BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. PG/AK/AO-59/2012]

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

In respect of

Crystal Finstock Private Limited

Sub-broker of Mehta Equities Ltd. (SEBI Regn no.INS010609639)

(PAN No. AABCC2486L)

In the matter of Popular Estate Management Limited.

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) conducted investigation in respect of trading in the shares of Popular Estate Management Ltd. (hereafter referred to as **"PEML"/"Company"/"scrip"**), during the period from February 09, 2009 to February 24, 2009 (hereinafter referred to as **"Investigation Period"**).

2. It was observed that Renu Maheshwari (**RM**), Bhanwarlal Maheshwari (**BM**), Ramkishore Maheshwari (**RKM**), Nimbaram D Prajapati (**NP**) and Nilesh D Patel (**NDP**) {collectively referred to as **"Group"**} trading through sub-broker Crystal Finstock Private Limited (hereinafter referred to as **"Noticee"/"Crystal"**) of broker

Mehta Equities Ltd (**MEL**) had executed trades among themselves in significant variation to the Last Traded Price (**LTP**) in the shares of PEML.

RELATIONSHIP AMONGST THE ENTITIES

3. It is observed that the Noticee and Group are related to each other in the following manner:

   a. Bhanwarlal Maheshwari: Director of Noticee & father of RKM
   b. Renu Maheshwari: Director of Noticee & wife of RKM
   c. Ramkishore Maheshwari: (Ex-director of Noticee & son of Shri Bhanwarlal Maheshwari, Director of Noticee); & husband of RM
   d. Nimbaram D Prajapati: (an employee of Noticee)
   e. Nilesh D Patel: (an employee of Noticee).
   f. All the aforesaid entities were having one common address i.e. at 193/1 New Cloth Market, Ahmedabad, Gujarat, 380002 which is also the address of Noticee.

BACKGROUND

4. It was observed that prior to the period of examination, the scrip of PEML was under suspension and same was revoked w.e.f. February 04, 2009. On the day of revocation the scrip opened at ₹ 50/- and closed at ₹ 33.01 with a volume of 1303 shares.

FINANCIAL RESULTS ANALYSIS:

5. It was observed that PEML's total income and net profit after tax was ₹ 50 lakhs & ₹ 26.60 lakhs respectively for the quarter ended 31.12.2008. The respective figures for the Quarter ended 31.12.2007 stood at ₹ 2.70 Cr & ₹ 2.69 Cr.

SHAREHOLDING PATTERN ANALYSIS:

6. As per the shareholding pattern of PEML for the quarter ended September 2008, out of total share capital of 1,40,00,200 shares, 82,20,500 shares (58.72 % of the share capital) were held by promoters and 57,79,700 shares (41.28% of the share capital) were held by non-promoters, out of which 16,20,100 shares (11.57% of the share capital) were held in demat mode. During the quarter ended December 2008, no major changes in the shareholding pattern were observed.

PRICE - VOLUME DATA ANALYSIS:

7. On Bombay Stock Exchange the price of the scrip opened at ₹24.34 on February 06, 2009 and closed at ₹41.20 (overall 69.27 % rise 12 trading days) on February 25, 2009. A total of 69139 shares were traded during the entire investigation period on BSE. Further, it was observed that the total volume traded in the market was very low. Average trading volume per day was 6,177 shares during the examination period, which is 0.107 % {(6177/57,79,700)*100} of the total floating stock of the company and 0.381 % {(6177/16,20,100)*100} of the total dematerialized shares.

APPOINTMENT OF ADJUDICATING OFFICER

8. The undersigned was appointed as the Adjudicating Officer, vide order dated March 22, 2011 under section 15 (I) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **"Rules"**) to enquire into and adjudge under sections 15HA and 15 HB of the SEBI Act for the alleged

violations of regulations 4(2) (a) & 4(2)(b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations")** and regulation 15 read with clauses A(1) to (2) of the Code of Conduct for Sub-brokers as prescribed in Schedule II of the SEBI (Stock Broker and Sub-broker) Regulations, 1992 (hereinafter referred to as **"Broker Regulations"**) by the Noticee.

SHOW CAUSE NOTICE, HEARING AND REPLY

9. Show Cause Notice No. EAD/EAD-5/PG/TT/19745/2011 dated June 21, 2011 (hereinafter referred to as "**SCN**") were issued to the Noticee under rule 4(1) of the Rules to show cause as to why an inquiry should not be held against the Noticee and penalty be not imposed under sections 15HA and 15HB of SEBI Act for the alleged violations specified in the said SCN.

10. The Noticee vide its letter dated July 8, 2011 inter alia made the following submissions:

"……..

- *Since the scrip of Popular Estate Management Limited had been very illiquid, and profit in that could have been booked only through interpersonal transactions, which the dealer genuinely believed were in order. That belief got further strengthen, when BSE did not alert us of our wrong doing on the very first day on 11-02-09, and therefore we entered into such transactions on next two days i.e. 12th and 13th Feb 2009 innocently.*
- *We sincerely express regret on behalf our clients, employees and ourselves and request you to grant us the benefit of doubt specifically in view of the fact that our transactions did not affect adversely investors in general or gave rise to any manipulation of the market.*

- *We hope SEBI will accept our explanation and condone our lapses which were for the first time during our 10 years of tenure and assure that it shall never be repeated.*

  ….…..…..”

11. In the interest of natural justice and in order to conduct an inquiry as per rule 4(3) of the Rules, the Noticee were granted an opportunity of personal hearing on July 21, 2011 at SEBI, Western Regional Office, Ahmedabad, vide Notice dated July 07, 2011. Mr. Ramkishore Maheshwari, Authorized Representative (AR) appeared on behalf of the Noticee and stated as under:

“We have made my submissions vide letter dated July 8, 2011 and have no further submissions.”

12. Further, the Noticee vide letter July 25, 2011 informed the undersigned that it had filed consent application before SEBI.

13. The consent application of the Noticee was rejected and the said rejection was communicated to the undersigned by SEBI vide communication dated September 10, 2012. In view of this and in the interest of natural justice and in order to conduct an inquiry in terms of rule 4(3) of the Rules, the Noticee was granted a final opportunity of personal hearing on October 09, 2012 at SEBI, Western Regional Office, Ahmedabad, vide Notice dated September 28, 2012. Mr. Ramkishore Maheshwari, Authorized Representative (AR) appeared on behalf of the Noticee and stated as under:

“I reiterate the submissions made by Noticee vide letter dated July 8, 2011. I accept the violation of regulations 4(2)(a) & 4(2)(b) of SEBI (Prohibition of Fraudulent and unfair trade practices relating to Securities Market) Regulations, 2003 and regulation 15 read with

clauses A(1) to (2) of the Code of Conduct for Stock Brokers as prescribed in Schedule II of the SEBI (Stock Broker and Sub-broker) Regulations, 1992 committed by the Noticee and have no further submissions. I request the Adjudicating officer to take lenient view in the matter".

CONSIDERATION OF ISSUES AND FINDINGS

14. The issues that arise for consideration in the present case are:

a. Whether the Noticee has violated regulations 4(2) (a) & (b) of PFUTP Regulations and regulation 15 read with clauses A(1) to (2) of the Code of Conduct for Sub-brokers as prescribed in Schedule II of the Broker Regulations?

b. Does violation, if any, attract monetary penalty under sections 15HA and 15HB of SEBI Act?

c. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

15. Before moving forward, it will be appropriate to refer to the relevant provisions of PFUTP Regulations and Broker Regulations, which read as under:

PFUTP REGULATIONS:

"Regulations 4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) …

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: -

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security the minimum subscription to such issue;

BROKERS REGULATIONS

*"**Regulation 15.*** (1) *The sub-broker shall –*
(a) …
(b) abide by the Code of Conduct specified in Schedule II."

SCHEDULE II

"Code of Conduct for Sub-Brokers

A. GENERAL

(1) INTEGRITY: A sub-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all investment business.

(2) EXERCISE OF DUE SKILL AND CARE: A sub-broker, shall act with due skill, care and diligence in the conduct of all investment business."

Findings

16. Upon perusal of the documents available on record, oral and written submissions made by the Noticee, I find the following:

17. It is observed that the Noticee (through trading member MEL) had dealt in the scrip of PEML on behalf of its clients viz, RKM & RM - directors of Noticee, BM -ex-director of Noticee and NP & NDP - employees of Noticee. All the aforesaid entities were having one common address i.e. 193/1 New Cloth Market, Ahmedabad, Gujarat, 380002, which is also the address of the Noticee (therefore all are connected/ related to each other). It is observed that synchronized, cross and reversal trades were executed by the Noticee through its broker, MEL on behalf of the aforesaid entities for 58,000 shares accounting for 83.89% of the total traded volume during the period of examination (98.46% of the total traded volume on these three trading days i.e. on February 11, 2009, February 12, 2009 and February 13, 2009).

18. A comparison of the trading of the Noticee on behalf of the Group with the total traded volume at the exchange in PEML shares is tabulated below:

Date	Open Price	High Price	Low Price	Close Price	Exchange Volume	Volume by Crystal	% to Exchange Volume
11-Feb-09	21	30.08	20.65	25.49	4002	4000	99.95%
12-Feb-09	*20.5*	26.55	20.5	25.3	4307	4000	92.87%
13-Feb-09	21	30.33	21	26.86	50597	50000	98.82%

19. Upon analysis of the trading details of the Group, it was observed that the Noticee had dealt on behalf of the Group on 3 trading days only i.e. on February 11, 2009, February 12, 2009 and February 13, 20099. Reversal of trades and cross trades among the Group was observed on these three trading days. It was also observed that orders for these trades were structured (buy and sell order quantity and rate were identical and were placed within few seconds of each other).

20. The day wise analysis of above mentioned trades done by the Noticee on behalf of the Group are explained below:

FEBRUARY 11, 2009:

21. Shri Nimbaram Prajapati sold 1000 shares of PEML @ ₹ 21.00 to Shri Bhanwarlal Maheshwari at 02:49:14 pm. The buy order was placed by Bhanwarlal Maheshwari at 02:49:12 pm and the sell order by Nimbaram Prajapati at 02:49:13 pm. Shri Nimbaram Prajapati again bought 1000 shares back from Shri Bhanwarlal Maheshwari @ ₹ 30.00 at 02:50:45 pm, i.e. the trade was reversed within 2 minutes. In the reverse trade the sell order was placed by Bhanwarlal Maheshwari at 02:50:44 pm and the buy order by Nimbaram Prajapati at 02:50:45 pm.

22. On the same day, Nimbaram Prajapati sold 1000 shares @ ₹21.00 to Bhanwarlal Maheshwari at 03:16:03 pm and bought back the same quantity of shares @ ₹30.00 from Bhanwarlal Maheshwari at 03:16:52 pm i.e. within 1 minute. In the first trade, the sell order was placed by Bhanwarlal Maheshwari at 03:16:02 pm and the buy order by Nimbaram Prajapati at the same time. In the reverse trade the sell order was placed by Bhanwarlal Maheshwari at 03:16:51 pm and the buy order by Nimbaram Prajapati at the same time.

23. From the above two transactions (reversed trades) Bhanwarlal Maheshwari altogether made a profit of ₹18000 and Nimbaram Prajapati incurred a loss of ₹18000. These transactions accounted for 99.95% of the day's total volume of 4002 shares.

FEBRUARY 12, 2009 :

24. Nimbaram Prajapati sold 2000 PEML shares @ ₹20.5 to Bhanwarlal Maheswari 10:10:53 am. The buy order was placed by Bhanwarlal Maheshwari at 10:10:51 am and the sell order by Nimbaram Prajapati at 10:10:52 am. The same trade was reversed at 10:12:56 am (within 2 minutes), in which Nimbaram Prajapati bought back 2000 shares @ ₹26. In the reverse trade the sell order was placed by Bhanwarlal Maheshwari at 10:12:56 am and the buy order by Nimbaram Prajapati at the same time.

25. From the above-mentioned transactions Bhanwarlal Maheshwari made a profit of Rs 11000 and Nimbaram Prajapati made a loss of ₹11000. These transactions accounted for 92.87% of the day's total volume of 4307 shares.

FEBRUARY 13, 2009 :

26. Shri Nilesh D Patel sold 5000 shares @ ₹21 to Ms Renu Maheshwari at 10:00:32 am. The buy order was placed by Renu Maheshwari at 10:00:32 am and the sell order by Nilesh Patel at the same time. A reverse trade took place within 30 seconds wherein Shri Nilesh Patel bought back 5000 shares @ ₹30 from Ms Renu Maheshwari at 10:00:50 am. In the reverse trade the buy order was placed by Nilesh Patel at 10:00:50 am and the sell order by Renu Maheshwari at 10:00:51 am.

27. From the above-mentioned transaction Ms. Renu Maheshwari made a profit of ₹45000 and Shri Nilesh Patel made a loss of the same amount.

28. On the same day, Shri Nimbaram Prajapati sold 10000 shares @ ₹22 to Shri Ramkishore Maheshwari at 11:55:04 am and bought back the same at 11:55:07 am @ ₹28.90. The buy order was placed by Ramkishore Maheshwari at 11:55:03 am and the sell order by Nimbaram Prajapati at 11:55:04 am. In the reverse trade the sell order was placed by Ramkishore Maheshwari at 11:55:05 am and the buy order by Nimbaram Prajapati at 11:55:06 am.

29. Further, on the same day Shri Nimbaram Prajapati again sold 10000 shares @ Rs 23.50 to Shri Ramkishore Maheshwari at 01:11:12pm and bought back 10000 shares from Shri Ramkishore Maheshwari @ Rs 29.45. The trade reversal took place at 01:11:15 pm (within few seconds). The buy order was placed by Ramkishore Maheshwari at 01:11:11 pm and the sell order by Nimbaram Prajapati at 01:11:12 pm. In the reverse trade the sell

order was placed by Ramkishore Maheshwari at 01:11:13 pm and the buy order by Nimbaram Prajapati at 01:11:14 pm.

30. From the above-mentioned transactions Shri Ramkishore Maheshwari altogether made a profit of ₹1,28,500.00 and Shri Nimbaram Prajapati made a loss of similar amount (₹1,28,500.00).

31. The detail of trades done by the Noticee on behalf of the Group are as given below:

Date	Buy order time	Buyer	Sell order time	Seller	Qty	Rate	Trade time
11-02-2009	02:49:12 pm	BM	02:50:45 pm	NP	1000	₹21	02:49:14 pm
11-02-2009	02:50:45 pm	NP	02:50:44 pm	BM	1000	₹30	02:50:45 pm
11-02-2009	03:16:02 pm	BM	03:16:02 pm	NP	1000	₹21	03:16:03 pm
11-02-2009	03:16:51 pm	NP	03:16:51 pm	BM	1000	₹30	03:16:52 pm
12-02-2009	10:10:51 am	BM	10:10:52 am	NP	2000	₹20.5	10:10:53 am
12-02-2009	10:12:56 am	NP	10:12:56 am	BM	2000	₹26	10:12:56 am
13-02-2009	10:00:32 am	RM	10:00:32 am	NDP	5000	₹21	10:00:32 am
13-02-2009	10:00:50 am	NDP	10:00:51 am	RM	5000	₹30	10:00:51 am
13-02-2009	11:55:03 am	RKM	11:55:04 am	NP	10000	₹22	11:55:04 am
13-02-2009	11:55:06 am	NP	11:55:05 am	RKM	10000	₹28	11:55:07 am
13-02-2009	01:11:11 pm	RKM	01:11:12 pm	NP	10000	₹23.50	01:11:12 pm
13-02-2009	01:11:14 pm	NP	01:11:13 pm	RKM	10000	₹29.45	01:11:15 pm

32. From the above transactions it is observed that due to the members of the Group entering into reversal trades, one member incurred loss whereas the other earned same amount of profit, thus these

transactions appear to be in the nature of profit and loss adjustment. The summary of profit/loss made by each member of the Group on whose behalf the Noticee traded is as follows:

Name	Profit (₹)	Loss (₹)
Ramkishore Maheshwari	1,28,500	
Renu Maheshwari	45,000	
Bhanwarlal Maheshwari	29,000	
Nimbaram D Prajapati		1,57,500
Nilesh D Patel		45,000

33. I find that the Noticee and Group are connected among themselves and Noticee on behalf of the Group had executed synchronized reversal trades among the Group for 58,000 shares which accounted for over 98% of the total traded volume on 3 trading days during the period of examination. Further, Nilesh D Patel and Nimbaram D Prajapati had admitted in their respective statements dated June 22, 2010 that they had carried out the transactions in the scrip of PEML under the instructions of RKM who was operating their account and has also borne the loss incurred in these transactions.. In their statement dated June 22, 2010, RKM & RM have admitted that they traded in the shares of PEML for the purpose of booking profit in their personal account. The Noticee has knowingly conducted these fraudulent and manipulative trades for its directors, ex-director and employees.

34. It is observed from the price and volume analysis of PEML that the days when the aforesaid entities traded, the average trading volume of the scrip had gone up significantly from meager 366 shares (from the day of revocation of suspension of trading in the scrip i.e. 4/2/2009 to 9/2/2009) to 19,635 shares (during 11/2/2009

to 13/2/2009). Further, after this period the average traded volume again come down to 1,453 shares (from 16/2/2009 to 25/2/2009).

35. It is evident from the trading pattern of the Group that through reversal trades, they have manipulated the price of the scrip during the period under scrutiny. It is also observed that there was no transfer of ownership of shares.

36. The pattern of synchronized order placement and reversal trading clearly indicates that the transactions were carried out with the intention that the orders of particular entities should match and there was a prior arrangement with respect to these transactions. The transactions resulted in adjustment of profit & loss and creation of artificial volume. Further, the pattern of trading indicates several instances when the time difference between buy and sell orders was less than 2 seconds. These connected entities traded with each other through reversal and synchronized order placement at contrived prices with the knowledge of the Noticee. Thus, the Noticee on behalf of the Group has misused the trading mechanism for transferring profit/loss among the Group entities by conducting the fraudulent and manipulative trades and also created artificial trading volume.

The increase in the trading volume in PEML shares can be attributed to the trades done by the Noticee on behalf of the Group. Also such type of transactions which were reversed on the same day and which contribute to the major portion of market volume, do impact price movement and volatility in stock markets. Others in the market get the impression that these are genuine trades whereas this is not the fact.

37. In this connection, the observations of the Hon'ble SAT in the order dated September 18, 2003 passed in the case of Madhukar Sheth Vs SEBI (Appeal No.46 of 2002) deserve mention:

"Before executing a series of transactions for his client, any prudent broker would have gone a bit far to ascertain the goings around ……..

…….The Appellant's submission that he had taken client registration form, entered into agreement etc. by itself was not sufficient. Exercise of due diligence in ongoing transactions is a continuous process and it is not a one time measure to be adhered to while taking up the first transaction. The appellant's submission that it was B's dishonesty that created the problem did not absolve him of his failure to discharge his duties as a prudent broker……..

……..On the basis of the material available on record, it was difficult to conclude that the appellant had exercised due skill and care in dealing with 'B'. It was not that the appellant had carried on only few trade transactions for 'B' for a short period. He had transacted in huge volumes for 'B' and the association dated back to August 2000. If the appellant could not see any design or pattern in the transactions which 'B' was executing through the appellant during the period, then the appellant certainly deserved to be blamed for being indifferent and unconcerned and for that reason he was at fault for the failure to exercise due skill and diligence……..…..

……..…It is true that a broker cannot act of his own against the instructions of the client. But no one can compel him to be a party to manipulate the market. No doubt a broker is supposed to protect the interest of his client, but he is also expected to protect the interest of the securities market in which he operates. It is his duty to ensure not to be a party to any market

manipulation and that the market in which he operates is run on a health and non-manipulative basis."

38. A number of synchronized orders got matched, between the same set of related entities in the scrip of PEML. These trades were reversed in a very short time and no delivery was made.

39. As per regulation 2 (1) (c) of PFUTP Regulations, *"fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss…."*

40. Regulation 4 (2) (a) of PFUTP Regulations, prohibits a person from indulging in an act which creates false or misleading appearance of trading in the securities market. Regulation 4(2) (b) of PFUTP Regulations, prohibits dealings in a security intended to operate as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gains. The Noticee has been instrumental in conducting transactions between Group members through synchronized order placement in a contrived pricing pattern for profit / loss adjustment and it led to creation of artificial volumes in the scrip as the trades were reversed in a very short time. Thus, these trades were fraudulent and manipulative in nature as Noticee has misused the trading mechanism for transferring profit/loss among related entities and also created artificial trading volume.

41. In terms of clauses A(1) and A(2) of the Code of Conduct for Sub-Brokers as stipulated in Schedule II under regulation 15 of the Brokers Regulations, a sub-broker has to maintain high standards of integrity, promptitude, fairness, exercise due skill, care and diligence while performing its activities. The Noticee has knowingly conducted these fraudulent and manipulative trades on behalf of its directors, ex-director and employees and has thus misused the trading mechanism for transferring profit and loss between the group entities. This indicates that the Noticee has not maintained high standards of integrity, promptitude and fairness in the conduct of its business as a sub-broker.

42. In view of the foregoing, I am of the view that the facts of the present case viz. reversal trades through synchronized placement of orders and cross trades executed by the Noticee on behalf of the Group clearly bring out an element of fraud and manipulative trade practices followed by the Noticee. Therefore, I hold that the charges leveled against the Noticee are proved and that the allegations of violation of provisions of regulations 4(2) (a) & 4(2)(b) of PFUTP Regulations and clause A(1)of the Code of Conduct for Sub-brokers as prescribed in Schedule II of regulation 15 of Broker Regulations by the Noticee stand established.

43. Further, the Noticee vide its letter dated July 8, 2011 has admitted that it has conducted the above irregular transactions. During the course of hearings also, the Noticee has accepted that it has committed violation of regulations 4(2)(a) & 4(2)(b) of PFUTP Regulations and regulation 15 read with clauses A(1) to (2) of the Code of Conduct for Sub-brokers as prescribed in Schedule II of Broker Regulations.

44. The aforesaid violations of PFUTP Regulations and Broker Regulations by the Noticee make it liable for penalty under sections 15HA and 15HB of SEBI Act, 1992 which reads as follows:

"15HA. Penalty for fraudulent and unfair trade practices.

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

15HB.Penalty for contravention where no separate penalty has been provided

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees."

45. While determining the quantum of penalty under sections 15HA and 15 HB of SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

"15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default."

46. I have considered the volume of trading done by the Noticee in the scrip of PEML. The Noticee placed synchronized orders in a manner that gains and losses per se were made by the Group members as they traded in PEML shares in a manner meant to do profit and loss adjustment and to create artificial volumes. This kind of activity seriously affects the normal price discovery mechanism of the securities market. Entities who indulge in such manipulative transactions, or abet the carrying out of such transactions, should be suitably penalized for said acts of omissions and commissions.

ORDER

47. After taking into consideration all the facts and circumstances of the case, I impose a penalty of ₹1,00,000/- (Rupees one lakh only) under section 15HA of SEBI Act for the violation of regulations 4(2)(a) & 4(2)(b) of PFUTP Regulations and a penalty of ₹1,00,000/- (Rupees one lakh only) under section 15HB of SEBI Act for the violation of clause A(1) of the Code of Conduct for Sub-brokers as prescribed in Schedule II of regulation 15 of Broker Regulations, {i.e. a total penalty of ₹2,00,000/- (Rupees two lakh only)} on the Noticee. In my view, the above penalty shall be commensurate with the violations committed by it.

48. The Noticee shall pay the said amount of penalty by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, within 45 days of receipt of this order. The said demand draft should be forwarded to The Regional Manager, Securities and Exchange Board of India, Eastern Regional Office, L&T Chambers, 3rd Floor, 16, Camac Street, Kolkata – 700 017.

49. In terms of rule 6 of the Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: **October 25, 2012** **Piyoosh Gupta**

Place: **Mumbai** **Adjudicating Officer**