

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

IN THE MATTER OF SUN INFOWAYS LIMITED

In respect of Bharti Thakkar India Securities Pvt. Limited

[SEBI Registration No. INB 010996432]

Date of hearing: October 25, 2012

Appearances

For Noticee: Ms. Bharti D. Thakkar, Director
Mr. Akram Jawwad Khan

For SEBI: Mr. B. Rajendran, General Manager
Mr. Satyajit K. Jaware, Manager
Mr. Pradeep Kumar, Assistant Legal Adviser
Mr. Mitrajit Dey, Assistant Legal Adviser

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 'SEBI') conducted investigation into the dealings in the scrip of Sun Infoways Limited (hereinafter referred to as 'SIL') for the period from February 05, 2001 to May 02, 2001, *inter-alia* to ascertain violations if any, of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations').
2. The trading details of the persons who had traded in the scrip were collected and analyzed along with the data of volumes contributed. During the period of investigation, there was consistent fall in the price of the scrip of SIL accompanied by low delivery. The price of the scrip of SIL had fallen from ₹342 as on February 05, 2001 to a low of ₹60.75 as on April 30, 2001 before finally closing at ₹73.75 on May 02, 2001. Prior to this period of investigation, SEBI had earlier also conducted an investigation in the scrip of SIL, for the period from February, 2000 to August, 2000, wherein the price of the

scrip had increased from ₹10 in February, 2000 to ₹696 in August, 2000 and appropriate actions were initiated against the persons/ entities found in default.

3. The investigation for the period of February 05, 2001 to May 02, 2001 *prima facie* revealed that circular/ reversal trades were executed by certain brokers forming part of few groups in the scrip of SIL. Such circular/ reversal trades created artificial volume to the tune of 5,43,500 shares (gross) in 37 days out of 50 trading days. It was found that the circular trading in the scrip had generated 26% to 97% of the daily volumes on the days when such trading was observed. The circular/ reversal trades had resulted into an increase in the price of the scrip in the beginning of the investigation period till March 02, 2001 and the price of the scrip had stayed in the range of ₹342 to ₹296 (opening price). Thereafter, the trading of these entities in the scrip reduced drastically, the volume of trades in the scrip became negligible and the price of the scrip also started declining. The 'last traded price' (LTP) analysis for the entire period shows that the price of the scrip varied in the range from -14% to 11.54%.
4. During the investigation period, three different groups were found trading in the scrip of SIL in a circular manner. Out of these, the group consisting of eight (8) brokers/ sub-brokers (namely Angel Broking Limited, N.C. Jain, Opulant Stock Broking, ISJ Securities/ Vintel Securities, Sripal Jain, Joindre Capital Service/ Alwin Securities and Renaissance Securities Limited/ Mellennium Securities) and their clients including Bharti Thakkar India Securities Pvt. Limited (hereinafter referred to as the 'noticee') (identified as 'Group 1') were found trading amongst themselves in circular manner and which led to the creation of artificial volumes in the market. The total volume generated by the said group by way of circular trades was 3,42,800 shares (gross) i.e. about 37.52% of the total quantity traded during the period of investigation. The trading pattern of the said group (identified as 'Group 1' in the Enquiry Report), consisting of the brokers and clients has been illustrated hereunder:

Table - A

Member Name	Dealt for client (sub-broker)	No. of days traded during the period/ No. of days circular trades were executed	Buy Circular/ reversal qty.	Sell Circular / reversal qty.	Gross (buy+ sell) Gross Circular traded qty. (% to total trading of the broker)
(Group I)					
Angel Broking Ltd.	Heerachand Salecha	14/12	34,200	31,300	65,500 (86.41%)
NC Jain	Proprietary trading	6/6	26,500	26,500	53,000 (83.33%)

Opulent Broking	Ramsudhakaran	7/6	27,100	27,100	54,200 (90.03%)
Bharti Thakkar	Govind Chhichani	5/5	26,500	26,500	53,000 (100%)
Shripal Jain	Proprietary trading	5/5	21,400	20,700	42,100 (98.36%)
ISJ Securities	Chetan Haridas Mapara (Vintel Securities)	17/9	8,100	7,100	15,200 (37.25%)
Joindre Capital Services	1.Heerachand Salecha 2.Kamlesh Jain (Alwin Securities)	14/9	5,600	8,900	14,500 (34.65%)
Renaissance Securities (now Mehta Equities)	Abhayraj Shukla (Millennium Securities)	13/8	22,500	23,300	45,800 (75.83%)
Total circular trading among Group I			1,71,400	1,71,400	3,42,800

5. Based on the findings of 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 the 'Enquiry Regulations'), by appointing an Enquiry Officer under Regulation 5(1) of the Enquiry Regulations vide order dated March 18, 2008, read with subsequent order dated December 10, 2008. SEBI appointed the Enquiry Officer, to enquire into the alleged violation of the provisions of the PFUTP Regulations read with SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations, 2003') and the Code of Conduct specified under Schedule II of 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, the Enquiry Officer/ Designated Authority (hereinafter referred to as the 'Enquiry Officer') submitted his Report dated January 28, 2010, in terms of Regulation 27 of SEBI (Intermediaries) Regulations, 2008, recommending thereby prohibition from taking up any new assignment for a period of two weeks against the noticee for the violation of the provisions of Regulations 4(a), (b), (c) and (d) of PFUTP Regulations read with Regulations 4(1), 4(2) (a), (b), (e), (g) and (n) of PFUTP Regulations, 2003 and Clauses A(1), (2), (3), (4) and A(5) of the Code of Conduct prescribed for Stock Brokers specified under Schedule II under Regulation 7 of the Broker Regulations.
6. Subsequently, a show cause notice (hereinafter referred as 'SCN') dated May 21, 2010 under Regulation 28(1) of the SEBI (Intermediaries) Regulations, 2008, was issued by SEBI to the noticee, asking it to show cause as to why action, as recommended by the Enquiry Officer or as deemed fit by the Board, should not be taken against it. The noticee was advised to reply to the SCN within twenty one (21) days from the date of

receipt thereof. The noticee was also informed that in case of failure to reply, it would be presumed that it had no explanation to offer and SEBI may proceed to take action as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the SCN.

7. The noticee replied to the SCN vide its letter dated June 23, 2010. The noticee was also granted an opportunity of personal hearing before me on July 29, 2010. On the scheduled date, Ms. Bharti Thakker, director of the noticee and Mr. Akram Jawwad Khan, the authorized representative of the noticee, appeared before me and made submissions. Subsequently, while concluding the proceedings it appeared that the recommendation of the Enquiry Officer in respect of the charges leveled against the noticee does not commensurate with the gravity of the alleged violations. Considering this, a supplementary SCN was issued to the noticee on February 17, 2012, advising it to reply to the SCN within twenty one (21) days. The noticee replied to this supplementary SCN vide its letter dated March 22, 2012. Thereafter, an opportunity of personal hearing was granted to the noticee on October 25, 2012. On the date fixed for personal hearing, Ms. Bharati Thakkar and Mr. Akram Jawwad Khan appeared and made submissions.
8. The submissions of the noticee in brief are:
 - The noticee had carried out the transactions only for five days from February 05, 2001 to February 09, 2001 on behalf of its client, Mr. Govind Chichani. The client had traded in other scrips as well and the volumes were not that high warranting any suspicion on its part. Further, before opening the trading account of the client, all requirements as stipulated by the Board were complied with.
 - The volumes and the price of the scrip of SIL started falling from March 05, 2001 onwards i.e., much after the discontinuation of the trades by its client.
 - It had merely acted as a broker and was not party to the alleged manipulations being carried out by its client. It had not traded in the scrip in concert with any other broker. While entering the quotes on the BOLT system, they were not aware of the identity of the counterparty brokers.
 - There has been a long delay in the proceedings.

- The SCN should have been issued either by the Chairman or by the Whole Time Member designated for the purpose.
9. I have carefully considered the Enquiry Report, the SCNs issued, the replies received from the noticee, the submissions made during the hearing and all the materials/ documents available on record. It is seen that the SCN in the present matter have been issued under the appropriate authority and thus, do not find any merit in the argument of the noticee. I note that, there is no dispute that the noticee had entered the trades in the scrip of SIL on the dates mentioned by the Enquiry Officer. The relevant provisions of PFUTP Regulation, 1995 and Brokers Regulations have been reproduced below:

PFUTP Regulations, 1995

"Prohibition against Market Manipulation

4. No person shall -

- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;*
- (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;*
- (c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;*
- (d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;*
- (e)"*

Code of Conduct prescribed for Stock Brokers as specified under Schedule II under Regulation 7 of the Broker Regulations

"A. General.

- (1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*
- (2) Exercise of due skill and care : A stock-broker shall act with due skill, care and diligence in the conduct of all his business.*
- (3) Manipulation : A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.*
- (4) Malpractices: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.*

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him."

10. Having considered the above, the issue that remains for my consideration is whether the noticee had any role in the creation of artificial volumes in the scrip of SIL by executing trades in circular manner?

a. I note that the noticee had traded in the scrip of SIL for its client namely Mr. Govind Chichani for five (5) days during the period of investigation. As per the table - A above, it is seen that the volume contributed by the group consisting of the noticee was 3,42,800 shares (gross) which constitutes about 37.52% of the total trading volume in the scrip during the relevant period. From the same table, I also note that the total number of shares on the buy and sell side of the group as a whole has remained the same i.e., 1,71,400 shares. Out of this, the noticee had purchased 26,500 shares and sold 26,500 shares for its client Govind Chichani.

b. I observe from the available records that the majority of the trades of the noticee were matched within the group with Opulent Stock Broking (5 days), N.C. Jain (4 days), Angel Broking Limited (5 days), Shripal Jain (3 days) and Renaissance Securities Limited (4 days). I have seen the pattern of circular trading that was being followed by the noticee and the other brokers in the group, while trading in the scrip of SIL. A few instances of such trading pattern are being reproduced below on sample basis:

Table - B

Date	Buy		Sell		Qty.
	Broker	Client	Broker	Client	
05/02/2001	N.C. Jain	Own	Renaissance Sec.	Abhayraj Shukla	500
	Bharati Thakkar	Govind Chinchani	N.C. Jain	Own	500
	Opulent Broking	Ramsudhakaran	Bharati Thakkar	Govind Chinchani	500
	ISJ Securities	Chetan Haridas	Opulent Broking	Ramsudhakaran	500
	Angel Broking Ltd.	Heerachand Salecha	ISJ Securities	Chetan Haridas	500
	Renaissance Sec.	Abhayraj Shukla	Angel Broking Ltd.	Heerachand Salecha	500
	N.C. Jain	Own	Renaissance Sec.	Abhayraj Shukla	700
	Opulent Broking	Ramsudhakaran	N.C. Jain	Own	700
	ISJ Securities	Vintel Securities	Opulent Broking	Ramsudhakaran	700
	Angel Broking Ltd.	Heerachand Salecha	ISJ Securities	Vintel Securities	700
	Bharati Thakkar	Govind Chinchani	Angel Broking Ltd.	Heerachand Salecha	700
	Renaissance Sec.	Abhayraj Shukla	Bharati Thakkar	Govind Chinchani	700
	N.C. Jain	Own	Renaissance Sec.	Abhayraj Shukla	900
	Opulent Broking	Ramsudhakaran	N.C. Jain	Own	900

	Angel Broking Ltd.	Heerachand Salecha	Opulent Broking	Ramsudhakaran	900
	Bharati Thakkar	Govind Chinchani	Angel Broking Ltd.	Heerachand Salecha	900
	Reneissance Sec.	Abhayraj Shukla	Bharati Thakkar	Govind Chinchani	900
06/02/2001	N.C. Jain	Own	Reneissance Sec.	Abhayraj Shukla	1,000
	Opulent Broking	Ramsudhakaran	N.C. Jain	Own	1,000
	Angel Broking Ltd.	Heerachand Salecha	Opulent Broking	Ramsudhakaran	1,000
	Bharati Thakkar	Govind Chinchani	Angel Broking Ltd.	Heerachand Salecha	1,000
	Reneissance Sec.	Abhayraj Shukla	Bharati Thakkar	Govind Chinchani	1,000
	N.C. Jain	Own	Reneissance Sec.	Abhayraj Shukla	800
	Shripal Jain	Own	N.C. Jain	Own	800
	Opulent Broking	Ramsudhakaran	Shripal Jain	Own	800
	Angel Broking Ltd.	Heerachand Salecha	Opulent Broking	Ramsudhakaran	800
	Bharati Thakkar	Govind Chinchani	Angel Broking Ltd.	Heerachand Salecha	800
	Reneissance Sec.	Abhayraj Shukla	Bharati Thakkar	Govind Chinchani	800

From table B above, I note that the same number of shares were being rotated in a circular manner among the group of brokers. It is seen that the trades were so well organized that the same number of shares went back to the original seller at the end of the day. I observe from the Enquiry Report that the noticee had executed circular/reversal trades on all the five (5) days when it traded in the scrip of SIL and contributed to 5.81% of the market traded quantity (gross). In other words, all trades of the noticee in the scrip of SIL during the period of investigation was found to be circular in nature. I note that the group had repeatedly bought and sold the shares amongst themselves through circular trades in a pattern of A to B to C to D to E to F to A with slight changes in the quantity circulated in each cycle.

- c. I have seen the trade order log data in the scrip of SIL and note that the orders for most of the trades entered by the noticee with the counterparties, matched with startling proximity in terms of the timings of entering of orders, the price and the quantity. An instance of the same has been reproduced below:

Table - C

Date	Buy Order					Sell Order					Trade			Time difference
	Member	Client	Time	Rate	Qty.	Member	Client	Time	Rate	Qty.	Time	Qty	Price	
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	11:09:53	356	1000	Shripal	Own	11:09:53	356	1000	11:09:53	100	356	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00

08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	13:34:03	356.25	1000	Opulant	Ramsudhakaran	13:34:03	356.25	1000	13:34:03	100	356.25	0:00:00
08/02/01	Noticee	Govind	14:12:37	361.50	500	Shripal	Own	14:12:37	361.50	500	14:12:38	100	361.50	0:00:00
08/02/01	Noticee	Govind	14:12:37	361.50	500	Shripal	Own	14:12:37	361.50	500	14:12:38	100	361.50	0:00:00
08/02/01	Noticee	Govind	14:12:37	361.50	500	Shripal	Own	14:12:37	361.50	500	14:12:38	100	361.50	0:00:00
08/02/01	Noticee	Govind	14:12:37	361.50	500	Shripal	Own	14:12:37	361.50	500	14:12:38	100	361.50	0:00:00
08/02/01	Noticee	Govind	14:12:37	361.50	500	Shripal	Own	14:12:37	361.50	500	14:12:38	100	361.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:24:59	362.50	700	Opulant	Ramsudhakaran	14:24:59	362.50	700	14:24:59	100	362.50	0:00:00
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	14:49:08	360.50	800	Opulant	Ramsudhakaran	14:49:09	360.50	800	14:49:09	100	360.50	0:00:01
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00
08/02/01	Noticee	Govind	15:07:59	361.50	900	Opulant	Ramsudhakaran	15:07:59	361.50	900	15:08:00	100	361.50	0:00:00

The above details clearly indicate synchronization in placing of the orders as these appear to have been entered with pre-conceived motive and prior arrangement that the orders would be picked up by a particular entity of the group on the opposite side. I note that large number of trades got matched regularly and during most instances, within seconds from each other. The occurrence of such synchronized deals in a circular manner persistently cannot be said to be a co-incidence as the shares were being rotated intra-day within a closed group and there was no change in the beneficial ownership of the shares. Such pattern creates a false impression of active trading in the scrip.

- d. At this stage, I note the argument of the noticee that it had acted on the instructions of its clients and did not act in concert with any other client/ broker. However, from the trading pattern available on record, it can be reasonably inferred that the noticee was part of the group which gave a misleading appearance of active trading in the scrip. Thus, the execution of the circular trading in a synchronized manner repeatedly for several days by the noticee and the group reveals that they were having some nexus with each other and were acting in tandem as a group. In this regard, I place my reliance on the order of Hon'ble Securities Appellate Tribunal in the matter *Ajmera Associates Pvt. Limited Vs. SEBI* (order dated December 13, 2010), the relevant extract of the same has been brought out below:

“...Since the trading system maintains complete anonymity, brokers always plead that they were ignorant about the counterparty or his broker. In such a situation one has to look to the trading pattern and if the trades match too often or if the matching of the trades is noticed day after day and trade after trade one can infer that the matching was done not by the system but by manipulating the same. Similarly, if two or more market players start trading in circles and do not allow the shares to go out of the circle, it could be reasonably inferred that both traders and their brokers are colluding to execute such artificial trades which give a misleading appearance of trading in the market without change of beneficial ownership in the scrip...”

I observe that the trading pattern followed by the noticee and the group is clearly in the nature of circular trades since they were the entities who traded amongst themselves by executing synchronized trades with the intention that the orders of a particular entity get matched with the other. I note that it is absolutely most unlikely that persons unknown to each other could trade continuously by placing orders in a circular manner and contribute significantly to the total volumes in the market. I observe that the standard of proof required in a proceeding of present nature is at variance with the standard of proof required in the cases of criminal nature and it is sufficient if the preponderance of probabilities suggests towards the indulgence of the noticee. In this view also, any plea to delink the broker from the collective nexus would not be correct approach.

11. Considering the number of shares involved in the present proceedings executed by the noticee for its client and also the pattern of trading, I am of the view that these numbers were good enough for the noticee to raise some suspicion on the trading pattern of its clients. Therefore, it can be concluded that the noticee had aided and abetted its client in the creation of artificial volume in the scrip of SIL in violation of the provisions of Regulation 4(b) and (d) of the PFUTP Regulations.
12. I further note that if stock brokers are not careful and allow their systems to be misused, manipulations cannot be eliminated from the market. Circular/ reversal trades are contrary to normal trading practices and creates false market. The noticee has dealt in the scrip of SIL in a manner detrimental to the interest of investors. Such acts threaten the market integrity and orderly development of the market and call for regulatory intervention to protect the interest of investors as the same pose serious threat to the price discovery mechanism of the stock exchange and the safety of the securities market mechanism. The noticee, by indulging in the trading pattern discussed above has failed

to perform its duties as specified in the code of conduct for stock brokers in the Broker Regulations. In view of the above, I find that the noticee has violated Clauses A(2) and A(3) of the Code of Conduct prescribed for Stock Brokers in Schedule II under Regulation 7 of the Broker Regulations.

13. As regards the submission of the noticee regarding delay in the proceedings, I note that the delay cannot justify an exoneration.
14. 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 Intermediaries Regulations.
15. In view of the foregoing, 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 prohibit the noticee, Bharti Thakkar India Securities Pvt. Limited (SEBI Registration No. INB 010996432) (PAN: AAACB6484C) from taking up any new assignment (i.e. not to take up any new clients) for a period of two weeks.
16. This order shall come into force on expiry of twenty one days from the date of this order.

DATE : 30/JANUARY/2013
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA