BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. EAD/NP/JS/AO/22/2017]

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.

S.NO.	NAME OF THE ENTITY	PAN
1.	BP Fintrade Private Limited	AAACY2372G
2.	Gajanan Enterprises	AAKFG7595A
3.	BP Equities Private Limited	AAACB4602L

FACTS OF THE CASE IN BRIEF

1. SEBI conducted an investigation in the matter of MIC Electronics Ltd (MIC, hereinafter), which is listed at BSE and NSE. MIC announced the issue of shares/ warrants convertible into equity shares, on preferential basis on February 21, 2012. The closing price of the scrip which was Rs.8.59 as on February 17, 2012, increased to Rs.12.09 as on February 22, 2012 and also witnessed increased daily volume in the scrip for few days after the announcement. Thereafter, on May 25, 2012, the proposal to issue shares/ warrants convertible into equity shares on preferential basis was withdrawn by the MIC Management and the closing price of the scrip in the month of May fell to a low of Rs.5.37. During the period of announcement and withdrawal of the proposal to issue shares/ warrants convertible into equity shares on preferential basis, promoters' shareholding in MIC reduced from 15.21% (December 2011) to 8.85% (June 2012.).

2. As per finding of the Investigation Report, BP Fintrade Private Ltd (Noticee no. 1) and Gajanan Enterprises (Noticee no. 2) are clients of BP Equities Private Limited, (Noticee

no. 3) who have been alleged to have entered into self-trades repeatedly, which created artificial volume in the scrip, without change in ownership of shares, leading to false and misleading appearance of trading of the scrip of MIC in the securities market. The Investigation alleged that the Noticee No 1 and Noticee no 2 entered into self-trades at both BSE and NSE, which created artificial volume in the scrip and false and misleading appearance of trading in the scrip in violation of Regulations 3(a), (b), (c) & (d) and 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred as to as PFUTP Regulations). The investigation report also alleged that the Noticee no.3 failed to adhere to Clause A (2) of the Code of Conduct for Stock Broker as prescribed under Schedule II read with Regulation 7 of SEBI (Stock Broker and Sub broker) Regulations, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide an order of Whole Time Member, SEBI, dated May 03, 2015, Ms Anita Kenkare, GM, SEBI had been appointed as the Adjudicating Officer to inquire into and adjudge under Section 15HB of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, for the alleged violations. Vide the internal noting of the Whole Time Member, SEBI, dated December 14, 2015, the undersigned was appointed as the Adjudicating Officer to inquire into and adjudge under the provisions as enumerated above.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. SCN no. EAD/NP/JS/OW/3219/4/2016, dated February 5, 2016 and SCN no. EAD/NP/JS/OW/3219/1/2016, dated February 5, 2016 were issued to Noticee no. 1 and no. 2 respectively. It was alleged in the SCN that the Noticee no. 1 and no. 2, being clients of the Noticee no.3 entered into self-trades repeatedly, which created artificial volume in the scrip, leading to a false and misleading appearance of trading of the scrip in the securities market which is in violation of Regulations 3(a) (b), (c) & (d) and 4(1), 4(2) (a) & (g) of PFUTP Regulations and therefore liable for penalty u/s Section 15HB of SEBI Act, 1992. A show-cause notice (SCN) no. EAD/NP/JS/OW/0004/2016 dated February 11, 2016 was issued to the Noticee no. 3 under rule 4 of the AO Rules to show-cause as to why an inquiry should not be initiated against Noticee and penalty be imposed upon it under section 15HB of SEBI Act for the alleged violation specified

in the said SCN. The Noticees were given 15 days of time to make their submissions against the allegations made in SCNs.

5. As per the SCN, the details of self-trades of the Noticee no 1 and 2 were as under:

Table 1-

Self Trades at NSE

Entity Name	Broker On Both Buy & Sell Side	Traded Volume	Total Self Trade Volume	Total Self trade count	Self trade count from same terminal ID	No of days on which self trades done	% of self traded qty with client's traded vol. %)	Net LTP contribution by self trades (Rs.)
Gajanan Enterprises	BP Equities Private Limited	631124	123542	269	38	6	19.57	-0.1
BP Fintrade Private Limited	BP Equities Private Limited	766849	26246	200	33	5	3.42	-0.25

Table 2-

Self Trades at BSE

Entity Name	Broker On Both Buy & Sell Side	Traded Volume	Total Self Trade Volume	Total Self trade count	Self trade count from same terminal ID	No of days on which self trades done	% of self traded qty with client's traded vol (%)	Net LTP contribution by self trades (Rs.)
BP Fintrade Private Limited	BP Equities Pvt. Ltd.	803900	164231	239	29	5	20.42	-0.31

6. Noticee no. 1 vide its reply dated February 22, 2016, (received on February 24, 2016) replied to the charges levelled against it in the SCN. Noticee no. 1 denied all charges levelled against it and requested for personal hearing.

7. Noticee no. 2 vide its reply dated February 22, 2016, (received on February 24, 2016) replied to the charges levelled against it in the SCN. The Noticee no. 2 denied all charges levelled against it and requested for personal hearing.

8. Noticee no. 3 vide its reply dated February 22, 2016, (received on February 24, 2016) replied to the charges levelled against it in the SCN. The Noticee 3 denied all charges levelled against it and requested for personal hearing..

PERSONAL HEARING

9. An opportunity of personal hearing was granted to all the three Noticees on May 18, 2016 vide hearing notice dated April 4, 2016, At the request of all the 3 noticees, the hearing was preponed to May 17, 2016, which was attended by Mr Ravi Ramaiya, authorized representative (AR) for Noticee no. 1. and Noticee No. 2 and Mr Ravi Ramaiya and Mr Dinesh Mange for Noticee No. 3. The AR of the noticees reiterated the submission made in their replies dated February 22, 2016 to show cause notices and reiterated that the noticees were not involved in any manipulative transactions.

SUBMISSIONS OF THE NOTICEES IN REPLY TO SCN AND DURING PERSONAL HEARINGS:

10. Vide its reply dated February 22, 2016 to SCN, the Noticee no.1 submitted as under:

We are into the business of trading in securities market and have a very large & voluminous trading and investment portfolio. We trade through multiple terminals/dealers and carry out jobbing, arbitrage and positional trading in securities on one or more Exchanges using multiple trading strategies. A snapshot of our activity is given below:

Exchange Segment	***Period***	***No of Securities***	***Quantity***	***Value of Trades***
All Exch. & Segments	*Investigation Period January 1, 2012 to June 30, 2012*	*3889*	*about 75 crores shares*	*about 12407 Crores*
Trades in MIC	*==do==*	*1*	*3141531*	*37216604*
% of MIC v/s Total Volume	*==do==*	*0.03*	*0.42%*	*0.03%*

Our turnover in the security under investigation is an extremely negligible proportion of our total trades. We trade through multiple dealers who carry out jobbing, arbitrage and positional trading in securities on one or more Exchanges. This is carried out through multiple trading strategies that are deployed while executing the transactions. Though all the strategies aim at achieving the goal of generating profit using a simple principal of trying to purchase at a lower rate and trying to sell at a higher rate, we might not be able to achieve the goal in all the transactions that we initiate.

One such trading strategy *is momentum trading, where we identify the movement in a security and take a position based on the movement. We place trigger orders for one share across multiple securities (which at times goes to 200 scrips) at fixed interval. Sell trigger orders are placed to identify the upward movement in the price of the security and buy trigger orders are placed to identify the downward movement in the price of the security. If these orders get executed it is a sign that the stock is moving upward or downward. The dealers immediately analyse the volume and trend in the stock and if they find the movement to be strong enough, they place the orders for purchase of the security for a larger quantity at a much higher price, sometimes even 2% to 3 % higher than the last traded price so that a large quantity of shares can be purchased from the intending sellers. We are always followers of trend that is already established by the momentum of the security and are not trend setters for the movement of the stock.*

It may be noted that our volume in the security during the period covered under the investigation is a meagre 0.91% (NSE) of the market volume, which can no way create any false or misleading appearance of trading in any security as alleged. The table below gives a comparison of market volume and our volume in this regard.

Exchange	*Exchange Volume*	*Volume of BP Fintrade (B+S)/2*	*% volume of*
BSE	*25973116*	*781892*	*3.01*
NSE	*79832119*	*788874*	*0.99*

The electronic trading platform of the Exchanges provides supersonic speed of broadcast and trade execution. Our trades are executed from various terminals where multiple dealers execute trades for us as per our predefined trading strategy. As we trade through multiple terminals, the dealers are not aware of the orders placed by other dealers. In some cases the buy order of one dealer inadvertently matches with that of other terminals, which we believe, should not be treated as self-trades. Further it may be noted that when the price of a security moves upward, some of the limit buy orders remain in the pending order book. Likewise when it moves downward, the unexecuted limit sell orders remain in the pending order book. At the time of reversal of movement, the dealer may be required to immediately place orders which may sometimes matched against previously placed pending orders. Many a times only a part of the order matches internally leaving the balance order to match with other market participants.

Particulars	*BSE*	*NSE*
Market Volume (Qty)	*25973116*	*79832119*
Our Volume ((B+S)/2)	*781892*	*788874*
Contribution to Market Volume	*3.01*	*0.99*
Self-trade Qty mentioned in notice	*164231*	*26246*
Contribution of Self trade volume to Market Volume	*0.63*	*0.03*
Self trade volume (Quantity) from same terminal	*27405*	*2477*
Contribution of Self trade volume from same terminal to Market Volume	*0.10%*	*0.003%*

As highlighted above, the volume of our trades as compared to the market during the period under investigation was a meagre 3.01% (BSE) and 0.99% (NSE). Self-trades which were inadvertently executed were even more negligible i.e. 0.63% (BSE) and 0.03 (NSE). The internally matched trades from same terminals during the said period were a negligible 0.10% (27405 Shares) (BSE) and 0.003% (2477 Shares) (NSE).

As mentioned in your letter, MIC announced the issue of shares / warrants convertible into equity shares on preferential basis on 21.02.2012. The closing price of MIC as on 17.02.2012 i.e. Rs. *8.59 increased to* Rs. *12.09 on 22.02.2012 and the scrip also witnessed increased daily volume for few days after this announcement. Thereafter on 25.05.2012, the preferential issue proposal was withdrawn and the closing price of the scrip in the month of May was* Rs. *5.37. During the period of announcement and withdrawal, promoters shareholding reduced from 15.21% (December 2011) to 8.85% (June 2012). We have started trading in the scrip from 05.01.2012 i.e. much before the date of announcement i.e. 21.02.2012. Further we reiterate that our trading in the scrip as compared to market volume was miniscule i.e. 3.01% (BSE) and 0.99% (NSE). A comparison of our volume with market volume on daily basis is given below:*

BSE:

Trade Date	***Our Volume - (B+S)/2***	***BSE Volume***	***% to Mkt Volume***
10/01/2012	*19*	*353114*	*0.005*
11/01/2012	*28377.5*	*669430*	*4.239*
12/01/2012	*19390.5*	*677074*	*2.864*
13/01/2012	*10.5*	*183177*	*0.006*
18/01/2012	*13.5*	*97426*	*0.014*
23/01/2012	*0.5*	*45858*	*0.001*
24/01/2012	*1*	*90364*	*0.001*
31/01/2012	*2*	*240382*	*0.001*
01/02/2012	*2000*	*266931*	*0.749*
03/02/2012	*1000*	*129279*	*0.774*
06/02/2012	*1503.5*	*434210*	*0.346*
07/02/2012	*1.5*	*109716*	*0.001*
09/02/2012	*4000*	*130977*	*3.054*

15/02/2012	*6*	*191216*	*0.003*
17/02/2012	*3*	*556995*	*0.001*
21/02/2012	*36080*	*779454*	*4.629*
22/02/2012	*664462*	*3800083*	*17.485*
23/02/2012	*5078*	*929708*	*0.546*
24/02/2012	*506*	*455562*	*0.111*
27/02/2012	*3*	*623086*	*0.000*
28/02/2012	*38*	*431317*	*0.009*
29/02/2012	*8*	*257286*	*0.003*
05/03/2012	*2*	*103442*	*0.002*
07/03/2012	*19277*	*467400*	*4.124*
12/03/2012	*100*	*139016*	*0.072*
13/03/2012	*9*	*176333*	*0.005*

NSE:

Trade Date	***Our Volume - (B+S)/2***	***NSE Volume***	***% to Mkt Volume***
05/01/2012	*1*	*150955*	*0.001*
06/01/2012	*2*	*74568*	*0.003*
10/01/2012	*3852.5*	*932146*	*0.413*
11/01/2012	*13861.5*	*1220524*	*1.136*
12/01/2012	*7591.5*	*1807551*	*0.420*
16/01/2012	*2*	*429976*	*0.000*
18/01/2012	*2*	*400709*	*0.000*
19/01/2012	*1*	*270423*	*0.000*
20/01/2012	*1*	*257238*	*0.000*
23/01/2012	*1*	*208644*	*0.000*
27/01/2012	*2*	*824455*	*0.000*
30/01/2012	*4*	*421870*	*0.001*
06/02/2012	*1*	*795740*	*0.000*

10/02/2012	*4*	*370166*	*0.001*
13/02/2012	*1*	*465287*	*0.000*
15/02/2012	*2516*	*799413*	*0.315*
17/02/2012	*7*	*1796930*	*0.000*
21/02/2012	*66569*	*2005558*	*3.319*
22/02/2012	*609553.5*	*7795441*	*7.819*
23/02/2012	*59390*	*3040163*	*1.954*
24/02/2012	*254*	*1263436*	*0.020*
27/02/2012	*9*	*1550954*	*0.001*
28/02/2012	*25157*	*1262783*	*1.992*
29/02/2012	*48*	*864847*	*0.006*
01/03/2012	*2*	*479041*	*0.000*
06/03/2012	*1*	*413616*	*0.000*
07/03/2012	*12*	*1130248*	*0.001*
09/03/2012	*15*	*628410*	*0.002*
12/03/2012	*2*	*519126*	*0.000*
13/03/2012	*2*	*597998*	*0.000*
14/03/2012	*4*	*559368*	*0.001*
15/03/2012	*3*	*323379*	*0.001*
16/03/2012	*1*	*363535*	*0.000*
27/03/2012	*1*	*267354*	*0.000*

We would like to highlight that:

1. *We have traded on 26 days (BSE) and 34 (NSE) only out of 127 trading days during investigation period (01.01.2012 – 30.06.2012)*
2. *Out of 26 days at BSE on which we have traded, on 20 trading days, our volume as compared to BSE volume was less than 0.8% which is extremely miniscule.*
3. *Out of 34 days at NSE on which we have traded, on 29 trading days, our volume as compared to NSE volume was less than 0.45% which is extremely miniscule.*

   The closing price of MIC as on 22.02.2012 was Rs. 12.09 on 22.02.2012 which declined to Rs. 5.37 in the month of May i.e. by Rs. 6.72. Our Net LTP contribution by self trades (in Rs.) as mentioned

by you is -0.31 (BSE) and -0.25 (NSE) which is extremely miniscule.Further, we have executed intra-day and positional trading in the scrip. We have executed trades in normal course of business and as per our jobbing strategy. The self trades occurred are purely incidental and unintentional.

A day wise buy and sell details is as below:

BSE:

Date	***Bought***	***Sold***	***Position at BSE at End of Day (Buy-Sell)***
10/01/2012	*19*	*19*	*0*
11/01/2012	*50075*	*6680*	*43395*
12/01/2012	*213*	*38568*	*-38355*
13/01/2012	*21*		*21*
18/01/2012		*27*	*-27*
23/01/2012		*1*	*-1*
24/01/2012		*2*	*-2*
31/01/2012		*4*	*-4*
01/02/2012	*3000*	*1000*	*2000*
03/02/2012		*2000*	*-2000*
06/02/2012	*3005*	*2*	*3003*
07/02/2012		*3*	*-3*
09/02/2012	*5000*	*3000*	*2000*
15/02/2012	*6*	*6*	*0*
17/02/2012	*3*	*3*	*0*
21/02/2012	*56073*	*16087*	*39986*
22/02/2012	*661464*	*667460*	*-5996*
23/02/2012	*5079*	*5077*	*2*
24/02/2012	*505*	*507*	*-2*
27/02/2012	*3*	*3*	*0*
28/02/2012	*38*	*38*	*0*
29/02/2012	*8*	*8*	*0*
05/03/2012	*2*	*2*	*0*

07/03/2012	*19277*	*19277*	*0*
12/03/2012	*100*	*100*	*0*
13/03/2012	*9*	*9*	*0*

NSE:

Date	***Bought***	***Sold***	***Position at NSE at End of Day (Buy-Sell)***
05/01/2012	*1*	*1*	*0*
06/01/2012	*2*	*2*	*0*
10/01/2012	*5103*	*2602*	*2501*
11/01/2012	*17597*	*10126*	*7471*
12/01/2012	*92*	*15091*	*-14999*
16/01/2012	*2*	*2*	*0*
18/01/2012	*2*	*2*	*0*
19/01/2012	*1*	*1*	*0*
20/01/2012	*1*	*1*	*0*
23/01/2012	*1*	*1*	*0*
27/01/2012	*2*	*2*	*0*
30/01/2012	*4*	*4*	*0*
06/02/2012	*1*	*1*	*0*
10/02/2012	*4*	*4*	*0*
13/02/2012	*1*	*1*	*0*
15/02/2012	*16*	*5016*	*-5000*
17/02/2012	*7*	*7*	*0*
21/02/2012	*71559*	*61579*	*9980*
22/02/2012	*589052*	*630055*	*-41003*
23/02/2012	*58140*	*60640*	*-2500*
24/02/2012	*4*	*504*	*-500*
27/02/2012	*9*	*9*	*0*
28/02/2012	*25157*	*25157*	*0*

29/02/2012	*48*	*48*	*0*
01/03/2012	*2*	*2*	*0*
06/03/2012	*1*	*1*	*0*
07/03/2012	*12*	*12*	*0*
09/03/2012	*15*	*15*	*0*
12/03/2012	*2*	*2*	*0*
13/03/2012	*2*	*2*	*0*
14/03/2012	*4*	*4*	*0*
15/03/2012	*3*	*3*	*0*
16/03/2012	*1*	*1*	*0*
27/03/2012	*1*	*1*	*0*

We would like to bring your kind notice, the order of the Hon'ble Securities Appellate Tribunal dated January 24, 2014 in the case of Smt. Krupa Sanjay Soni vs. SEBI where the SAT had taken a view that "a few instances of self-trades in themselves would not, ipso facto, amount to an objectionable trades." In addition to this, in a similar matter of Gayatri Projects Limited, the adjudicating officer, vide its order dated April 30, 2014 concluded that the charges levelled against the noticees in the SCN do not stand established and the matter was disposed of on the grounds that when the percentage of self-trades is negligible, the self-trades are not capable of creating artificial volume. Self-trades as compared to market volume are 0.18 at NSE. Further, self-trades from same terminal as compared to market volume are 0.0001 at NSE. This is much lower than the percentage of self-trades in the matter of Gayatri Projects (upto 1.72%) and Smt. Krupa Sanjay Soni (1.99%).

After giving a detailed insight of the trading strategy, details of trades in MIC and the reason for self-trades, we hereby put forth that we have never carried out any transaction with an intention to create false and misleading appearance of trading. Regulation 2(c) defines fraud to include knowing misrepresentation of truth or concealment of material fact, suggestion to a fact which is not true, active concealment of fact, promise without an intention to perform, representation made in a reckless manner, deceptive behaviour of a person, false statement made etc. Our act of trading in MIC, or for that matter in any security is only as per our predefined trading strategy. A few incidental self-trades could take place during the execution of our trading strategy, but these negligible number of unintentional self-trades (BSE-0.63%, NSE-0.03%) no-way fall under the definition of fraud and hence we cannot be said to have dealt in securities in a fraudulent manner. As a result we cannot be said to have violated regulation 3(a).

We have carried out the trades in MIC and many other securities as per our predefined trading strategy. The randomness in quantity, time interval and absence of any trend prove beyond doubt that these internal trades are unintentional. As a result we cannot be said to have violated regulation 3(b).

There is nothing on record to show that the trades executed by us are under a scheme or artifice to defraud anybody. We have executed all these trades in normal course of business. As our trades are carried out under a commonly applied market practice and strategy and the fact that the trades of only 0.63% (BSE) and 0.03% (NSE) of the market volume (incidental and executed unintentionally) are a subject matter of investigation, we cannot be said to have violated Regulation 3(c).

self-trades constitute a negligible (BSE-0.63%, NSE-0.03%) of the total volume of in MIC during the period covered under investigation. Such negligible % of self-trades volume executed unintentionally cannot be said to have created a false or misleading appearance of trading. As a result we cannot be said to have violated Regulation 4(2) (a).

We have executed all our trades on the platform of the Exchange and have always fulfilled our obligation arising there from. All the funds and securities obligations have been promptly met. All trades are executed with an intention of generating small profits and with no other purpose. As a result the allegation that we have violated regulation 4(2)(g) does not hold good. We have executed all transactions with full integrity and have taken all the required due care while executing the transactions and have ensured all compliances with the statutory requirements. There has been no manipulation or malpractice which the notice could substantiate.

Based on the above submission, it is amply clear that all our self-trades are merely incidental and purely unintentional and hence none of the allegation of having violated the provisions of PFUTP regulations, hold good. As a result we believe that there is adequate reason not to hold any further inquiry under Rule 4 of SEBI (Procedure for Holding Inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 read with Section 15 I of SEBI Act.

11. Vide its reply dated February 22, 2016, the Noticee no. 2 submitted as under:

We are into the business of transacting in securities market and have a very large & voluminous trading and investment portfolio. We trade through multiple terminals/dealers and carry out jobbing, arbitrage and positional trading in securities on one or more Exchanges using multiple trading strategies. A snapshot of our activity is given below:

Exchange Segment	***Period***	***No of Securities***	***Quantity***	***Value of Trades***
All Exch. & Segments	*Investigation Period, January 1, 2012 to June 30, 2012*	*4631*	*about 50 crores shares*	*about 9620 Crores*
Trades in MIC at NSE	*==do==*	*1*	*1260241*	*5891263*
% of MIC v/s Total Volume	*==do==*	*0.02*	*0.25%*	*0.01%*

Our turnover in the security under investigation is an extremely negligible proportion of our total trades. We trade through multiple dealers who carry out jobbing, arbitrage and positional trading in securities on one or more Exchanges. This is carried out through multiple trading strategies that are deployed while executing the transactions. Though all the strategies aim at achieving the goal of generating profit using a simple principal of trying to purchase at a lower rate and trying to sell at a higher rate, we might not be able to achieve the goal in all the transactions that we initiate.

One such trading strategy *is momentum trading, where we identify the movement in a security and take a position based on the movement. We place trigger orders for one share across multiple securities (which at times goes to 200 scrips) at fixed interval. Sell trigger orders are placed to identify the upward movement in the price of the security and buy trigger orders are placed to identify the downward movement in the price of the security. If these orders get executed it is a sign that the stock is moving upward or downward. The dealers immediately analyse the volume and trend in the stock and if they find the movement to be strong enough, they place the orders for purchase of the security for a larger quantity at a much higher price, sometimes even 2% to 3 % higher than the last traded price so that a large quantity of shares can be purchased from the intending sellers. We are always followers of trend that is already established by the momentum of the security and are not trend setters for the movement of the stock.*

It may be noted that our volume in the security during the period covered under the investigation is a meagre 0.91% (NSE) of the market volume, which can no way create any false or misleading appearance of trading in any security as alleged. The table below gives a comparison of market volume and our volume in this regard.

Exchange	Exchange Volume	Volume of Gajanan (B+S)/2	% volume of
NSE	68862659	630121	0.91

The electronic trading platform of the Exchanges provides supersonic speed of broadcast and trade execution. Our trades are executed from various terminals where multiple dealers execute trades for us as per our predefined trading strategy. As we trade through multiple terminals, the dealers are not aware of the orders placed by other dealers. In some cases the buy order of one dealer inadvertently matches with that of other terminals, which we believe, should not be treated as self-trades.

Further it may be noted that when the price of a security moves upward, some of the limit buy orders remain in the pending order book. Likewise when it moves downward, the unexecuted limit sell orders remain in the pending order book. At the time of reversal of movement, the dealer may be required to immediately place orders which may sometimes matched against previously placed pending orders. Many a times only a part of the order matches internally leaving the balance order to match with other market participants.

Comparative Analysis of Self Trades:

Particulars	NSE
Market Volume (Qty)	68862659
Our Volume ((B+S)/2)	630121
Contribution to Market Volume	0.91
Self trade Qty mentioned in notice	123542
Contribution of Self trade volume to Market Volume	0.18
Self trade volume (Quantity) from same terminal	48
Contribution of Self trade volume from same terminal to Market Volume	0.0001%

As highlighted above, the volume of our trades as compared to the market during the period under investigation was a meagre 0.91% (NSE).The self-trades which were inadvertently executed were even more negligible i.e. 0.18% (NSE). The internally matched trades from same terminals during the said

period were a negligible 0.0001% (48 Shares) (NSE). As mentioned in your letter, MIC announced the issue of shares / warrants convertible into equity shares on preferential basis on 21.02.2012. The closing price of MIC as on 17.02.2012 i.e. Rs. 8.59 increased to Rs. 12.09 on 22.02.2012 and the scrip also witnessed increased daily volume for few days after this announcement. Thereafter on 25.05.2012, the preferential issue proposal was withdrawn and the closing price of the scrip in the month of May was Rs. 5.37. During the period of announcement and withdrawal, promoters shareholding reduced from 15.21% (December 2011) to 8.85% (June 2012). We have started trading in the scrip from 03.04.2012 i.e. much after the announcement. Further we reiterate that our trading in the scrip as compared to market volume was miniscule i.e. 0.91%. A comparison of our volume with market volume on daily basis is given below:

Trade Date	***Our Volume - (B+S)/2***	***NSE Volume***	***% to Mkt Volume***
03/04/2012	*12*	*308163*	*0.004*
12/04/2012	*2011*	*144084*	*1.396*
13/04/2012	*2*	*240471*	*0.001*
20/04/2012	*175*	*995314*	*0.018*
23/04/2012	*1*	*401425*	*0.000*
24/04/2012	*1*	*368087*	*0.000*
04/05/2012	*1*	*365368*	*0.000*
15/05/2012	*1*	*218785*	*0.000*
16/05/2012	*1*	*196362*	*0.001*
23/05/2012	*118248*	*2661535*	*4.443*
24/05/2012	*478023*	*4436320*	*10.775*
25/05/2012	*101*	*962705*	*0.010*
28/05/2012	*50*	*479270*	*0.010*
29/05/2012	*2.5*	*273756*	*0.001*
30/05/2012	*8*	*329443*	*0.002*
31/05/2012	*8*	*227191*	*0.004*
01/06/2012	*4*	*159621*	*0.003*
05/06/2012	*11577*	*688885*	*1.681*
06/06/2012	*1*	*221170*	*0.000*

07/06/2012	*1*	*147517*	*0.001*
12/06/2012	*1*	*136210*	*0.001*
14/06/2012	*2*	*262350*	*0.001*
15/06/2012	*1*	*131050*	*0.001*
18/06/2012	*1*	*187367*	*0.001*
19/06/2012	*1*	*86794*	*0.001*
20/06/2012	*1*	*87315*	*0.001*
21/06/2012	*2*	*85744*	*0.002*
25/06/2012	*2*	*248774*	*0.001*
27/06/2012	*15881*	*779148*	*2.038*
29/06/2012	*4000*	*206653*	*1.936*

We would like to highlight that:

4. *We have traded on 30 days only out of 127 trading days during investigation period (01.01.2012 – 30.06.2012)*
5. *Out of 30 days on which we have traded, on 24 trading days, our volume as compared to NSE volume was less than 0.019% which is extremely miniscule.*
6. *On 3 trading days our volume was between 1% to 2% of NSE Volume.*

The closing price of MIC as on 22.02.2012 was Rs. 12.09 on 22.02.2012 which declared to Rs. 5.37 in the month of May i.e. by Rs. 6.72. Our Net LTP contribution by self-trades (in Rs.) as mentioned by you is -0.1 which is extremely miniscule. Further, we have executed intra-day and positional trading in the scrip. A day wise buy and sell details is as below:

Date	***Bought***	***Sold***	***Position at NSE at End of Day (Buy-Sell)***
03/04/2012	*12*	*12*	*0*
12/04/2012	*2011*	*2011*	*0*
13/04/2012	*2*	*2*	*0*

20/04/2012	*175*	*175*	*0*
23/04/2012	*1*	*1*	*0*
24/04/2012	*1*	*1*	*0*
04/05/2012	*1*	*1*	*0*
15/05/2012	*1*	*1*	*0*
16/05/2012	*1*	*1*	*0*
23/05/2012	*118248*	*118248*	*0*
24/05/2012	*478026*	*478020*	*6*
25/05/2012	*101*	*101*	*0*
28/05/2012	*50*	*50*	*0*
29/05/2012	*3*	*2*	*1*
30/05/2012	*8*	*8*	*0*
31/05/2012	*8*	*8*	*0*
01/06/2012	*4*	*4*	*0*
05/06/2012	*11577*	*11577*	*0*
06/06/2012	*1*	*1*	*0*
07/06/2012	*1*	*1*	*0*
12/06/2012	*1*	*1*	*0*
14/06/2012	*2*	*2*	*0*
15/06/2012	*1*	*1*	*0*
18/06/2012	*1*	*1*	*0*
19/06/2012	*1*	*1*	*0*
20/06/2012	*1*	*1*	*0*
21/06/2012	*2*	*2*	*0*
25/06/2012	*2*	*2*	*0*
27/06/2012	*15881*	*15881*	*0*
29/06/2012	*5000*	*3000*	*2000*

We have executed trades in normal course of business and as per our trading strategy. The self-trades occurred are purely incidental and unintentional.

We would like to bring your kind notice, the order of the Hon'ble Securities Appellate Tribunal dated January 24, 2014 in the case of Smt. Krupa Sanjay Soni vs SEBI where the SAT had taken a view that "a few instances of self-trades in themselves would not, ipso facto, amount to an objectionable trades." In addition to this, in a similar matter of Gayatri Projects Limited, the adjudicating officer, vide its order dated April 30, 2014 concluded that the charges levelled against the noticees in the SCN do not stand established and the matter was disposed of on the grounds that when the percentage of self-trades is negligible, the self-trades are not capable of creating artificial volume. The self-trades as compared to market volume are 0.18 at NSE. Further, the self-trades from same terminal as compared to market volume are 0.0001 at NSE. This is much lower than the percentage of self-trades in the matter of Gayatri Projects (upto 1.72%) and Smt. Krupa Sanjay Soni (1.99%).

After giving a detailed insight of the trading strategy, details of trades in MIC and the reason for self-trades, we hereby put forth that we have never carried out any transaction with an intention to create false and misleading appearance of trading. Regulation 2(c) defines fraud to include knowing misrepresentation of truth or concealment of material fact, suggestion to a fact which is not true, active concealment of fact, promise without an intention to perform, representation made in a reckless manner, deceptive behaviour of a person, false statement made etc.

Our act of trading in MIC, or for that matter in any security is only as per our predefined trading strategy. A few incidental self-trades could take place during the execution of our trading strategy, but these negligible number of unintentional self-trades (NSE-0.18%) no-way fall under the definition of fraud and hence we cannot be said to have dealt in securities in a fraudulent manner. As a result we cannot be said to have violated regulation 3(a).

We have carried out the trades in MIC and many other securities as per our predefined trading strategy. The randomness in quantity, time interval and absence of any trend prove beyond doubt that these internal trades are unintentional. As a result we cannot be said to have violated regulation 3(b).

There is nothing on record to show that the trades executed by us are under a scheme or artifice to defraud anybody. We have executed all these trades in normal course of business. As our trades are carried out under a commonly applied market practice and strategy and the fact that the trades of only 0.18 (NSE) % of the market volume (incidental and executed unintentionally) are a subject matter of investigation, we cannot be said to have violated Regulation 3(c).

self-trades constitute a negligible 0.18% (NSE) of the total volume of in MIC during the period covered under investigation. Such negligible % of self-trades volume executed unintentionally cannot be said to have created a false or misleading appearance of trading. As a result we cannot be said to have violated Regulation 4(2)(a).

We have executed all our trades on the platform of the Exchange and have always fulfilled our obligation arising there from. All the funds and securities obligations have been promptly met. We have executed all transactions with full integrity and have taken all the required due care while executing the transactions and have ensured all compliances with the statutory requirements. There has been no manipulation or malpractice which the notice could substantiate.

Base on the above submission, it is amply clear that all our self-trades are merely incidental and purely unintentional and hence none of the allegation of having violated the provisions of PFUTP regulations, hold good. As a result we believe that there is adequate reason not to hold any further inquiry under Rule 4 of SEBI (Procedure for Holding Inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 read with Section 15 I of SEBI Act.

12. Vide its reply dated February 22, 2016, the Noticee 3 denied all the charges alleged against it in SCN. It submitted that:

BP Fintrade Pvt. Ltd. and Gajanan Enterprises are two of our leading clients and has a large trading and investment portfolio. They trade in multiple securities in large quantities and we regularly monitor their trading activity in order to ensure that the trading is within the framework of laws. We have gone through the reply of BP Fintrade Pvt. Ltd. and Gajanan Enterprises wherein they have offered adequate explanation on the trading strategy and have also offered valid and cognate reason for execution unintentional self-trades of negligible quantity. We regularly monitor the transactions of our clients and have not observed any reason to believe that these clients has intentionally executed self-trades with an intention of false and misleading appearance of trading. The following characters of the trading of the clients have been taken account by us while analysing the trading pattern:

1. *These clients carry out trades in large number of securities and do not have a concentrated volume in MIC.*
2. *These clients has not executed large amount of transactions and the quantity of trades has been frequently changing.*
3. *The volume of our clients in MIC compared to the market-wide volume is not material and such small volume cannot be said to have created false and misleading appearance of trading.*
4. *The volume of self-trades comprises of extremely negligible quantity as compared to the market volume of MIC and these clients own volume which strengthens our belief that there was no reason for the clients to intentionally indulge into any practice as alleged.*

5. *The self-trades are extremely random and there is absolutely no consistency with regards to quantity, rate, timing or any other applicable parameter, which makes us believe that these are co-incidental and unintentional.*

Though the primary observation and concern is raised on the trading activity of our client's trades, it is alleged upon us that we have violated Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of Stock Brokers Regulations . We would like to put forth that we have high regards for the compliance and regulatory framework and we endeavour to comply with the regulatory requirements to the fullest. As a prudent market participant, we adhere to the code of conduct not just in letter but also in spirit. Given hereunder is a specific response to the allegations in your letter.

We have carried out all our transactions on behalf of the client as per their instructions. We have fulfilled the obligation arising out of the trades and have also maintained a strict vigil over the transactions of the client. With regards to the self-trades, based on the facts and circumstances and taking into account the size and nature of business, we strongly believe that the same are co-incidental and unintentional. Further the quantity of self trades is extremely miniscule to have created any false or misleading appearance of trading. As a result it can be fairly said that we have acted in full integrity not just with our clients but also with the counterparties and other market participants at large.

We have an unblemished track record of 50 years in securities markets and have functioned with a lot of care, diligence and caution. In the current case as well, exercised all the required skill, care and diligence by ensuring that the client has adequate balance with us and the trades carried out are within the framework of law. We are adequately highlighted the due diligence carried out by us and believe that the same will be to your satisfaction. A large part of our reply is based on the reply submitted by our clients to you, a copy of which is made available to us by them upon request. We crave leave to rely upon their submission from time to time. We are optimistic that, based on our explanations hereinabove, your good office shall take cognizance that we have not violated any regulations of SEBI. We therefore humbly request you to dismiss the enquiry.

CONSIDERATION OF ISSUES AND FINDINGS

13. I have carefully perused the replies to the SCN, oral written submissions made by Noticee during personal hearing and the documents available on record. The issues that arise for consideration in the present case are:

(a) Whether Noticee no. 1 & no. 2 have violated Regulations 3(a), (b), (c) & (d) and 4(1), 4(2)(a)&(g) of PFUTP Regulations and whether Noticee no. 3 has violated Clause A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992?

(b) Does the violation, if any, on the part of Noticee(s) attract any penalty under section 15HA of the SEBI Act, 1992 on part of Noticee no. 1 & no. 2 and penalty under section 15HB of the SEBI Act, 1992 on part of Noticee No. 3?

(c) If yes, what should be the quantum of penalty?

14. The charge against Noticee no. 1, i.e. BP Fintrade Private Ltd and Noticee no 2 i.e. Gajanan Enterprises is that they are alleged to have entered into self trade repeatedly, which created artificial volume in the market leading to false and misleading appearance of trading in the scrip in the scrip of MIC in securities market. The charge against Noticee no. 3 BP Equities Private Limited is that it had failed to exercise due skill and care while dealing in securities for its clients. The Noticee no. 3, therefore, is alleged to have violated Clause A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992, whereas Noticee no. 1 and Noticee no. 2 were alleged to have violated Regulations 3(a), (b), (c) & (d) and 4(1), 4(2) (a) & (g) of PFUTP Regulations.

FINDINGS

15. Noticee no. 1 & 2 are alleged to have entered into repetitive self-trades in violation of provisions of PFUTP Regulations. The Noticee no. 3 is the stock broker through which, Noticee no. 1 & 2 had executed such alleged self-trades.

16. Orders that match with each other with no resultant change in ownership are termed self-trade. Self-trades are buy and sell transaction executed by the same person (entity) at same price or different price at different time or with a very small gap of time, with no genuine trading intent. These trades are per se seen as manipulative in nature, aimed at artificially pumping up the turnover to portray a false picture of liquidity. Self-trade may not result in profit or loss to any other person however, these may result into trading volume and a new price.

17. 'Self-trade' in securities markets in India are essentially concerned with manipulation of information about market liquidity and price of the scrip. Therefore, execution of such trades is considered unfair and fraudulent as no change in ownership takes place. SAT in its orders from time to time have pronounced that 'self-trades ipso jure amount to be manipulative and therefore punishable under securities laws'. As per various Judgment of Hon'ble SAT, -

(a) Self-trades are fictitious and reprehensible;

(b) Trades where beneficial ownership is not transferred, are manipulative in nature;

(c) Self-trades create artificial volume in the market;

(d) Whatever be the business model, it should be ensured that such model complies with the regulatory framework;

In **Balwinder Singh v. SEBI** (Order dated 11.2.2014), the SAT observed that "self-trades/wash trades are per se not allowed under SEBI Act/Rules, since these do not result in change in actual/beneficial ownership of shares and only result in increase in volumes in particular scrip, which create illusion of increased trading in these scrip and may mislead investors in trading in these scrips and disturb/distort securities market". In **Anita Dalal v. SEBI**, the SAT Vide order dated 2.12.2012 observed: "Self trades admittedly are illegal. Tribunal has held in several cases that self-trades call for punitive action since they are illegal in nature. In **M/s. Jayantilal Khandwala & Sons Pvt. Ltd. vs. Securities and Exchange Board of India**, Tribunal vide order dated June 2011 held that "one cannot buy and sell shares from himself. Such transactions are obviously fictitious and meant only to create false volumes on the trading screen of the exchange". Further, in **HJ Securities Pvt Ltd v. SEBI**, the Tribunal vide its order dated May 11, 2012 noted that "Simply because the number of such self-trades is not large by itself cannot justify execution of self-trades". In case of **Systematic Shares & Stocks (India) Limited v. SEBI**, the SAT Vide order dated 23.04.2012 observed that "it has been held in several cases by this Tribunal that self-trades are fictitious and reprehensible. Trades, where beneficial ownership is not transferred, are admittedly manipulative in nature." SAT while deciding the appeal in case of **Angel Broking Ltd. V SEBI** vide its order dated 01.10.2014 SAT observed that " self-trades and that too buying share at higher price and selling at a lower price clearly shows that the trades executed were not normal

trades". The order was appealed in the Supreme Court and Hon'ble Supreme court vide its order dated 08.1.2015 dismissed the appeal in terms of the signed order.

18. But, the above ruling was contrasted with observations of the SAT in **Smt. Krupa Sanjay Soni v. SEBI** vide its order dated Jan 09, 2014 where it had taken a view that "***a few instances of self-trades in themselves would not, ipso facto, amount to an objectionable trades***".

19. It's important to emphasise that there should be regulatory distinction between unintentional self-match trades and intentional, manipulative (and illegal) wash trades. Intentional wash trades are illegal self-trades that can manipulate markets by giving the impression of legitimate trading interest or activity at a certain price, time, and size. However practically self-matches that can also occur unintentionally. Such trades can occur in the course of normal trading when orders of one broking firm from two independent trading strategies/terminal coincidentally interact with each other. Though completely legitimate, and without an intent to manipulate, the two buy-sell orders on Stock Exchange from two independent dealers/terminal can end up matching with each other.

20. Self trades are executed by jobbers or market maker. Based on the technical analysis, if certain price level is breached, it is perceived as a momentum is caught in direction of the price movement. In order to catch the momentum, jobbers put indicative orders of small quantity of shares near the trigger price on both sides and once any trade get executed, they put more orders in that direction and later at an appropriate opportunity they square off their positions to their advantage. Many times more than one jobber actively trades in same stock through same broker but different trading terminal and sometime jobbers' orders match with each other. Such trades though originated through different terminal IDs but end up at same broker so these are also counted as self-trades. Whereas, Arbitragers see opportunity in stocks traded at more than one exchange/ Segment to encash upon price differential in one exchange/ Segment vis-à-vis another by putting corrective orders.

21. It may be noted that Synchronized trades are different from Self-trades but are considered manipulative under provisions of PFUTP Regulations similar to self-trades. Recently Supreme Court in the matter of **SEBI vs. Kishore R Ajmera** (C.A. no.2818 of 2008) vide its order dated 23/02/2016 has observed that based on the attended circumstances being the hugged and repeated trading in illiquid scrips, the inference can reasonable be drawn that the broker is involved in the devise of synchronized trades

which leads to unnatural rise in hiking the price/value of the scrip(s). The Hon'ble Court has laid down parameters, though non-exhaustive, that can be used to arrive at a conclusion with respect to liability in such cases for violation of the provisions of the SEBI Act, 1992 and regulations framed thereunder. The parameters are:

a. Volume of the trade affected;
b. The period of persistence in trading in the particular scrip;
c. The particulars of the buy and sell orders, namely the volume thereof;
d. The proximity of time between the two and such other relevant factors.
e. The fact that trading has gone on without settlement of accounts i.e. without any payment and the volume of trading in the illiquid scrips.

The Hon'ble Court observed that all of the aforesaid should raise serious doubt in a reasonable manner and failure of stock broker to notice such trades would amount to negligence, lack of caution and due care would also indicate the involvement of the broker in such manipulative trades. The Hon'ble Court also specified the degree of liability to differentiate between violation of the Code of Conduct and FUTP Regulations. A case of persistent manipulative trading by a stock broker would show a deliberate intention on his part to play the market. Similarly, SAT in case of **S.P.J Stock Brokers Pvt. Ltd V/s SEBI** vide appeal no 52 of 2013 and order dated 04.09.2013 observed that "Fact that appellant had stated that while carrying out jobbing transactions some transactions carried out by appellant could have been matching, it cannot be inferred that trades effected by appellant were manipulated. " Further, "Synchronized trade is per se not illegal. Synchronized transaction would be illegal if it is executed with a view to manipulate the market, is dubious in nature and is executed with a view to avoid regulatory detection, does not involve change of beneficial ownership or is executed to create false volume resulting in upsetting market equilibrium etc." **In the case of Kapil Chaturabhuj Bhuptni** vide Appeal no.95/2013 and order dated 10/10/2013 SAT in its order vide 'Para 7' has stated that "***Therefore in our considered opinion simple trading by the appellant in a particular scrip without any proved nexus between trades with the other so called group of brokers and clients is not per se punishable***. Undoubtedly, the appellant has traded in the scrip for about 64 days which is admittedly minor comprising only 0.89 percent of the total trades in the scrip but in absence of some satisfactory evidence, the appellant cannot be held guilty of violation of Regulations 4(1) and 4(2) (a) and (g) of the Securities and Exchange Board

of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Such an insignificant percentage of the total trading executed during the period of investigation in this case does not seem to indicate any prior meeting of minds as alleged by the respondent."

22. The necessity of 'Intent' and the element of "fraud" appears to be a pre-requisite in all the parts of Regulations 3 and 4 of the PFUTP Regulations. 'Fraud' has been principally defined under Regulation 2(c), though inclusively, to mean such trades which are entered into in order to 'induce others'. Regulation 4(2) are very specific in nature. The test laid down in the regulation demand a manipulative intent to affect market information. Even clause (a) as a strict liability clause, the test is to prove '**misleading appearance of trading'**. In instances, where evidence of 'material market harm' is absent and where self- trades constitute low fraction of the total trading volume in the scrip whereby the materiality of those trade on market is negligible, those self-trades like synchronized trades, should not be considered to be manipulative under PFUTP regulations. Self-trade found in otherwise a liquid script and where no connection is established between the traders then such self-trades may not be in violations of provisions of PFUTP regulations. Therefore, cases where the shares traded are highly liquid and self-trades happen due to other technical reasons, the requirements of Regulation 4 of PFUTP are not met.

23. Therefore, a distinction needs to be made between 'wilful self-trades' which is done with a motive to induce other to trade in that particular stock and 'unintentional self-trades' which are in the nature of jobbing and had occurred due to technicalities of the anonymous trading system. Self-trades, if material whether or not substantial, if affect market information regarding that security, a single self-trade of even one share should be deemed to adversely affect the market. while deciding the case of **Religare Securities Ltd Vs. SEBI** decided on 12.1.16, SAT observed that "if appellant had glanced through the trades executed by the said client it would have revealed that the said client had time and again indulged in unusual trades by trading in single share and each of such trade contributed price rise by about 2% from last LTP, certainly appellant would have noticed the anomaly". It is therefore important to analyse whether intention to manipulate or commit fraud is present and if intention is established the penalty must match with the 'materiality of market harm'. The SAT in its order in case of **KSL & Industries Ltd v. SEBI** vide appeal no 9/2003 has held that "I do not find any material on record in support of the said charge. A wild allegation of market manipulation, in particular the

charge of fraudulent action unsupported with convincing evidence are not sustained. Fraud cannot survive on mere conjecture and surmises." The materiality has be substantiated by evidence on record.

24. At a broader level of stock exchanges, majority of trades are squared off during the day and such squared off trades does not go for settlement by Delivery V/s. Payment and as such no change of ownership of shares take place. These trades which are squared off during the day are neither illegal not considered manipulative as these add to liquidity and help in fair price discovery. However, repetitive self-trade may be misused to create artificial volume and induce other to trade in the stock. Self-trades would be fraudulent in nature if done on persistent basis, in connivance with manipulator/promoter and have intention to influence liquidity or price. The unintentional random trades on either side of direction of price should not be construed as manipulative. Therefore, to decide whether, self-trades are fraudulent or not would depend upon case to case and no thumb rule shall apply. It would be necessary to see the intention behind such trades. Unintentional self-trade may not be manipulative whereas intentional self-trades would constitute wash trades. Further, Securities market are dynamic in nature and new trade patterns evolve from time to time. Hence the views taken in one situation may not hold good in other time as it needed to be judged in the present context. SAT in case of **Smt. Krupa Sanjay Soni v. SEBI** (order dated Jan 09, 2014) also held that "a few instances of self-trades in themselves would not, ipso facto, amount to an objectionable trades". The Supreme court in the case of **SEBI vs. Kishore R Ajmera** (C.A. no.2818 of 2008) vide its order dated 23/02/2016 has observed "*that the primary purpose of the statutory enactments is to provide an environment conducive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and regulations will, therefore, have to be understood and interpreted in the above manner*." Therefore, the necessity of 'Intent' the element of "fraud" should be examined as a pre-requisite in all the parts of Regulations 3 and 4 of the PFUTP Regulations. 'Fraud' has been principally defined under Regulation 2(c), though inclusively, to mean such trades which are entered into in order to 'induce others'.

25. I find that the Noticee no. 1 is a regular trader (jobber) and is involved in jobbing transactions on both NSE and BSE. The notice has submitted that it trades through multiple terminals/dealers and carry out jobbing, arbitrage and positional trading in securities on one or more Exchanges using multiple trading strategies, including momentum trading. It has traded in multiple stocks and its trading volume are

substantial. Noticee no. 1 traded in the stock of MIC to the tune of 15,70,749 shares out of which total 1,90,480 shares resulted in self-trades, which constitute 12.13% of the noticee's own trade. The main charge against the Noticee no. 1 is that it had entered into repeated self-trades and created artificial volume in share of MIC leading to false and misleading appearance of trading volume in the securities market. However, it is noted from the submissions of the Noticee that-

i. Volume of its trades as compared to the market during the period under investigation was a meagre 3.01% (BSE) and 0.99% (NSE).

ii. Self-trades which were executed were even more negligible i.e. 0.63% (BSE) and 0.03 (NSE). The internally matched trades from same terminals during the said period were a negligible 0.10% (27405 Shares) (BSE) and 0.003% (2477 Shares) (NSE).

iii. It has traded on 26 days (BSE) and 34 (NSE) only out of 127 trading days during investigation period (01.01.2012 – 30.06.2012. Out of 26 days at BSE on which it had traded, on 20 trading days, its volume as compared to BSE volume was less than 0.8% which is miniscule. Out of 34 days at NSE on which it had traded, on 29 trading days, its volume as compared to NSE volume was less than 0.45% which is extremely miniscule. The closing price of MIC as on 22.02.2012 was Rs. 12.09 on 22.02.2012 which declined to Rs. 5.37 in the month of May i.e. by Rs. 6.72. The Net LTP contribution of notice no. 1 by self trades (in Rs.) is -0.31 (BSE) and -0.25 (NSE) which is miniscule.

iv. It was trading with trading strategy of ***momentum trading*** in which they place trigger orders for one share across multiple securities (which at times goes to 200 scrips) at fixed interval. Sell trigger orders are placed to identify the upward movement in the price of the security and buy trigger orders are placed to identify the downward movement in the price of the security. If these orders get executed it is a sign that the stock is moving upward or downward. The dealers immediately analyse the volume and trend in the stock and if they find the movement to be strong enough, they place the orders for purchase of the security for a larger quantity.

26. It may be noted that as per Table 1 at prepage 3, Noticee No. 1 has executed 26246 Volume of Self Trade with 200 Self trade count of which 33 Self trade count were from same terminal ID at NSE. However on examination of self trades of the noticee, it is

noted that out of the total 200 self trade count, 181 self trade counts are for trading of just 1 share. Further out of the 33 Self trade count from same terminal ID, 32 Self trade count from same terminal ID is just for 1 share. Further as per Table 2 at prepage 4, Noticee No. 1 has executed 164231 Volume of Self Trade with 239 Self trade count of which 29 Self trade count from same terminal ID at BSE. Further out of the 29 Self trade count from same terminal ID, 23 Self trade count from same terminal ID is just for 1 share. The Noticee no. 1 has executed many trades in MIC and his overall contribution in buy volume is 3.10% and in sell volume is 2.93% of the total volume in MIC on BSE but same is not significant enough on daily basis to influence price or liquidity. On NSE the Noticee no. 1 has buy volume of 1.11% of total trade in MIC on the exchange; the Noticee is not among top 10 sellers at NSE. Out of the 127 days of period under Investigation, Noticee no. 1 had traded for 26 days on BSE and 34 days of trading on NSE. Out of these 26/34 days only on 5 days it had entered into self-trades. Noticee submitted that on these 5 days scrip price had moved to circuit level and that was the reason to encounter more self trades as reversal orders were executed at circuit price. These 200/239 self-trades have happened on scattered days over months; two days in January, 2012; 3 days in February 2016; Nil days in March and April and May 2012. Out of the five days on which self-trade have occurred, only on one day the number of self-trade and traded quantity is significant; on the rest four days it is not significant. Further, the Noticee no. 1 has submitted that it had executed intra-day and positional trading in the scrip and executed trades in normal course of business and as per their jobbing strategy wherein the self-trades occurred are purely incidental and unintentional. There is no allegation to suggest that Noticee no. 1 has colluded with any other entity or promoters in creation of artificial volume and or in making any false corporate announcements and no material to that effect is placed on record to suggest noticee's role in any kind of collusion for creation of artificial volume in the scrip of MIC.

27. Similarly, during the period under investigation, Gajanan Enterprises (Noticee no. 2) traded in 4630 other stocks apart from MIC and its value of trade was Rs 9620 Crore. On the other hand, the traded volume of Noticee No. 2 in MIC was Rs 58,91,263, which is approximately 0.01% of its entire trading volume during that period. The traded volume of Noticee No. 2 in scrip of MIC on the NSE was only 0.91% of the total volume, these self-trades which were executed were even more negligible i.e. 0.18% of

volume on NSE, which on stand alone are not significant enough to influence price or liquidity. As per investigation report, Noticee No. 2 has entered into self-trades on six days on NSE. The notice has submitted that the contribution of self-trade volume from same terminal to market volume is meagre 0.0001% of the total volume on the exchange and when looked at the impact on the last traded price on NSE, these self-trades have impacted price downward by Rs. 0.1/-. It may be noted that as per Table 1 at prepage 3, Noticee No. 2 has executed 123542 share volume through 269 Self trades out of which 38 Self trades were from same terminal ID. However on examination of self-trades of the Noticee, it is noted that out of the total 269 self-trade count, 251 self-trade counts are for trading of just 1 share. Further out of the 38 Self trade count from same terminal ID, 37 Self trade count from same terminal ID is just for 1 share. There are cases of self-trades happening from the same terminal of the clients of the Noticee, however, the notice has submitted that they are not significant as compared with the total volume in the market. The Noticee no. 2 has submitted that it had traded on 30 days only out of 127 trading days during investigation period (01.01.2012 – 30.06.2012) and out of 30 days on which it had traded, on 24 trading days, its volume as compared to NSE volume was less than 0.019% which is extremely miniscule. On 3 trading days its volume was between 1% to 2% of NSE Volume. There is no allegation to suggest that Noticee no. 2 has colluded with any other entity or promoters in creation of artificial volume and or in making any false corporate announcements and no material to that effect is placed before me to suggest Noticee's role in any kind of collusion for creation of artificial volume in the matter.

28. In view of the charges levied in the show-cause notice and submissions made before me by way of replies to SCN, Noticees no. 1 &. 2 and submission made before me during personal hearing held on May 17, 2016 both the Noticees no. 1 & 2 have denied that they indulged in self-trades to create artificial volume in the scrip of MIC. On examination of trade details of Noticee no. 1 & 2, it has been noticed that self-trades have occurred on account of buy and sell orders placed at different point of time in trading system and these have matched with each other on account of movement in price of the stock of MIC. Also, the quantum of self-trades by the Noticee no. 1&2 is not of such magnitude vis-à-vis total volume in stock of MIC on daily basis that it could adversely affect equilibrium of the market as a whole in terms of price or liquidity in stock of MIC. Self-trades of both the Noticees 1 &2 are few in the light of the total transactions in the scrip of MIC. There was sufficient liquidity existed in the stock of

MIC and there was no perceived advantage in creating artificial volume. Some of the self-trade which were executed with a very small gap of time between buy and sell order, it has been found that such buy and sell orders were placed from different trading terminals. It is not the case that trades have taken place on daily basis (which is normally the case when a person intends to create artificial volumes or intends to create misleading appearance of trading in market). Further the self trade are executed in either side of price not particularly in one direction to influence the price discovery process. Further there is no allegation to suggest that Noticee No. 1 & 2 have colluded with any other entity or promoters in creation of artificial volume and or in making any false corporate announcements and no material to that effect is placed before me to suggest Noticee's role in any kind of collusion for creation of artificial volume in the matter. Therefore, in the circumstances, it cannot be suggested that self-trades were executed to create an artificial volume. These self-trades has arisen due to technicalities of anonymous online trading system. The self-trades executed by both the Noticees no. 1&2 are not sequential on daily basis, in direction so as to create an artificial volume to induce other to trade in the stock and had not caused significant impact on last traded price of the scrip. In light of the facts and circumstances of the cases, I am inclined to accept the submissions of the Noticees. The price fall in the scrip of MIC had been attributable to liquidation of shares pledged by promoter of MIC with the pledgee on account of their default in complying the terms of pledge. BSE vide its notice no 201510073 dated October 07, 2015 introduced system to curb such practices and such self trade would be systematically restricted by trading system itself.

29. Since it is not established that Noticees no. 1 & 2 had entered into self-trades repetitively with an intend to manipulate the market by creating artificial volume in the scrip, there is no case to draw any adverse inference on Noticee 3 either that it had failed to adhere to the Code of Conduct as prescribed under Schedule II read with Regulation 7 of SEBI (Stock Broker and Sub broker) Regulations, 1992.

ORDER

30. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticees (both oral and written) and also the factors mentioned in Section 15 J of the SEBI Act, I, in exercise of the powers conferred upon

me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby dispose of the Show cause notice.

31. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, a copy of this order is being sent to all the Noticee viz.., B. P. Fintrade Private Ltd, Gajanan Enterprises & B. P. Equity Pvt Ltd and to Securities and Exchange Board of India.

Date: 27th February, 2017
Place. : Mumbai

Nagendraa Parakh
Adjudicating Officer