BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. BM/AO- 169 - 170/2013]

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

Angel Broking Limited (PAN: AAACA8821G)

Angel Infin Pvt. Ltd. (PAN: AAACM6094R)

In the matter of Asian Sterling Green Woods Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted investigation in trading in the scrip of Sterling Green Woods Limited (hereinafter referred to as **SGWL** or **the company**) for the period November 6, 2009 to December 2, 2009 (hereinafter referred to as **investigation period**). Investigation observed that during the investigation period i.e. November 06 to December 02, 2009, the price of the scrip moved from Rs. 19.80 (Open price as on November 06, 2009) to Rs. 42.50 (Close/ High price as on December 31, 2009), with an average daily volume of 69,776 shares.

2. It was observed from the shareholding pattern of the company that Angel Broking Limited (hereinafter referred to as the **ABL**) was holding more than 1% shares in the company as on September 30, 2009. Angel Infin Private Limited (hereinafter referred to as **AIPL**), a client of ABL, was found to be executing self–trades. (ABL and AIPL hereinafter are collectively referred to as **Noticees**). It was observed that AIPL while

trading through ABL executed self trades four (4) times (one (1) on November 30, 2009 and three on December 01, 2009) and the traded quantity of such self trades was 9,866 shares. The details of such self trades of AIPL and the role of ABL is as given below:

PAN	Name of the Entity	Total Buy	Total Sale	Self Trade Qty	% of Total Buy	% Total Sale	% of Market Volume	No. of Self Trade
AAACM6094R	Angel Infin Pvt. Ltd.	120285	96681	9866	7.45	10.20	0.74	4

Trade Date	Traded Qty	BOQ	SOQ	Trade Rate	Buy Order Rate	Buy Member	Sell Member
30/11/2009	193	500	400	39.4	39.4	Angel Broking	Angel Broking
1/12/2009	323	1000	1000	40.25	40.25	Angel Broking	Angel Broking
1/12/2009	5000	45000	5000	41.3	41.35	Angel Broking	Angel Broking
1/12/2009	4350	45000	500	41.3	41.35	Angel Broking	Angel Broking

3. In all the four (4) aforesaid self trades executed by AIPL, ABL was found to be the broker and the counterparty broker. It was therefore alleged that AIPL entered into self trades through its broker i.e. ABL and such self trades cannot be executed without connivance of ABL. It was also alleged that ABL assisted AIPL in placing fictitious trades by acting as broker and counterparty broker. Consequently, it was alleged that ABL has violated Regulation 3 (a) read with Regulation 4 (1), 4 (2)(a),(b),(e) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as **PFUTP Regulations**) and Regulation 7 read with Clause A (1), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Schedule II of the SEBI (Stock Broker and Sub-broker) Regulation, 1992 (hereinafter referred to as **Stock Brokers Regulations**) and AIPL has violated Regulation 3 (a) read with Regulation 4 (1), 4 (2)(a),(b),(e) and (g) of PFUTP Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

4. Smt. Barnali Mukherjee was appointed as Adjudicating Officer on May 10, 2013 under section 15-I of SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry

and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as 'SEBI Rules') to inquire into and adjudge the alleged violations committed by the Noticees. Consequent upon transfer of Smt. Barnali Mukherjee, I was appointed as the Adjudicating Officer, vide order dated August 08, 2013 under Section 15-I of the SEBI Act read with rule 3 of SEBI Rules to inquire into and adjudge under Section 15HA and 15HB of the SEBI Act against ABL and under section 15HA of the SEBI Act against AIPL for the alleged violation of PFUTP Regulations and/ or Stock Brokers Regulations, as applicable.

SHOW CAUSE NOTICE, HEARING AND REPLY

5. Show Cause Notice No. EAD-6/BM/VS/17315/2013 and EAD-6/BM/VS/17317/2013 dated July 15, 2013 (hereinafter referred to as **SCN**) were issued to the Noticees under rule 4 of the Rules to show cause as to why an inquiry should not be held and penalty be not imposed under section 15HA and 15HB of SEBI Act on ABL and under section 15HA on AIPL for the alleged violation specified in the said SCN. Vide reply dated August 6, 2013, Noticees *inter alia* made the following submissions:
   (a) That AIPL was a Holding Company of ABL. Apart from ABL being a 100% subsidiary, AIPL also had other 100% subsidiaries like Angel Capital and Debt Market Limited and Angel Commodities Broking Private Limited.
   (b) That Angel Group raised Private Equity Capital to the tune of Rs. 150 Crore in early 2008 from International Finance Corporation (IFC), a World Bank Subsidiary and this equity investment by IFC was made in AIPL, being the holding company of Angel Group.
   (c) That this capital was raised with an objective to expand the retail broking business of the group across the country. That the principle business of the group until then and even thereafter remained pure retail broking.
   (d) That since the entire capital thus raised, could not be gainfully deployed all at once, it was decided to explore opportunities such as arbitrage/trading and related investment activities on the stock exchanges.

(e) That in order to ensure that there is a clear demarcation between client and proprietary trading businesses, it was decided to carry out Angel Group's "proprietary" trading activities through AIPL and not from the subsidiary broking entities like ABL and Angel Capital and Debt Market Limited, despite the fact that by doing so, the group would incur additional costs like stamp duty, which is otherwise, levied at a concessional rate on a proprietary trading account.

(f) That once the Group was able to deploy its capital in its core retail broking business, it discontinued its arbitrage activity from the F.Y. 2010-11.

(g) That ABL is retail focused research based National Trading Member, Depositary Participant and a Portfolio Manager registered with SEBI and is also a registered wealth manager.

(h) That various strategies were adopted by AIPL, having regard to the fundamentals of the stocks, prevailing market price/volumes, future prospects, arbitrage and jobbing opportunities.

(i) That the basic nature of AIPL's trading activity was jobbing/arbitrage, through a network of around 70 dealers, and, that these dealers used to undertake trades in a single client code viz.M888 through more than 156 terminals simultaneously.

(j) That by virtue of jobbing and arbitrage activities, AIPL had achieved a total turnover of Rs. 1,03,836 crore on NSE, BSE & NSE Derivatives segments while trading in more than 1,764 scrips during the financial year 2009-10.

(k) With respect to the alleged self trades executed by AIPL, it has been submitted that it had multiple dealers who traded based on their individual outlook of the market/stock. Further, that they engage in voluminous trading with miniscule margin.

(l) Also, that it is most likely that the traders might buy a stock based on their bullish/ bearish view of the market, and, thus, it is possible that while the dealer sitting at one terminal may find it appropriate to buy a scrip based on his own perception, another dealer sitting at another terminal may think it fit to sell the share based on his bearish perception, hence, the alleged self-trades are purely coincidental and not an outcome of any design as per the modus operandi

followed by these multiple dealers, and, when observed on a consolidated basis at the Exchange level, it may appear as self-trades, but, at the individual level when the trades are scrutinized, it becomes clear that these were individual trades done by separate dealers and were independent of each other.

(m) That they had also observed/identified similar possibilities proactively and made representations to the exchanges, seeking their guidance on such jobbing/arbitrage activities which could potentially appear as "Self-trades", which, in fact, are the outcome of activities carried out in the normal course of business.

(n) That AIPL had a total traded volume of Rs. 6,776 crore during the investigation period of 6th November 2009 and 2nd December 2009 and SGWL constituted a mere Rs. 0.89 crore which is just 0.013% of its total volume . In this very period, AIPL traded in 1,141 scrips.

(o) That as is the trading strategy generally followed by AIPL, in SGWL too, the dealers realized a trading opportunity in the cash market and may have decided to trade in it in order to take benefit from the liquidity and price movement in the stock.

(p) That since around 70 dealers undertook trading in the single client code M888 belonging to AIPL, it was highly possible that more than one dealer would land up carrying out trade in the same stock and each dealer does so based on his own perception of price movement, and, therefore, to that extent there could be contrary and opposite trading actions taken. Such contrary trading actions carried out by more than one dealer through different trading terminals on an automated anonymous trading system, but, within the same unique client code (UCC code), should not be construed as a self-trade and thus, fraudulent or manipulative.

(q) That in respect of the trades of November 30, 2009 where 193 shares are purported to have been matched, it was submitted that these got executed from two different terminals, viz, terminal number 553 for the BUY trade and terminal number 556 for the SELL trade, implying a jobbing activity wherein, more than

one dealer carried out the said trades. It has further been submitted that the said dealers had actually placed 500BQ and 400 SQ respectively, thus, implying that the intention was to trade for a higher quantity, but, only 193 shares got traded, and, more importantly, that these orders were placed in "Post Closing" period, when all trades get executed at a uniform closing price, thus, suggesting that there could not have been an intention to match trades or manipulate price.

(r) That in respect of the trades of December 01, 2009, wherein, 323 shares have been purported to have been matched, the details of the sequence in which the BOQ of 1000 shares got executed have been given as follows:.

- *That the dealer placed a 1000 qty BUY order at 10:09:34 hours. These got executed from the market in tranches at the following time (in hours):*

Qty Traded	***Traded Price (Rs)***	***Trade Time***
52	*40.25*	*10:09:45*
625	*40.25*	*10:14:43*

- *So in all out of 1,000 shares BOQ, 677 shares got executed from the market, leaving a pending order of 323 shares.*
- *That in the meantime, the dealer sensing a reverse price movement, placed a Sell order for 1,000 shares at 10:23:39 hours on a bonafide belief that his previous BUY order must have fully got executed from the market, but, coincidentally only 323 shares out of this total SOQ of 1,000 shares, got executed out of the pending BUY order that was placed earlier. Further, the original BUY order was placed at 10:09:34 (as stated above) and the final SELL order was placed at 10:23:39, almost 14 minutes after the BUY order. As can be seen therefore, that the said "matching" was a mere coincidence and not with the intention to commit a "self-trade" and, thus, was not fraudulent or malafide.*

(s) That in respect of the balance two trades of December 01, 2009, wherein, a total of 9,350 shares is purported to have been matched, it has been submitted that both these trades need to be seen jointly, and, not in isolation. It has been stated that three different terminals and three different dealers were involved which has resulted in these trades totaling to 9,350 shares. The first order placed was a SELL

order for 5,000 shares from terminal no. 546 at 15:06:53 hours. Thereafter, another dealer placed another SELL order of 5,000 shares from terminal no. 377 at 15:12:15 hours. At 15:19:59 hours, a third dealer, using terminal no. 551, placed an order of 45,000 shares to BUY. As he did so, out of the 45,000 shares order, 9,350 got executed internally from terminal nos. 546 and 377 and the rest from the open market. It is further submitted that multiple dealers carried out trades from multiple terminals, using the same client code, which has resulted in a few trades getting executed internally, while most of the trades were executed from the open market too. It was also submitted that from the table below it can be observed that there was substantial time gap between the placement of the orders, thus, implying that there was no intention to match trades:

Terminal No	***Order placed (B/S)***	***Order Qty***	***Order Time (in hrs)***
546	*S*	*5,000*	*15:06:53*
377	*S*	*5,000*	*15:12:15*
551	*B*	*45,000*	*15:19:59*

(t) That all these trades were carried out within a very narrow price range, and, that this is the actual essence of jobbing. Dealers execute trades with miniscule margins, and, therefore, such trades cannot be said to be fraudulent or manipulative.

(u) That they had brought the same to the notice of the exchanges in the past and that they have not received any adverse comments on this activity.

(v) That on a simple analysis of the above, it is evident that there is no malafide intention in executing the alleged trades, and, these trades arise out of the normal course of business and are within the prescribed regulations.

(w) That the related factors such as nature of business, frequency of trades, value of trades and condition prevailing in the market during the investigation period also need to be considered. Hence it cannot be construed that ABL has violated regulation 3 (a) read with regulation 4 (1), 4 (2) (a) (b) (e) and (g) of SEBI(PFTUP) regulation 2003 and regulation 7 A (1), (3), (4), and (5) of Stock Broker Regulations, 1992.

(x) *As regards the observation in the SCN that Angel Broking Ltd (ABL) was holding more than 1% share holding in Sterling Green Woods Limited (SGWL) as on September 30, 2009, it has been clarified that Angel Broking Limited was not holding any shares in SGWL in its own capacity. Being a stock broking company, the shares were held in a fiduciary capacity in its pool account on behalf of its clients on account of settlement obligations of its clients towards their respective trading. The corporate action/benefit if any of these holdings are being credited to the respective clients account. Hence merely appearing as a shareholder in a company's list of shareholders does not establish any connect direct or indirect in the trading of the scrip of that company. It has been submitted that ABL or its associates are not directly or indirectly connected in any manner whatsoever with SGWL.*

(y) *That just being a shareholder as a custodian, and, trading by its clients in a particular scrip, does not lead to establish any connivance of a broker with its clients in dealing in that particular scrip. Hence there is no question of violation of any regulation of 3 (a) read with regulation 4 (1), 4 (2) (a) (b) (e) and (g) of SEBI (PFTUP) regulation 2003 and regulation 7 A (1), (3), (4), and (5) of Stock Broker Regulations, 1992 by ABL.*

(z) *That AIPL had carried out jobbing transactions as in its normal course of business while ABL as a stock broker has facilitated in executing the trades on the exchange platform for its constituent. The alleged trades were executed at the real prevailing market price and do not create misleading appearance of trading which tampers/manipulates the price discovery mechanism of the stock exchange. That neither there has been any undue gain or unfair advantage to AIPL, nor, any resultant artificial volume created as a result of the trades covered by the notice under reply. There was also no element of any deceit, trickery or sharp practice, or, breach of confidence while carrying out the alleged trades.*

6. In the interest of natural justice and in order to conduct an inquiry as per rule 4 (3) of the Rules, Noticees were granted an opportunity of personal hearing on

September 16, 2013 at SEBI, Head Office, Mumbai vide notice dated August 21, 2013. Noticees appeared for the personal hearing and reiterated the submissions made in the reply dated August 6, 2013.

7. Noticees were issued supplementary SCN EAD-6/AK/VS/28989/2013 on November 13, 2013, whereby a detailed analysis of the order pattern of self trades executed by them on December 01, 2009 while trading in the scrip of SGWL was provided, to demonstrate how AIPL had violated the provisions of Regulation 3 (a) read with Regulation 4 (1), 4 (2) (a), (b) (e) and (g) of PFUTP Regulations and how ABL had violated Regulation 3 (a) read with Regulation 4 (1), 4 (2)(a),(b),(e) and (g) of PFUTP Regulations and Regulation 7 A (1),(3),(4) and (5) of Stock Broker Regulations while trading in the scrip of SGWL. Soft copies of trade and order log and order book for December 01, 2009 was provided to the Noticees. ABL vide reply dated December 4, 2013 reiterated the submissions made in its earlier reply dated August 6, 2013 and made further submissions which have been discussed in the later part of this Order.

8. Noticees were thereafter called upon for a personal hearing on December 16, 2013. Noticees appeared for the personal hearing and reiterated the submissions made in the reply dated December 4, 2013. ABL vide letter dated December 18, 2013 also made further submissions which have also been discussed in the later part of this Order.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have carefully examined the SCN and the documents available on record. The allegations against the Noticees is that ABL assisted AIPL in placing fictitious trades by acting as broker and counter party broker to the self trades entered by AIPL, and, thus, failed to carry out its business with due, skill, care and due diligence.

10. In view of the above it is alleged that ABL has violated the provisions of Regulations 3(a) read with Regulation 4(1), (2) (a), (b) (e) & (g) of SEBI PFUTP Regulations, 2003 and Regulation 7 read with Clauses A(1), A(3) A(4) & A(5) of Code of Conduct for Stock Brokers as specified in Schedule II of the SEBI Stock Brokers Regulation and AIPL has violated the provisions of Regulations 3(a) read with Regulation 4(1), (2) (a), (b) (e) & (g) of SEBI PFUTP Regulations, 2003.

11. The issues that arise for consideration in the present case are:
    a) Whether AIPL executed self trades?
    b) If so, whether ABL assisted AIPL in placing fictitious trades by acting as broker and counter party broker, and, thus, failed to carry out its business with due skill, care and due diligence?
    c) Whether ABL has violated Regulations 3(1) read with Regulation 4(1), (2) (a), (b) (e) & (g) of PFUTP Regulations and Regulation 7 read with Clauses A(1), A(3) A(4) & A(5) of Code of Conduct for Stock Brokers as specified in Schedule II of the SEBI Stock Brokers Regulation and AIPL has violated Regulations 3(a) read with Regulation 4(1), (2) (a), (b) (e) & (g) of PFUTP Regulations?
    d) Does the violation, if any, on the part of ABL attract monetary penalty under sections 15 HA and 15HB of the SEBI Act and for AIPL under section 15HA of the SEBI Act?
    e) If so, what would be the monetary penalty that can be imposed against AIPL and ABL taking into consideration the factors mentioned in section 15J of the SEBI Act?

12. Before moving forward, it will be appropriate to refer to the relevant provisions of the PFUTP Regulations and the Brokers Regulations, which reads as under:

3. Prohibition of certain dealings in securities

No person shall directly or indirectly-

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(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 for wrongful gain or avoidance of loss;

(c) ……

(d) ……

(e) any act or omission amounting to manipulation of the price of a security;

(f) ……

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

Stock-Brokers to abide by Code of Conduct.

7. The stock-broker holding a certificate shall at all times abide by the Code of Conduct as specified at Schedule II.

SCHEDULE II

Code of Conduct for Stock Brokers

A. GENERAL

(1) INTEGRITY: A stock-broker, shall maintain high standards of integrity, promptitude and fairness 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 stock-broker 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.*

FINDINGS

13. Upon careful perusal of the material available on record, I now proceed with the findings in connection with the role of Noticees on the violations as alleged in the case. I note that AIPL was the Holding Company of ABL. I also note that Angel Group raised Private Equity Capital to the tune of Rs. 150 crore in early 2008, and, since it could not be gainfully deployed all at once, it was decided to explore opportunities such as arbitrage/trading activities on the stock exchanges. Further, I note that in order to ensure that there is a clear demarcation between client and proprietary trading businesses, it was decided to carry out Angel Group's "proprietary" trading activities through AIPL. I also note that the Noticees have claimed that the basic nature of AIPL's trading activity was jobbing/arbitrage, through a network of around 70 dealers, and, that these dealers used to undertake trades in a single client code viz. M888 through more than 156 terminals simultaneously.

14. I further find that the Noticees in its reply has *inter alia* submitted that multiple dealers carried out trades through multiple terminals using the same client code M888 belonging to AIPL resulting in self trades. The Noticees have further submitted that the matching of trades was a mere coincidence and not with the intention to commit self trades.

15. I note that AIPL while trading through ABL executed self trades four (4) times and self-traded for 9,866 shares. I further find that in all the four (4) self trades executed by AIPL, ABL was found to be the broker and the counterparty broker amounting to 7.45% and 10.20% of his total buy and sell trades in SGWL scrip respectively from November 30, 2009 to December 01, 2009. I further find that the Noticees vide letter dated August 06, 2013 as well as at the time of hearing have admitted and not disputed the allegation that AIPL while trading through ABL executed self trades four (4) times and self-traded for 9,866 shares.

16. Self trades, which implies the trades in which both buyer and the seller are the same party and does not result in change of beneficial ownership, are fictitious in nature, and, they create artificial volumes in the scrip, sending wrong signal to the lay investors about trading in the scrip. In consideration to the above, I am of the view that the facts of the present case clearly brings out a case of placing fictitious trades for 9,866 shares by ABL on behalf of AIPL.

17. Vide supplementary SCN dated November 13, 2013, instances of self trades executed by the Noticees on December 01, 2009 were further elaborated, by analyzing the pattern in which the orders were placed, to bring out how the Noticees had placed orders in the scrip of SGWL to intentionally execute self trades, so as to create artificial volume in the scrip and with an intent to manipulate the price of the scrip. The instances set forth in the aforesaid supplementary SCN, the reply of the Noticees and the findings vis-à-vis the same are discussed below:

(A) In respect of self trades of December 01, 2009, wherein 323 shares matched

(A1) The supplementary SCN alleged as follows:

(i) That it was observed from the trade and order log that on December 1, 2009 at 10:09:34, AIPL had placed a buy order for 1,000 shares at Rs. 40.25 vide order id 13000041002579 which resulted in two trades for 677 shares during the time 10.09.45 to 10.14.43 at Rs. 40.25.

(ii) That from 10:09:44 to 10:18:06, the trades were being executed between Rs. 40.50 to Rs. 40.60, except for the aforesaid two trades of AIPL which got executed at Rs. 40.25.

(iii) That even between 10:18:58 to 10:22:42, the trade rate was hovering between Rs. 40.50 to Rs. 40.65. Therefore, the buy order of AIPL for balance 323 shares was pending for execution.

(iv) That despite the same, it was observed from the trade and order log that at 10:23:39, AIPL had placed a sell order for 1,000 shares at Rs. 40.25 vide order id 13000038011407, as a result of which pending quantity of 323 shares of buy order of AIPL, got matched with the said sell order.

(v) That after execution of this trade at 10.23.39, AIPL deleted the balance sell order quantity of 677 shares within 2 seconds, i.e. 10:23:41.

(vi) That despite AIPL claiming the said "matching" to be a mere coincidence and not with the intention to commit a "self-trade" and thus, not fraudulent or malafide, it was observed from the above that the sell order was placed at the same rate as that of its pending buy order, notwithstanding the fact that trades during that time were happening at much higher rate.

(vii) Further, that once the pending buy order for 323 shares matched, AIPL deleted the balance 677 shares of the sell order immediately.

(viii) Thus, it was alleged that AIPL had placed the sell order for 1,000 shares only with the intention to execute self trade so as to create artificial volume in the scrip.

(A2) The arguments made by the Noticees vide its letter dated December 04, 2013 and the findings vis-à-vis the same are discussed below:

(i) With regard to the aforesaid self trades for 323 shares, ABL vide reply dated December 04, 2013 has stated that the price of the scrip fell from Rs. 40.50 at 10.22.42 to Rs. 40.05 at 10.24.20. The sell order for 1,000 shares was placed by ABL at 10.23.39 at Rs. 40.25 for which 323 shares resulted in self trades. ABL has vide its aforesaid letter dated December 04, 2013 has claimed that the scrip was witnessing a drop in the traded price and sensing the same, the dealer may have placed a sell order at Rs. 40.25. ABL has also claimed vide the aforesaid letter that the adverse price movement might have prompted the dealer to delete the balance outstanding order at 10.23.41.

(ii) This submission of ABL appears to be without merit. I find that the self trade for 323 shares was executed at Rs. 40.25 at 10:23:39. The next trade was at Rs. 40.20 at 10:23:49. Noticees deleted the pending sell order quantity for 677 shares at 10:23:41, i.e. even before the next trade got executed. Hence, the argument of ABL vide letter dated December 04, 2013 that the adverse price movement might have prompted the dealer to delete the balance outstanding order at 10.23.41 does not hold good, since at the time when the sell order for 677 shares was deleted, the price of the scrip had not fallen below the price at which AIPL's last trade had got executed at 10:23:39 at Rs. 40.25. I, thus, find that the sell order was placed with the intention of executing the self trades and was deleted immediately after the same got executed. Vide letter dated December 18, 2013, ABL has further submitted that even though the dealer deleted the pending sell order once 323 shares got executed, he continued to place several sell orders at different price points to offload the existing net open position of 10,117 shares held by AIPL,

and, there was no corresponding buy position. However, I find that despite the earlier claim of ABL that the scrip was witnessing a drop in the traded price and sensing the same, the dealer may have placed a sell order and further that the adverse price movement might have prompted the dealer to delete the balance outstanding, it is observed from the order log that just 6 seconds after deleting the sell order placed at Rs. 40.25, sell order for 9,000 shares was placed at 10:23:47, but, at a much higher price at Rs. 40.60. Further, placing of several sell orders after executing a self trade, does not in any way justify placing an earlier sell order with the intention of executing self trades. Thus, I conclude that the Noticees had placed the sell order 1,000 shares at 10.23.39 at Rs. 40.25 with the intention of executing self trades.

(iii) ABL in its reply dated December 04, 2013 has re-emphasized the long time gap between the buy and sell orders. Here again, I find that it was due to the lower price of the Noticees buy order as compared to that of the market, that the order had remained pending, which got executed only after AIPL/ ABL placed a sell order on its own behalf. Therefore, I conclude that the time difference between the buy and sell order becomes immaterial in this kind of a scenario. ABL vide its aforesaid letter has claimed that one of the characteristics of a self trade is to place orders at extremely close proximity of time. However, the proximity of time would lose significance, so far as the buy and sell orders are placed at rates away from the prevailing market rates.

(B) In respect of self trades of December 01, 2009, wherein a total of 9,350 shares have matched:

(B1) ***The supplementary SCN alleged as follows:***

(i) That from the trade and order log of SGWL, it was observed that on December 1, 2009 at 15:06:50, AIPL had placed a sell order for 500 shares at

Rs. 41.30 vide order id 13000038042421. The order was updated to 5,000 shares at 15:06:52 without any change in the price. It was further observed that AIPL lowered the sell order price of the said order to Rs. 41.20 at 15:07:21.

(ii) That due to the reduction in the rate of the sell order, 3 trades for a total quantity 650 shares got executed during the period 15.07.26 to 15.08.58. So there was pending quantity of 4,350 shares for the said sell order.

(iii) That though the sell order at Rs. 41.20 was pending for 4,350 shares and no trades were happening in that order, AIPL revised the sell order price upwards to Rs. 41.30 at 15:12:15.

(iv) That between 15:06:51 to 15:19:44, the average trade rate was Rs. 41.02 and there was no trading during the period 15:19:45 to 15:19:59.

(v) Further, that vide order id 11000041025624, at 15:06:53, AIPL had placed another sell order for 5,000 shares at price Rs. 41.30.

(vi) That subsequently, at 15:19:59, vide order id 21000048038769, AIPL placed a buy order for 45,000 shares at a price of Rs. 41.35.

(vii) That it was observed that though the previous sell orders of AIPL were pending for execution at lower prices and with volume substantially lower that the said buy order, AIPL placed a buy order of large volume and price higher than the then prevailing market prices in the scrip. The last trade price before AIPL placed the aforesaid buy order was at Rs. 41.20 at 15:19:44.

(viii) That though Noticees has tried to explain these trades as jobbing transactions, it sans logic that when sell orders of lower volumes were pending in the system, an entity would enter a large buy order with higher price in the system.

(ix) That due to the said buy order of AIPL, the price of the scrip increased from Rs. 41.20 to Rs. 41.35 during the period 15.20.00 to 15.20.10.

(x) AIPL has submitted that there was substantial time gap between the placements of the orders and thus there was no intention to match trades. The supplementary SCN brought out that Noticees, however, conveniently

ignored the fact that as the prices of the two sell orders were higher than the then prevailing market prices, the said two orders remained pending. Only after the buy order of higher price of AIPL was entered, the sell orders got matched. Therefore, again in the instant scenario, the time difference between the sell and buy orders was immaterial, as only a buy order of higher price would have matched with the sell orders, and, there was no such buy order in the system, during the time the orders were pending, until AIPL itself placed such an order.

(xi) That though AIPL had submitted that all these trades were carried out within a very narrow price range and, that this is the actual essence of jobbing, the actual trades were observed to be contrary to the rationale of jobbing, as in the instant case, AIPL has sold at lower price and bought at higher price, while in normal jobbing it would have been the opposite i.e. buy low and sell high.

(B2) In response, the Noticees vide letter dated December 04, 2013 *inter-alia* submitted the following:

(i) That the orders were placed at different times from different terminals by different dealers;

(ii) That the scrip had reached its upper circuit limit (Rs. 41.35) at 15.06.21, implying an existence of a market scenario of higher traded price;

(iii) That 12,851 shares were traded at Rs. 41.35 at 15.06.21 and the said price continued till 15.06.41;

(iv) That the market recorded 1,15,636 shares (i.e. 31.34% of the total of the day) subsequent to the hitting of the upper circuit limit at 15:06:21 till the end of the market hours at 15:45:00. This would have induced many market participants to trade in the scrip;

(v) That the three dealers, who had placed three different orders at different time based on their independent positions, would have entered different

price which was within and/ or close to the circuit limit and would have resulted in away from the last traded price;

(vi) That the sell order for 4,350 shares (order no. 13000038042421) at Rs. 41.30 (last updated at 15:21:15) was from terminal no. 377, sell order for 5,000 shares placed at 15:06:53 at Rs. 41.30 was from terminal no. 546 and buy order for 45,000 shares placed at 15:19:59 at Rs. 41.35 was from terminal no. 551. If there had been an intention for self trade, the orders would have been placed in closed proximity;

(vii) That on December 1, 2009, the total trade volume in the scrip was close to 3.69 lacs shares. When such high volumes are traded in the market, a dealer intending to do self trade will not provide for so long a time gap between orders pending, lest they get executed in the market;

(viii) That AIPL had a position of mere 25,344 shares valued at close to Rs. 10 lacs and hence was so miniscule to indulge in self trading activity in the scrip;

(ix) That the rationale of jobbing i.e. buy low and sell high will not be applicable in the present case wherein 6 independent dealers have traded in the scrip during the day based on their own wisdom and outlook.

(B3) The findings vis-à-vis the same are discussed below:

(i) From the submission of the Noticee, I note that with regard to the submission that the scrip had touched the upper circuit limit (Rs. 41.35) at 15.06.21, implying an existence of a market scenario of higher traded price, it is observed that the trade just prior to 15.06.21 was at Rs. 41.25. The first three trades at 15:06:21 were also executed at Rs. 41.25. Noticees own buy trades were getting executed at Rs. 41 at 15:06:19. Despite the same, I note that the Noticees entered a buy order for 5,000 shares at 15:06:21 at 41.35. Noticees order, thus, was one of the buy orders that resulted in the scrip touching the circuit limit when the then prevailing market price in the market

was lower. This shows the intention of the Noticee to manipulate the price of SGWL shares.

(ii) On the submission that 12,851 shares were traded at Rs. 41.35 at 15.06.21 and the said price continued till 15.06.41, it is observed that out of the 12,851 shares traded at Rs. 41.35 at 15:06:21, for 3,858 shares, Noticees were on the buy side. Further regarding the continuance of the price of the scrip at 41.35 till 15:06:41, it is observed that out of the 7,253 shares traded between 15:06:22 to 15:06:41, Noticees were on the buy side for 6,142 shares. Trades for 1,142 shares were executed from the buy order entered by the Noticees at 15:06:21 and trades for 5,000 shares were executed due to the buy order for 5,000 shares entered by the Noticees at 15:06:39. Therefore, I find that the Noticees were themselves instrumental in sustaining the price of the scrip at circuit limit level.

(iii) Further, as regards the submission that market recorded 1,15,636 shares (i.e. 31.34% of the total of the day) subsequent to the hitting of the upper circuit limit at 15:06:21 till the end of the market hours at 15:45:00, which would have induced many market participants in the scrip, I find that the Noticees were on the buy side for 57,642 shares, thus, itself accounting for almost 50% of the market volume. While placing the said argument, Noticees have conveniently ignored the fact that almost half of the market volume was due to its trades. Further out of the 3.69 lac shares that got traded on December 01, 2009, for trades for 95,435 shares, Noticees were on the buy side. Therefore, I find that the Noticees accounted for more than 25% of the market volume on December 01, 2009.

(iv) Again, the argument of the Noticee vide aforesaid letter dated December 04, 2013 that trades of the Noticees on December 01, 2009 were in the nature of jobbing, I conclude does not hold good due to the following factors:

- Huge difference in buy and sell quantity of the Noticees on that day i.e. December 01, 2009, viz. they bought 95,435 shares and sold 37,090 shares. Further, this huge difference between the buy and sell quantity is observed even in respect of the Noticees trades on the earlier day, i.e. November 30, 2013, they bought 12,700 shares and sold 293 shares;
- Noticees sold at a lower price and bought at higher price, while in normal jobbing transactions it should have been the opposite;
- When Noticees entered buy order for 45,000 shares at 15:19:59, they had bought 43,935 shares and had sold 18,591 shares. Despite buy quantity being substantially higher than the sell quantity, Noticees further entered a large buy order for 45,000 shares at circuit limit price at the end of the market hours.

(v) I further find that after the predominant trades of the Noticees at circuit limit between 15:06:21 to 15:06:41, the price of the scrip fell and the average trade price between 15:06:51 to 15:19:44 was Rs.41.02. The scrip again reached the circuit limit due to the buy order of the Noticee for 45,000 shares at the circuit limit of Rs. 41:35 at 15:19:59. Therefore, I conclude that it was the trades of AIPL, executed by ABL, that established and maintained the circuit limit price of the scrip by entering orders at higher prices, even though the price of the scrip had fallen.

(vi) Further, though the Noticees have claimed that their dealers were independent, however, from the order entry pattern it is observed that they were in concert. The sell order for 5,000 shares (updated quantity) vide order no. 13000038042421, was first entered at 15:06:50 for 500 shares at Rs. 41.30 and was from terminal no. 377 as per the own submission of ABL. Another sell order for 5,000 shares vide order no. 11000041025624, was placed at 15:06:53 at Rs. 41.30 and was from terminal no. 546. Though the market price of the scrip had fallen, the sell orders were entered at higher

prices. Though the price of the sell order no. 13000038042421 was reduced to Rs. 41.20 after which trades for 650 shares got executed, the price of the said order was again increased to Rs. 41.30. Therefore, despite the claim of the Noticees that their dealers were independent, I find the order patterns of the two dealers appear to be similar, and, not in line with the then prevailing market scenario.

18. In this case it becomes necessary to quote the order of Hon'ble Securities and Appellate Tribunal (SAT) in, *Chirag Tanna vs. The Adjudicating Officer* dated June 16, 2011 wherein it was held as follows:

"..we have on record the trade and order logs from which it has been pointed out by the learned counsel for the respondent Board that the appellant had executed self trades i.e. trades in which he was both the buyer and seller. Such trades are, admittedly, fictitious and create artificial volumes in the traded scrip."

19. In my opinion, if ABL was operating as a jobber on same client code, he should have placed some mechanism in place to ensure that these trades do not result in self trades. Further, merely because the number of such self trades is not large by itself cannot justify execution of self trades. AIPL, I find has further submitted that the due to some internal arrangements it was decided to carry out Angel Group's "proprietary" trading activities through AIPL, and, not from ABL. The Noticees were free to adopt any business model, but, they have to ensure that whatever business model they adopt, it is in conformity with the regulatory framework. I further find that Noticees by executing self trades, created artificial volume and attempted to manipulate the price of the SGWL scrip.

20. Hon'ble SAT in a similar matter *H.J. Securities Pvt. Ltd. vs. SEBI* (Appeal No. 76/2012) dated May 11, 2012 held that:

"The modus-operandi of the appellant in operating through the 19 jobbers from different locations has resulted in fictitious trades / self trades where the buyer and the seller are the same party. Such trades create artificial volume in the traded scrip and send wrong signal to the lay investor with regard to trading in the scrip. The Board has come to a definite finding that the appellant had executed self trades on the day of listing for 2,00,725 shares which was 7.08% of its total quantity i.e. one in every fourteen trades of the appellant's total buy quantity on that day was a self trade on its proprietary account in terms of volume. Similar is the situation on the sale side. It is further noted by the Board that trading pattern in the subsequent day also reflects that one out of eleven trades of the appellants' total buy quantity was a self trade on its proprietary account in terms of volume. This finding of the Board is not disputed by the appellant. If the appellant was operating through jobbers from different terminals, he should have placed some mechanism in place to ensure that his trades do not result in self trades. Simply because the number of such self trades is not large by itself cannot justify execution of self trades. The appellant is free to adopt any business model but he has to ensure that whatever business model he adopts, it is in conformity with the regulatory framework. Since the business model adopted by the appellant has resulted in self trades which are considered to be fraudulent, we cannot find any fault with the impugned order which has held the appellant guilty of violating the provisions of FUTP regulations as well as code of conduct for the stock brokers. We are, therefore, not inclined to interfere in the matter."

From the above Hon'ble SAT order, it can be inferred that self trades defeat the purpose of anonymity of the trading system of the stock exchange.

21. Regulation 3 prevents any person from buying, selling or dealing in securities in fraudulent manner, use or employ any manipulative or deceptive device in contravention to the provisions of the Act, employ any device, scheme or artifice to

defraud in connection with dealing in securities or engage in any act, practice, course of business which operates as fraud or deceit upon any person in connection with any dealing in or issue of securities. Regulation 4(1) of PFUTP lays that no person shall indulge in a fraudulent or an unfair trade practice in securities. Regulation 4(2) (a) of PFUTP, 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 prohibits 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 for wrongful gain or avoidance of loss. Regulation 4(2)(e) lays down that any act or omission amounting to manipulation of the price of a security will amount to manipulation and Regulation 4(2)(g) inter alia, prohibits entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security. Clauses A (1), (3), (4) and A (5) of Code of Conduct in the Brokers Regulations *inter alia* states that a broker shall maintain integrity, promptitude and fairness in the conduct of all his business and is required to ensure that he does not indulge in fraudulent or deceptive transactions with a view to distort market equilibrium, or, shall not create false market singly or in concert with others that leads to inference with fair and smooth functioning of the market. Furthermore, a broker shall abide by all the provisions and statutory requirements of the Act and rules.

22. The submission made by the Noticees can't suffice for their inability and non complicity in the aforesaid transactions and can't establish that it was not guilty of the violation of the aforementioned allegations. Therefore, I don't find the explanations of the Noticees satisfactory. Further, ABL being a stock broker, understands the implications of his actions well, and, should have put proper mechanisms in place, so as to avoid the proprietary trades of Angel Group done by AIPL through ABL resulting in self trades. Every broker has the responsibility to maintain high standard of integrity, promptitude and fairness in conducting business

and to comply with the statutory requirements. Thus, the Noticees cannot absolve from their liabilities on the ground of "mere coincidence".

23. Vide letter dated December 18, 2013, ABL has *inter alia* pointed out that while AIPL traded in the scrip of SGWL from November 30, 2009 to December 02, 2009 during the investigation period, the scrip was consistently witnessing increase in volume since November 06, 2009, and, on November 27, 2009, the scrip had accounted for total traded quantity of 1,29,912 shares. ABL vide the aforesaid letter has claimed that this volatility in the scrip may have enticed their dealers towards an arbitrage opportunity on a subsequent date i.e. on November 30, 2009, therefore, the dealers of AIPL were the followers and not the creators of the volumes at the Exchange. I do not find any allegation in the SCN to the effect that the Noticees created artificial volumes in the scrip of SGWL on November 27, 2009, or, prior to the same. Besides, it is not the volumes made though bonafide normal market mechanism that are a cause of concern for the regulator. It is the artificial volumes created through fictitious self trades, which defeat the purpose of anonymity of the trading system of the stock exchanges and adversely affect the investors' interest by sending wrong signal to the lay investors, which is a cause of serious concern for the regulator. Besides, the Noticees argument of arbitrage opportunity also does not stand as there is a huge difference in AIPL's buy and sell volume on November 30, 2009 as well as on December 01, 2009, when the self trades were executed. Further, in case of arbitrage, dealers buy low and sell high, in the instant case, as brought out above, AIPL has sold at lower price and bought at higher price,

24. Further, at the time of hearing, Noticees brought to my notice two recent orders passed by the Adjudicating Officers – one dated February 14, 2013 against *JMP Securities Pvt. Ltd. in the matter of Wockhardt Ltd*., and, the other dated November 21, 2013 against *Arcadia Shares & Stock Brokers Pvt. Ltd. in the matter of Aarey Drugs & Pharmaceutical Ltd*. I have perused both these orders. I find that in case of JMP Securities Pvt. Ltd., the concerned Adjudicating Officer after adjudicating the matter has reached to a conclusion that the corroborative evidence available on

record was insufficient to substantiate that the trades executed by the Noticee were fraudulent or manipulative. On the other hand, in the instant case of the Noticees, through the foregoing paras, it has been brought out with minute detail as to how the trades of the Noticee were fraudulent and manipulative in nature and how the orders were entered with the intention of executing self trades. As regards the case of Arcadia Shares & Stock Brokers Pvt. Ltd., the concerned Adjudicating Officer did not find any evidence on record to suggest that Arcadia Shares & Stock Brokers Pvt. Ltd. was in any manner involved with the clients in executing the self trades. Contrary to the same, in the instant case the Noticee AIPL is a Holding Company of the Noticee ABL. Thus, the cases produced before me at the time of hearing and referred vide ABL's letter dated December 18, 2013 do not support the facts of the instant case of the Noticees.

25. Thus, in the instant case in light of the facts of the case and materials available on record, I conclude that ABL has violated the provisions of Regulation 3(a), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations and Regulation 7 read with Clauses A(1), A(3) A(4) & A(5) of Code of Conduct for Stock Brokers as specified in Schedule II of the Broker Regulations and AIPL has violated the provisions of Regulation 3(a), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations.

26. The next issue for consideration is as to what would be the monetary penalty that can be imposed on ABL for violation of Regulation 3(a), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations and Regulation 7 read with Clauses A(1), A(3) A(4) & A(5) of Code of Conduct for Stock Brokers as specified in Schedule II of the Broker Regulations and on AIPL for violation of the provisions of Regulation 3(a), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations. The Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC) held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…".*

27. Thus, the aforesaid violations by ABL makes him liable for penalty under Section 15HA and 15 HB of the SEBI Act, 1992 and AIPL under Section 15HA of SEBI Act, 1992 which read 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."

28. While determining the quantum of penalty under sections 15HA and 15HB, 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."

29. It is difficult, in cases of such nature, to quantify exactly the disproportionate gains or unfair advantage enjoyed by an entity and the consequent losses suffered by the investors. I have noted that the investigation report also does not dwell on the

extent of specific gains made by the clients or broker/s. However, I find that the Noticees by executing self trades, which implies the trades in which both buyer and seller are the same party and does not result in change of beneficial ownership, created artificial volumes and manipulated the price of the SGWL scrip, thereby sending wrong signal to the lay investors about trading in the scrip. Self trades are, hence, considered to be serious violation, even in the absence of noticeable market effect, because they do not reflect the forces of supply and demand and give a false impression with respect to market liquidity. Besides, I find that such self trades of the Noticees comprise 7.45% and 10.20% of its total buy and sell trade quantity respectively in SGWL scrip during the period from November 30, 2009 to December 01, 2009. In fact, I find that the self trades for 193 shares on November 30, 2009 comprise approx. 1.5% of its total buy volume (12,700 shares) and more than 65% of the total sell volume (293 shares) of AIPL on that day. Similarly, the self trades for 9,673 shares on December 01, 2009 comprise approx. 10% of its total buy volume (95,435 shares) and approx. 26% of its total sell volume (37,090 shares) on December 01, 2009. Also, such self trades have occurred repeatedly (on four (4) occasions.).

30. Besides, I note that this is not the first time that ABL has been involved in creation of artificial volumes on the Exchange. In the past too, pursuant to investigation in the scrip of *Atul Auto Ltd*., it had come to notice that ABL had indulged in reversal of trades and synchronized trading thereby creating artificial volumes in the Atul Auto Ltd. scrip during the period June 18 to August 09, 2007. Hence, vide letter dated March 04, 2010, ABL was advised to be careful in future and to avoid recurrence of such instances. In the matter of *Bank Of Rajasthan Ltd*., the Adjudicating Officer while imposing penalty vide Order dated September 12, 2012 has inter alia concluded that ABL violated the provisions of SEBI's circular SEBI/MRD/SE/Cir-33/27/2008 dated August 27, 2003 and failed to exercise due care and diligence in discharge of its duty as a broker and violated clause A (2) and A (5) of Schedule II prescribed under Regulation 7 of the Stock Brokers Regulations by accepting

payments from third parties on behalf of clients who traded in the scrip of Bank Of Rajasthan and were related to the promoters. In the matter of *Sun Infoways Ltd*. (herein after referred to as "SIL"), pursuant to enquiry, the Whole Time Member of SEBI in exercise of the powers conferred upon him in terms of section 19 of the SEBI Act, 1992 read with Regulation 28(2) of SEBI (Intermediaries) Regulations, 2008 had passed an order dated January 30, 2013 prohibiting ABL from taking up any new assignment for a period of two weeks, since ABL was found to have executed circular/ reversal trades on 12 days when it traded in the scrip of SIL on behalf of its clients and contributed to 7.12% of the market traded quantity. Vide Order dated October 22, 2013, the Hon'ble Securities Appellate (SAT) Tribunal has upheld the aforesaid Order passed by the Whole Time Member and dismissed the appeal of ABL. Further, while upholding the aforesaid order, the Hon'ble SAT has held that the argument that the turnover in SIL scrip was miniscule compared to the large turnover of the appellant and hence penalty need not be imposed against ABL cannot be accepted, because imposition of penalty for violating provisions of SEBI Act and regulations made thereunder are not dependent upon total turnover of person violating the provisions of SEBI Act/ regulations made thereunder. The Hon'ble SAT has opined that one who has violated the provisions of SEBI Act and regulations made thereunder, must suffer even if turnover in the scrip in which violations are found is miniscule compared to the total turnover of that person.

31. Besides, the aforesaid, I also find that vide letter dated January 24, 2013, ABL was also advised to take appropriate coercive steps to rectify the observation made by SEBI during inspection of books and records and further advised to be careful in future and improve the compliance standards.

32. I note that person found to be guilty of violating PFUTP Regulations can be imposed a penalty of Rs. 25 crore or three times the amount of profit made, whichever is higher, under Section 15HA of the Act and person found guilty of any regulations where no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees, under Section 15HB.

33. Detailed analysis, brought out above, of the orders placed by ABL on behalf of AIPL that resulted in self trades, dismisses the Noticees version made through its various submissions that the transactions were normal jobbing transactions. On the contrary, it clearly demonstrates beyond reasonable doubt that the Noticees knowingly engaged in execution of self trades and attempted to manipulate the price of scrip of the company. I find that this is sufficient to prove that the ABL and AIPL have created a false or misleading appearance of trading in violation of Regulation 3(a), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations and ABL failed to carry out its business with due, skill, care and due diligence in violation of Regulation 7 read with Clause A (1), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Schedule II of the SEBI Stock Brokers Regulations.

34. Further, it is apparent from the case laws referred above that self trades are, ordinarily and of their nature, baneful practices which will, invariably, have the purpose and, often, the effect of interfering with the integrity of securities market, even though such self trades may be miniscule in quantity. This sort of activity is, therefore, rightly considered to be illegal, and justifiably so. Besides, it is noted from the above that SGWL is not the only scrip in which ABL has indulged in such illegal trading activity for the first time. It is observed from the actions pursuant to investigation in a few scrips that ABL has been indulging in creating artificial volumes across a few other scrips as well. Further, as discussed above, the Hon'ble SAT has also recently opined that one who has violated the provisions of SEBI Act and regulations made thereunder, must suffer even if turnover in the scrip in which violations are found is miniscule compared to the total turnover of that person. And, when seen in totality, it appears that ABL is habitually into enticing investors to invest by creating a false and misleading appearance of trading in the securities market, and, in the instant case, it together with its subsidiary company AIPL has executed such an illegal operation ranging from 1.5% of its total buy volume on a day to 65% of its total sell volume on a day, thus, detrimental to the smooth functioning of the securities market, and hence, deserves to be viewed seriously.

ORDER

35. After taking into consideration all the facts and circumstances of the case, I impose a penalty of Rs. 10,00,000 (Rupees ten lacs only) under section 15HA and Rs. 10,00,000 (Rupees ten lacs only) under 15HB of the SEBI Act, {i.e. a total penalty of Rs. 20,00,000 (Rupees twenty lacs only)} on ABL and Rs. 10,00,000 (Rupees ten lacs only) under section 15HA of SEBI Act on AIPL which will be commensurate with the violations committed by it.

36. The Noticees 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 Ms. Rachana Anand, Deputy General Manager, Investigations Department, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

37. In terms of rule 6 of the Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

Date: **December 30, 2013** **Anita Kenkare**

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