

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. IVD-ID5/CT- BSL/AO/DRK-AKS/EAD3- 406 / 72-2013]

**UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5(1) OF SECURITIES AND EXCHANGE
BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING
PENALTIES BY ADJUDICATING OFFICER) RULES, 1995**

Against:

Brics Securities Ltd.
Sadhana House, 1st Floor
570, P.B. Marg
Behind Mahindra Towers
Worli, Mumbai- 400018
PAN No. AAACB4908R

FACTS IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation into the trading in the scrip of Winsome Textile Industries Ltd. (hereinafter referred to as '**Winsome**') on Bombay Stock Exchange Ltd. (hereinafter referred to as '**BSE**') during the period 19.08.2008 to 31.12.2008 (hereinafter referred to as '**Investigation Period**'). It is noted from the findings of the investigation report (hereinafter referred to as '**IR**') that the scrip opened at ₹ 24 on August 19, 2008, reached a period high of ₹ 32.9 on August 26, 2008, period low of ₹ 10.65 on October 13, 2008 and closed at ₹ 21.02 on December 31, 2008. The average daily volume during the period is 20,382 shares.

APPOINTMENT OF ADJUDICATING OFFICER

2. I was appointed as the Adjudicating Officer and the same was communicated vide proceedings of the Whole Time Member appointing Adjudicating Officer dated 12.04.2013 under Section 15 I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'), read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under Section 15 HB of the SEBI Act the violation of Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as '**Stock Broker Regulations**') alleged to have been committed by Brics Securities Ltd. (hereinafter referred to as '**noticee**').

SHOW CAUSE NOTICE, HEARING AND REPLY

3. A Show Cause Notice (herein after referred to as '**SCN**') dated 19.08.2013 was served on the noticee by "Registered Post Acknowledgement Due" in terms of the provisions of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 requiring the noticee to show cause as to why an inquiry should not be held against the noticee and why penalty, if any, should not be imposed on the noticee under Section 15 HB of the SEBI Act. In the said SCN, it was alleged that the noticee has executed self trades in the scrip of Winsome on behalf of its client Shri Ritesh Ashokkumar Shah wherein it has acted as both stock broker and counter party stock broker.
4. The noticee vide its letter dated 05.09.2013 replied to the SCN as follows:
 - The trades were executed by the client through the noticee's sub broker.

- Trades executed by the client are miniscule as compared to the total turnover on those dates.
 - It seems that the alleged self trades were unintended by the client as he has placed the order for sell / buy and again placed the order for buy / sell of the shares thinking that the previous orders were executed but actually the orders were pending and buy / sell order got matched with the sell / buy pending order resulting in matched trades.
5. Vide personal hearing notice dated 11.09.2013, the noticee was granted an opportunity of hearing on 18.09.2013 at 11:00 am at SEBI Bhavan, Mumbai. The said notice was sent via Hand Delivery Acknowledgement Due (herein after referred to as '**HDAD**') and proof of service is on record. However, the noticee failed to attend the hearing without providing any reason.
6. A final hearing notice dated 26.09.2013 was served on the noticee by HDAD granting the noticee a final opportunity of hearing on 07.10.2013 at 11:00 am at SEBI Bhavan, Mumbai. In response to the same, noticee vide its letter dated 30.09.2013 stated that the noticee has no further submissions to make and requested for leave of absence from the hearing. Further, the noticee requested to proceed with its submissions made vide its letter dated 05.09.2013. In view of the same the current adjudication proceedings are proceeded based on the material made available on record.

CONSIDERATION OF EVIDENCE AND FINDINGS

7. I have taken into consideration the facts and circumstances of the case and the material made available on record. The issue in the present matter is whether the noticee had executed self trades in the scrip on behalf of its client Shri Ritesh Ashokkumar Shah wherein it has acted as both stock broker and counter party stock broker.

8. It is observed from the IR that the noticee on behalf of its client had executed 3 self trades on 3 days for 86 shares (total turnover of ₹ 1,327) in the scrip wherein it has acted as both stock broker and counter party stock broker. From the Order Log Trade Log it is observed that out of 3 self trades one self trade was for 1 share only. The self trades were executed from different terminals with a time span of 2 minutes, 3 minutes and 3 hours. Buy order quantity and buy order price were different from sell order quantity and sell order price in 2 self trades while in 1 self trade only buy order quantity was different from the sell order quantity. The self trades were executed for only 3 days during the entire investigation period (135 days).
9. In this case, it becomes necessary to quote the order of the Hon'ble Securities Appellate Tribunal, in *SMC Global Securities Ltd. Vs The Adjudicating Officer* dated 25.11.2011 wherein it was held as follows:

"..Admittedly, the appellant has no relationship either with the sub-broker or the clients except the professional relationship Regulation 7 of the Regulations prescribes that stock broker holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule II. Clause A(2) of the Code of Conduct mandates that a stock broker shall act with due skill, care and diligence in the conduct of all its business. Such due skill, care and diligence can only mean that broker shall act in such a way that a person of ordinary prudence would act in the normal circumstances in carrying out activities and functions relating to its business and will remain careful and diligent so that nothing untoward happens in the market or in the activities connected with it. The appellant is a broker and hence will welcome orders for trading in the scrips by his clients. It is not in dispute that there was no default on the part of the clients in meeting with the market obligations...

... There was nothing remiss in the conduct of these clients that might have aroused suspicion that they were indulging in some manipulation.

There is nothing on record to suggest that the appellant was in any manner involved in the manipulation that might have been done by the clients. In fact, there is no allegation in the show cause notice attributing knowledge of manipulative trades to the appellant. The transactions were carried out by the sub-broker who is also responsible and bound by the code of conduct prescribed in the Regulations. There was nothing untoward in the trades to generate alert on the risk monitoring system. In the absence of any alerts, the appellant who is having a large client base probably could not anticipate any foul play by the clients...

10. In the present matter also there is nothing on record / evidence available to suggest that the noticee was in any manner involved with its client in executing the aforementioned self trades.

11. In view of the above facts and circumstances of the case it can be concluded that the noticee has not violated Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

ORDER

12. Considering the facts and circumstances and the material made available on record, the violation of Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 could not be established against Brics Securities Ltd. in the present adjudication proceedings and accordingly the present adjudication proceedings are disposed of.

13. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, copies of this order are being sent to Brics Securities Ltd. (PAN No. AAACB4908R) having office at Sadhana House, 1st Floor, 570, P.B.

Marg, Behind Mahindra Towers, Worli, Mumbai- 400018 and also to the Securities and Exchange Board of India, Mumbai.

Place: Mumbai

Date: October 30, 2013

**D. RAVI KUMAR
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER**