WTM/PS/ 25/IVD/ID-6/ MAY/2012

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

In respect of M/s. Shree Hari Hira Stock Broking (P) Ltd
Member-BSE
SEBI Registration no.:- INB011233336
PAN: AAJCS0518D

Date of hearing: October 20, 2011

Appearances

For Noticee: Mr. Shivkumar H Bissa

For SEBI: Mr. Biswajit Choudhury, Deputy General Manager
Ms. Anitha Anoop, Deputy Legal Adviser
Mr. Rajeev Rastogi, Assistant Legal Adviser
Mr. Pradeep Kumar, Assistant Legal Adviser
Mr. Siddharth Dachalwal, Manager

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 the 'SEBI') conducted investigation into the buying, selling and dealing in the shares of Stocknet International Limited (hereinafter referred to as the 'SNIL') for the period April 30, 2001 to August 03, 2001 (hereinafter referred to as the 'investigation period'). During the investigation period, the volume and price of the scrip fluctuated widely. The scrip of SNIL was listed at the Calcutta Stock Exchange (CSE) and the Bombay Stock Exchange (BSE).

2. SNIL was a thinly traded scrip, and there was no trading in the scrip between April 30, 2001 to May 25, 2001. However, from May 31, 2001, the price of the scrip rose from Rs. 45.10 to Rs.104.40 on July 13, 2001, due to active trading by certain entities. Thereafter the price of the scrip fell to Rs. 83.85 on August 1, 2001. On June 12, 2001, BSE had reduced the circuit

filter of the scrip from 8 % to 4 %, and further reduced the same from 4 % to 2 % on July 17, 2001.

3. Investigation revealed that certain brokers including M/s. Shree Hari Hira Stock Broking (P) Ltd (formerly M/s Harikishan Hiralal, hereinafter referred to as the 'noticee') had extensively dealt in the scrip of SNIL in a fraudulent manner. During the investigation, all the trades of the noticee in the scrip of SNIL, were found to be executed on behalf of a single client, namely V H Bissa. Thus, it was alleged that the noticee aided and abetted its client in creating artificial volume and influencing the price of the scrip, thereby violating the provisions of Regulations 4(a), (b), (d) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations, 1995') read with Regulations 4(1), 4(2)(a), (b), (d) (e) and (n)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), (2), (3), (4), & (5) of Code of Conduct as specified in Schedule II under Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as 'Broker Regulations').

4. Based on the findings of the investigation, SEBI initiated enquiry proceedings 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 orders dated October 1, 2007, November 23, 2007 and August 17, 2010, to enquire into the alleged violation of the provisions of Regulations 4(a), (b), (d) and (e) of the PFUTP Regulations, 1995 read with Regulations 4(1), 4(2)(a), (b), (d) (e) and (n) of the PFUTP Regulations, 2003 and Clauses A(1), (2), (3), (4), & (5) of Code of Conduct as specified in Schedule II under Regulation 7 of the Broker Regulations. Since the Enquiry Regulations were repealed with the notification of SEBI (Intermediaries) Regulations, 2008, the Enquiry Officer/ Designated Authority (hereinafter referred to as the 'Enquiry Officer') submitted his Report dated February 11, 2011, in terms of Regulation 27 of SEBI (Intermediaries) Regulations, 2008, recommending

thereby that the certificate of registration of the noticee be suspended for a period of two weeks.

5. Subsequently, a notice dated March 31, 2011 (hereinafter referred as 'SCN') under Regulation 28 of SEBI (Intermediaries) Regulations, 2008, was issued to the noticee, asking the noticee to show cause as to why action as recommended by the Enquiry Officer, or a higher penalty should not be imposed on it. 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 the noticee 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.

6. The noticee did not reply to the SCN. An opportunity of personal hearing was granted to the noticee before me on September 09, 2011. However, on the scheduled date, the noticee failed to appear for the hearing. Subsequently, in the interest of natural justice, another opportunity of hearing was granted to the noticee on October 20, 2011, wherein, Shivkumar Bissa, the authorized representative of the noticee appeared before me and made submissions.

7. I have carefully considered the Enquiry Report, the SCN issued to the noticee along and other material available on record. Thus, the issues that arise for my consideration are:

> Whether the noticee executed trades on behalf of its client in a manner that led to the creation of artificial volume and price in the scrip of SNIL, and thus violated provisions of Regulations 4(a), (b), (d) and (e) of the PFUTP Regulations, 1995 read with Regulations 4(1), 4(2)(a), (b), (d) (e) and (n) of the PFUTP Regulations, 2003 and Clauses A(1), (2), (3), (4), & (5) of Code of Conduct as specified in Schedule II under Regulation 7 of the Broker Regulations?

8. I note that the noticee had dealt in the scrip of SNIL on behalf of one client, namely, V H Bissa. During the investigation period, the noticee bought 73,900 shares and sold 60,300 shares of SNIL on behalf of VH Bissa. The noticee's client, along with other related clients, had a concentration of 65 % on the buy side and 50 % on the sale side.

9. During the period May 28, 2001 to June 08, 2001. in Settlement Numbers 10 and 11, when the scrip was thinly traded, the noticee had executed a few large orders. Thereafter, from Settlement no.12 on June 11, 2001 onwards, the scrip had attracted attention of other investors, which led to a gradual increase in the price and volume of the scrip.

10. Further, I note that on July 09, 2001 (settlement no.16), the noticee along with P Suryakant Share and Stock Brokers Pvt. Ltd executed reversed trades in the scrip in a manner to circulate shares of SNIL amongst themselves, thus giving a false impression of trading in the scrip. On the aforementioned date, the noticee, on behalf of V.H. Bissa, bought 4400 shares of SNIL at the rate of Rs. 102.75 a shares from Shree Parshwa Finance, dealing through the broker P Suryakant Share & Stock Broker P. Ltd. On the same day, the noticee sold 3000 shares at Rs. 102.75 on behalf of its client V H Bissa, to P Suryakant Share and Stock Brokers Pvt. Ltd, dealing on behalf of its client, Shree Parshwa Finance.

11. I also note that these orders were placed at rates that were considerably variant from the previous orders at the time. For instance, on July 16, 2001, the noticee entered into a matched buy transaction with P Suryakant Share and Stock Brokers Pvt. Ltd for 2400 shares and the transaction is executed at Rs.96.40. Prior to that, the noticee had placed a buy order for 500 shares at the rate of Rs.102 a share. The immediate preceding sell order of P Suryakant Share and Stock Brokers Pvt. Ltd was placed for 400 shares at Rs. 99 a share. I note that when the buy order of the noticee for 500 shares at the rate of Rs. 102 a share, was already present in the order book, P Suryakant Share and Stock Brokers Pvt. Ltd placed a sell order for 400 shares at Rs.99 a share. Moreover, P Suryakant Share and Stock Brokers Pvt. Ltd further put a sell order for 5000 shares at Rs. 96.40 a share. When the noticee was ready to purchase at Rs.102, P Suryakant Share and Stock Brokers Pvt. Ltd would be able to sell at

Rs.99 instead of Rs.96.40. Such transactions do not appear to be genuine in nature as they are contrary to the actions of a reasonable man.

19. Thus, in view of the foregoing, I find that the noticee executed trades on behalf of its client in a manner that led to the creation of artificial volume and price in the scrip of SNIL. The acts of the noticee are in violation of Regulations 4(a), (b), and (d) of PFUTP Regulations, 1995 read with Regulations 4(1) and 4(2)(a), (b), (d), (e) and (n) of the PFUTP Regulations, 2003 and of Regulation 7 read with Clauses A (1), (2), (3), (4) & (5) of the Code of Conduct for Stock Brokers, specified in Schedule II of the Stock Brokers Regulation. I agree with the finding of the Enquiry Officer that there is no evidence on record to show that the noticee was paying or agreed to pay money to inflate or depress the price of said scrip and hence the violation of Regulation 4(e) of PFUTP Regulations, 1995 is not established.

20. 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 direct that the certificate of registration of the noticee, Shree Hari Hira Stock Broking (P) Ltd, Member-BSE (SEBI Registration no.:- INB011233336, PAN: AAJCS0518D) be suspended for a period of 2 (two) weeks.

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

DATE : MAY 10, 2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA