above, I find that the noticee violated the provisions of Regulations 4(b) and 4 (c) of PFUTP Regulations, 1995 and Clauses A (1) to A (5) of Code of Conduct for Stock Brokers as specified in Schedule II under Regulation 7 of Brokers Regulations.
16. I note that pursuant to the notification of the Intermediaries Regulations, the 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.
17. Thus, 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 noticee, M/s MLD Securities Pvt. Ltd. having SEBI Registration No. INB 51005639, for a period of one month.

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

DATE: April 13, 2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA