SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Order under Regulation 13 of the SEBI (Procedure for holding Enquiry by Enquiry Officer and imposing penalty) Regulations, 2002 against M/s. Mehta & Ajmera and Himanshu Ajmera

MO/70/IVD/3/04

1.0 Background

1.1 M/s Mehta & Ajmera (hereinafter referred to as "the firm") was a partnership firm consisting of partners – Girish S Mehta and Himanshu Ajmera. Shri Girish S Mehta (Trade Name: Mehta & Ajmera), a member of the Calcutta Stock Exchange Association Limited (hereinafter referred to as "CSE") holds a certificate of registration as a stock broker bearing No.INB030451228. Shri Himanshu Ajmera, also a member of CSE holds certificate of registration No. INB030451326. The firm has now been dissolved and the erstwhile partners have applied to the Securities and Exchange Board of India (hereinafter referred to as "SEBI") for fresh registration. Shri Himanshu Ajmera has also been granted new certificate of registration No. INB031149611.

2.0 Inspection and Investigation by SEBI

2.1 An inspection of the books of account of the firm was conducted on 28.6.2002 and 9.9.2002. In their report, the inspecting officials from SEBI have stated that:

2.1.1 They visited the office of the firm on 28.6.2002 and found the office to be closed. Later the firm vide their letter dated 28.6.2002 informed the inspecting officials that the rented office of the firm was closed and the possession of the same was in dispute and consequently, they were not able to access the books of account and other records. They also informed that the partners were trying to reconcile their differences and once that was over and the books were available, they would submit the same to SEBI.

2.1.2 On 9.9.2002, the inspecting officials again visited the office of an associate of the firm viz. Accord Capital Markets Limited and received a letter from Shri Himanshu Ajmera stating that there was no improvement in the relationship between the partners and as such the books of account and other records of the firm were lying at the office of the firm which was not accessible to them. They also stated that as soon as the books of account were available, they would inform SEBI of the same.

2.1.3 The inspection of the books of account of the firm could not be conducted due to the above reasons, however, on the basis of information available, it appeared prima facie that :

2.1.3.1 The firm had indulged in off the floor transactions with other members of CSE in violation of notice dated 16.09.1999 and bye laws 332 and 334 (iii) of CSE. By entering into such transactions, it appeared that the firm concealed a huge volume of trading done by them and thereby created a false and misleading appearance of trading.

2.1.3.2 The firm had executed negotiated deals in violation of circular dated 14.09.1999 issued by SEBI.

2.1.4 However, the inspection team also recorded that it could not be ascertained :

2.1.4.1 Whether the firm had reported the aforementioned off the floor transactions to CSE;

2.1.4.2 Whether any delivery / payment was made in respect of the negotiated deals;

2.1.4.3 Whether any spot delivery / payment had taken place in respect of the above transactions.

2.2 The share price of DSQ Software Limited (hereinafter referred to as "DSQ Software") increased sharply from Rs.250/- in October 1999 to Rs.2631/- in March 2000; this rise was accompanied by a fall in price to Rs.150/- in mid March 2001.This steep fall in prices added to a payment crisis at CSE. Further, the fluctuations in price were accompanied by large volumes of trade in the scrip at The Stock Exchange, Mumbai (hereinafter referred to as 'BSE'), National Stock Exchange (hereinafter referred to as 'NSE') and Calcutta Stock Exchange (hereinafter referred to as 'CSE').

2.3 An investigation was conducted into the matter by SEBI. The investigation report gave the following findings:

2.3.1 Entities such as Hulda Properties and Trades Limited, DSQ Holdings Ltd, DSQ Granites and DSQ Industries (hereinafter referred to as "promoter entities") which were associated / connected with promoters of DSQ Software have dealt heavily in the scrip of DSQ Software on BSE, NSE and CSE during the period 01.10.1999 – 31.03.2000. It was seen that during the said period, the promoter entities purchased 1,71,87,518 shares and sold 1,63,03,281 shares and thereby had a net purchase position of 8,84,237 shares. Further, during the period 01.04.2000 – 31.03.2001, the promoter entities purchased 4,36,71,039 shares and sold 5,14,32,287 shares and thereby had a net sale position of 77,61,248 shares.

2.3.2 The promoter entities indulged in circular trading in order to create artificial volumes in the scrip. These entities bought shares through one set of brokers and simultaneously sold shares through other set of brokers. Shares were first transferred to the demat account of the broker and then sold through them. The broker retained the shares in it's demat account till pay-in and charged interest for this funding by charging a different rate of brokerage. The broker got the pay out from the exchange and was guaranteed payment. If buyer/ its broker failed to pay then the exchange paid out the trade guarantee fund. Thus financing transactions were given the colour of purchase and sale transactions. This was facilitated by the matched /synchronised transactions / structured deals wherein buy and sell orders were placed at the same time, for same quantity and same price in order to ensure that orders of specific buyers matched with orders of specific sellers. Such deals which created artificial volume were observed between the promoter entities.

3.0 <u>Enquiry</u>

3.1 Chairman SEBI vide order dated 25.10.2002 appointed an Enquiry Officer to enquire into the contraventions by the firm of the Bye-Laws of CSE, SEBI (Stock Broker and Sub Broker) Regulations, 1992 (hereinafter referred to as "Broker Regulations") and SEBI (Prohibition of Unfair Trade Practices relating to the securities market) Regulations, 1992 (hereinafter referred to as "FUTP Regulations"). Chairman, SEBI vide order dated 08.11.2002 appointed the same Enquiry Officer to enquire into dealings of the firm and of Himanshu Ajmera in the scrip of DSQ Software.

3.2 The Enquiry officer issued show cause notice to the firm on 25.11.2002 and received reply dated 27.12.2002. The Enquiry Officer also gave a hearing to the firm on 31.1.2003 wherein Shri Girish Mehta and Nilesh Doshi appeared and made submissions. The Enquiry Officer submitted his report on 12.6.2003. The Enquiry Officer came to the following findings:

3.2.1 That the firm has entered into large off the floor transactions in various scrips such as Himachal Futuristic, Zee Tele, Global Tele, DSQ Software, Satyam Computers with brokers Sanjay Khemani, D. K. Singhania and A. K. Poddar.

3.2.2 That the firm had entered matched / synchronized deals in the scrip of DSQ Software.

3.2.3 That the firm had failed to produce records, accounts to the inspecting team of SEBI and failed to co-operate with the inspecting authority and has thus violated Regulation 21 of the SEBI (Stock Broker and Sub Broker) Regulations, 1992.

3.3 In view of the above, the Enquiry Officer recommended that the registration of the firm and that of Himanshu Ajmera & Co may be suspended for a period of one year. The Enquiry Officer also recommended that the application for registration as stock broker of M/s Girish Mehta & Co, which was stated to be pending should be disposed off taking into consideration the findings of the report.

4.0 <u>Show cause notice and personal hearing</u>

4.1 Show cause notice was issued to the firm on 2.7.2003 and they submitted their reply to SEBI on 5.8.2003. The firm made the following submissions in its reply:

4.1.1 All acts done by them were on the instructions of the clients.

4.1.2 They had exercised due skill while executing the orders placed by their clients and trades executed by them for and on behalf of clients on the specified dates mentioned in the enquiry report were insignificant when compared to the total volume in the exchange.

4.1.3 They had executed trades at prevailing market prices on the online order matching mechanism provided by the concerned exchange and they had no knowledge about any arrangement that their clients had with the seller broker.

4.1.4 In the circumstance a lenient view may be taken in respect of levying penalty against them.

4.2 Show cause notice dated 2.7.2003 was issued to Shri Himanshu Ajmera and he submitted his reply to the said notice vide their letter dated 7.8.2003. In his reply, Shri Ajmera submitted that all acts were done by the firm M/s Mehta & Ajmera on instruction of clients. He also sought for an opportunity of personal hearing.

4.3 The firm and Shri Himanshu Ajmera were also afforded an opportunity to be heard in person before me on 28.8.2003. Shri Girish Mehta, partner of the firm appeared before me on behalf of the firm and Shri Ajmera and made the following submissions :

4.3.1 The trades alleged to be synchronised transactions were done by them upon the client’s order and in good faith. They did not know what constituted a synchronised deal.

4.3.2 With regard to off market deals, the exchange was informed about the trades on the same day and the seal of the exchange was affixed on the reports so submitted.

5.0 Consideration of issues :

I have considered the investigation report, inspection report, enquiry report, reply of the firm and submissions made by them in the course of a personal hearing. The following issues arise for consideration:

a. Whether the firm had entered into off the floor transactions in contravention of directions by SEBI and the stock exchange

b. Whether the firm had entered into matched/synchronised transactions in the scrip of DSQ Software thereby creating an artificial market for the shares.

c. Whether the firm failed to co-operate with the inspecting/investigating authority of SEBI?

d. Whether the penalty recommended by the Enquiry Officer should be imposed

The above issues are dealt with as under:

5.1 Whether the firm had entered into off the floor transactions in contravention of directions by SEBI and the stock exchange.

5.1.1 I note the firm has entered into large off the floor transactions in various scrips such as Himachal Futuristic, Zee Tele, Global Tele, DSQ Software, Satyam Computers with brokers Sanjay Khemani, D. K. Singhania and A. K. Poddar. The firm has not disputed the same. The firm has submitted that they have informed about the off market deals to CSE. With regard to violation/non-compliance with the directives of SEBI vide circular dated 14.9.1999; he has attributed the same to non-awareness to relevant regulations and as purely unintentional.

5.1.2 I find that SEBI vide circular no. SMDRP/Policy/Cir-32/1999 dated 14.9.1999 has banned all negotiable deals, cross deals, etc. which includes off the floor transactions and the same was issued as CSE's notice dated 16.9.1999. SEBI vide the said circular has notified that all negotiated deals shall be permitted only if these are executed on the screens of the exchange in the price and order matching mechanism of the exchange like any other normal trade. It was also stated that the said decision was taken since negotiated deals avoid transparency requirement, do not contribute to price discovery and investors do not have benefit of best prices. Therefore such off market deals as entered by the members militate against basic concept of stock exchange which is meant to bring large number of buyers and sellers in transparent manner. This is violative of CSE's notice dated 16.9.1999. Such off-the-Floor transactions also tamper with price discovery mechanism of the exchange.

5.1.3 In view of the above, I find that the firm had entered into off-the-floor transactions in violation of the directives of SEBI and CSE.

5.2 Whether the firm had entered into matched/synchronised transactions in the scrip of DSQ Software thereby creating an artificial market for the shares.

5.2.1 I note from the investigation report that the firm had entered into several deals in the scrip of DSQ Software. Details of the said deals are as under:

Trade Date	Buy Member	Buy Time	Buy Price	Buy Qty	Trade Time	Trade Qty	Buy Client	Sell Member	Sell Order Time	Sell Order Price	Sell Qty	Sell Client	Difference in seconds
2-Feb-00	Woodstock Broking	11:51:26	1438.50	25000	11:51:27	25000	HULDA	DRESDNER	11:51:27	1438.50	25000	DSQ INDUSTRIES	0:00:01
2-Feb-00	Woodstock Broking	11:51:45	1438.25	25000	11:51:46	23905	HULDA	DRESDNER	11:51:46	1430.00	25000	DSQ INDUSTRIES	0:00:01
2-Feb-00	Accord Capital	12:19:38	1432.00	25000	12:19:38	25000	Mehta & Ajmera	DRESDNER	12:19:36	1432.00	25000	DSQ INDUSTRIES	0:00:02
2-Feb-00	Accord Capital	12:20:59	1429.00	25000	12:20:59	24997	Mehta & Ajmera	DRESDNER	12:20:58	1429.00	25000	DSQ INDUSTRIES	0:00:01
3-Feb-00	Woodstock Broking	11:03:15	1383.50	25000	11:03:16	25000	HULDA	DRESDNER	11:03:16	1383.50	25000	DSQ INDUSTRIES	0:00:01
3-Feb-00	Woodstock Broking	11:03:31	1383.50	25000	11:03:31	25000	HULDA	DRESDNER	11:03:31	1383.50	25000	DSQ INDUSTRIES	0:00:00
3-Feb-00	Woodstock Broking	11:03:57	1381.00	25000	11:03:57	24990	HULDA	DRESDNER	11:03:55	1381.00	25000	DSQ INDUSTRIES	0:00:02
3-Feb-00	Woodstock Broking	11:04:19	1381.50	25000	11:04:19	24887	HULDA	DRESDNER	11:04:19	1381.50	25000	DSQ INDUSTRIES	0:00:00
3-Feb-00	Woodstock Broking	11:58:03	1382.00	25000	11:58:05	25000	HULDA	DRESDNER	11:58:05	1382.00	25000	DSQ INDUSTRIES	0:00:02
3-Feb-00	Woodstock Broking	11:58:21	1382.00	25000	11:58:22	25000	HULDA	DRESDNER	11:58:22	1382.00	25000	DSQ INDUSTRIES	0:00:01
3-Feb-00	Woodstock Broking	12:11:57	1382.50	25000	12:11:57	25000	HULDA	DRESDNER	12:11:55	1382.50	25000	DSQ INDUSTRIES	0:00:02
3-Feb-00	Woodstock Broking	12:12:19	1382.00	25000	12:12:20	24776	HULDA	DRESDNER	12:12:20	1382.00	25000	DSQ INDUSTRIES	0:00:01

5.2.2 I note from the report of the Enquiry Officer that the sale transactions in the scrip of DSQ Industries through the broker Dresdner were matched with the buy orders of following buying brokers for their given clients for corresponding quantities.

Name of Buying Broker	**Name of the Client**	**Qty. Matched**
Woodstock Broking	Hulda Properties	2,48,558
Accord Capital	Mehta & Ajmera	49,997
T O T A L		2,98,555

5.2.3 From above I observe that the shares of DSQ Software sold by DSQ Industries were bought back by Hulda Properties and the firm (for DSQ group entities) through the aforesaid brokers. Out of 3,00,000 shares sold 2,98,555 shares were matched. This constituted nearly 99.51% of the total trades.

5.2.4 I further note that the following trades in the scrip of DSQ Software were executed through Accord Capital Markets Ltd, which is a company floated by Himanshu Ajmera and Girish Mehta and member of NSE:

Trade Date	Buy order number	Buy Time	Buy Price	Buy Qty	Trade Time	Buy Client	Sell Member	Sell Order number	Sell Order Time	Sell Order Price	Sell Qty	Sell Client
02-Feb-00	200002020419623	12:19:38 PM	1432.00	25000	12:19:38	Mehta & Ajmera	DKB	200002020419557	12:19:36 PM	1432.00	25000	DSQ Industries
02-Feb-00	200002020421927	12:20:59 PM	1429.00	25000	12:20:59	Mehta & Ajmera	DKB	200002020421909	12:20:58 PM	1429.00	25000	DSQ Industries
21-Feb-00	200002210126692	10:29:05 AM	1945.00	20000	10:29:05	Mehta & Ajmera	DKB	200002210126584	10:29:03 AM	1945.00	20000	Hulda
21-Feb-00	200002210127958	10:29:24 AM	1947.00	20000	10:29:26	Mehta & Ajmera	DKB	200002210128055	10:29:26 AM	1947.00	20000	Hulda
21-Feb-00	200002210130212	10:30:01 AM	1953.00	20000	10:30:01	Mehta & Ajmera	DKB	200002210130221	10:30:01 AM	1953.00	20000	Hulda
21-Feb-00	200002210195220	10:48:32 AM	1945.00	30000	10:48:34	Mehta & Ajmera	DKB	200002210195354	10:48:34 AM	1945.00	30000	Hulda
28-Feb-00	200002280097911	10:25:23 AM	1802.00	30000	10:25:23	Mehta & Ajmera	DKB	200002280097694	10:25:20 AM	1802.00	30000	DSQ H
28-Feb-00	200002280139221	10:37:57 AM	1785.00	25000	10:37:57	Mehta & Ajmera	DKB	200002280139145	10:37:56 AM	1785.00	25000	DSQ H
28-Feb-00	200002280140166	10:38:16 AM	1785.00	25000	10:38:16	Mehta & Ajmera	DKB	200002280140135	10:38:15 AM	1785.00	25000	DSQ H
28-Feb-00	200002280141487	10:38:42 AM	1783.00	20000	10:38:44	Mehta & Ajmera	DKB	200002280141568	10:38:44 AM	1783.00	20000	DSQ H
07-Mar-00	200003070101272	10:22:45 AM	2258.00	25000	10:22:46	Mehta & Ajmera	DKB	200003070101306	10:22:46 AM	2258.00	25000	DSQ H
07-Mar-00	200003070102950	10:23:09 AM	2262.00	25000	10:23:14	Mehta & Ajmera	DKB	200003070103336	10:23:14 AM	2262.00	25000	DSQ H
07-Mar-00	200003070105824	10:23:50 AM	2267.00	25000	10:23:51	Mehta & Ajmera	DKB	200003070105928	10:23:51 AM	2267.00	25000	DSQ H
07-Mar-00	200003070108270	10:24:23 AM	2268.00	25000	10:24:23	Mehta & Ajmera	DKB	200003070108259	10:24:23 AM	2268.00	25000	DSQ H
13-Mar-00	200003130417745	1:20:38 PM	2367.40	15000	13:20:38	Mehta & Ajmera	DKB	200003130355191	12:40:50 PM	2367.40	25000	Hulda
13-Mar-00	200003130426855	1:25:06 PM	2367.40	5000	13:25:06	Mehta & Ajmera	DKB	200003130355191	12:40:50 PM	2367.40	25000	Hulda
13-Mar-00	200003130431096	1:28:03 PM	2367.40	2000	13:28:03	Mehta & Ajmera	DKB	200003130355191	12:40:50 PM	2367.40	25000	Hulda
13-Mar-00	200003130431499	1:28:19 PM	2367.40	8000	13:28:19	Mehta & Ajmera	DKB	200003130355191	12:40:50 PM	2367.40	25000	Hulda
13-Mar-00	200003130432835	1:29:11 PM	2367.40	2000	13:29:11	Mehta & Ajmera	DKB	200003130355191	12:40:50 PM	2367.40	25000	Hulda
13-Mar-00	200003130458746	1:46:40 PM	2367.40	2000	13:46:40	Mehta & Ajmera	DKB	200003130355191	12:40:50 PM	2367.40	25000	Hulda
13-Mar-00	200003130458746	1:46:40 PM	2367.40	2000	13:46:40	Mehta & Ajmera	DKB	200003130355688	12:41:11 PM	2367.40	25000	Hulda
18-Apr-00	200004180024244	9:59:40 AM	1457.00	20000	9:59:40	Mehta & Ajmera	DKB	200004180024035	9:59:37 AM	1457.00	20000	DSQ H
18-Apr-00	200004180026839	10:00:11 AM	1453.00	20000	10:00:11	Mehta & Ajmera	DKB	200004180026829	10:00:11 AM	1453.00	20000	DSQ H
18-Apr-00	200004180031471	10:01:09 AM	1457.00	25000	10:01:09	Mehta & Ajmera	DKB	200004180031234	10:01:06 AM	1457.00	25000	DSQ H
16-May-00	200005160057195	10:07:42 AM	613.50	25000	10:07:42	Mehta & Ajmera	DKB	200005160057220	10:07:42 AM	613.50	25000	DSQ H
16-May-00	200005160063413	10:09:10 AM	604.50	25000	10:09:10	Mehta & Ajmera	DKB	200005160063444	10:09:10 AM	604.50	25000	DSQ H
16-May-00	200005160065149	10:09:36 AM	603.50	25000	10:09:36	Mehta & Ajmera	DKB	200005160065126	10:09:36 AM	603.50	25000	DSQ H
16-May-00	200005160065149	10:09:36 AM	603.50	25000	10:10:04	Mehta & Ajmera	DKB	200005160066880	10:10:04 AM	603.50	20000	DSQ H
16-May-00	200005160066787	10:10:03 AM	603.50	20000	10:10:04	Mehta & Ajmera	DKB	200005160066880	10:10:04 AM	603.50	20000	DSQ H

29-May-00	200005290104768	10:21:04 AM	562.00	25000	10:21:05	Mehta & Ajmera	DKB	200005290104795	10:21:05 AM	562.00	25000	DSQ H
01-Jun-00	200006010034685	10:01:55 AM	723.50	25000	10:01:55	Mehta & Ajmera	DKB	200006010034448	10:01:52 AM	723.50	25000	DSQ H
05-Jun-00	200006050144973	10:33:49 AM	973.00	25000	10:33:49	Mehta & Ajmera	DKB	200006050144960	10:33:49 AM	973.00	25000	DSQ H
05-Jun-00	200006050148310	10:34:37 AM	977.00	25000	10:34:37	Mehta & Ajmera	DKB	200006050148274	10:34:37 AM	977.00	25000	DSQ H
05-Jun-00	200006050150604	10:35:11 AM	977.00	25000	10:35:13	Mehta & Ajmera	DKB	200006050150743	10:35:13 AM	977.00	25000	DSQ H
05-Jun-00	200006050153008	10:35:46 AM	977.00	25000	10:35:46	Mehta & Ajmera	DKB	200006050153000	10:35:46 AM	977.00	25000	DSQ H
05-Jun-00	200006050162730	10:38:26 AM	966.00	25000	10:38:26	Mehta & Ajmera	DKB	200006050162704	10:38:25 AM	966.00	25000	DSQ H
05-Jun-00	200006050164823	10:39:01 AM	964.00	25000	10:39:01	Mehta & Ajmera	DKB	200006050164798	10:39:00 AM	964.00	25000	DSQ H
05-Jun-00	200006050166310	10:39:25 AM	964.50	25000	10:39:25	Mehta & Ajmera	DKB	200006050166259	10:39:25 AM	964.50	25000	DSQ H
05-Jun-00	200006050172439	10:41:11 AM	964.00	25000	10:41:11	Mehta & Ajmera	DKB	200006050172362	10:41:10 AM	964.00	25000	DSQ H
05-Jun-00	200006050174123	10:41:40 AM	963.00	25000	10:41:40	Mehta & Ajmera	DKB	200006050174067	10:41:39 AM	963.00	25000	DSQ H
05-Jun-00	200006050176217	10:42:17 AM	961.00	10000	10:42:17	Mehta & Ajmera	DKB	200006050176223	10:42:17 AM	961.00	10000	DSQ H
07-Jun-00	200006070158439	10:29:07 AM	1020.00	25000	10:29:07	Mehta & Ajmera	DKB	200006070158365	10:29:06 AM	1020.00	25000	DSQ H
07-Jun-00	200006070160274	10:29:38 AM	1020.00	25000	10:29:38	Mehta & Ajmera	DKB	200006070160256	10:29:38 AM	1020.00	25000	DSQ H
07-Jun-00	200006070162985	10:30:23 AM	1018.00	25000	10:30:23	Mehta & Ajmera	DKB	200006070162894	10:30:22 AM	1018.00	25000	DSQ H
07-Jun-00	200006070165050	10:31:00 AM	1018.50	25000	10:31:00	Mehta & Ajmera	DKB	200006070164928	10:30:57 AM	1018.50	25000	DSQ H
08-Jun-00	200006080076903	10:08:57 AM	1004.50	25000	10:08:57	Mehta & Ajmera	DKB	200006080076873	10:08:57 AM	1004.50	25000	Hulda
08-Jun-00	200006080079500	10:09:28 AM	1002.75	25000	10:09:28	Mehta & Ajmera	DKB	200006080079449	10:09:27 AM	1002.75	25000	Hulda
08-Jun-00	200006080084631	10:10:29 AM	997.00	25000	10:10:29	Mehta & Ajmera	DKB	200006080084521	10:10:27 AM	997.00	25000	Hulda
08-Jun-00	200006080086043	10:10:47 AM	997.50	25000	10:10:47	Mehta & Ajmera	DKB	200006080085948	10:10:46 AM	997.50	25000	Hulda
28-Jun-00	200006280155101	10:30:17 AM	983.00	5000	10:30:48	Mehta & Ajmera	DKB	200006280156847	10:30:48 AM	982.75	25000	Hulda
28-Jun-00	200006280169325	10:34:28 AM	977.10	5000	10:34:56	Mehta & Ajmera	DKB	200006280165960	10:33:24 AM	981.00	25000	Hulda
06-Jul-00	200007060136535	10:20:48 AM	1002.00	25000	10:20:49	Mehta & Ajmera	DKB	200007060136589	10:20:49 AM	1002.00	25000	DSQ H
06-Jul-00	200007060137933	10:21:07 AM	1003.50	25000	10:21:08	Mehta & Ajmera	DKB	200007060137989	10:21:08 AM	1003.50	25000	DSQ H
06-Jul-00	200007060139248	10:21:26 AM	1004.50	25000	10:21:27	Mehta & Ajmera	DKB	200007060139329	10:21:27 AM	1004.50	25000	DSQ H
10-Jul-00	200007100077430	10:10:37 AM	1029.00	25000	10:10:38	Mehta & Ajmera	DKB	200007100077533	10:10:38 AM	1029.00	25000	DSQ H
10-Jul-00	200007100078944	10:10:56 AM	1028.50	25000	10:10:57	Mehta & Ajmera	DKB	200007100079038	10:10:57 AM	1028.50	25000	DSQ H
10-Jul-00	200007100080311	10:11:15 AM	1028.75	25000	10:11:15	Mehta & Ajmera	DKB	200007100080266	10:11:15 AM	1028.75	25000	DSQ H
10-Jul-00	200007100081683	10:11:35 AM	1027.00	25000	10:11:35	Mehta & Ajmera	DKB	200007100081694	10:11:35 AM	1027.00	25000	DSQ H
10-Jul-00	200007100082794	10:11:50 AM	1027.00	25000	10:11:51	Mehta & Ajmera	DKB	200007100082843	10:11:51 AM	1027.00	25000	DSQ H
10-Jul-00	200007100084081	10:12:08 AM	1027.50	25000	10:12:10	Mehta & Ajmera	DKB	200007100084173	10:12:10 AM	1027.50	25000	Hulda
10-Jul-00	200007100085502	10:12:28 AM	1028.50	25000	10:12:28	Mehta & Ajmera	DKB	200007100085554	10:12:28 AM	1028.50	25000	Hulda
26-Jul-00	200007260193246	10:30:37 AM	670.50	30000	10:30:37	Self	DKB	200007260193251	10:30:37 AM	670.50	30000	Hulda
26-Jul-00	200007260195187	10:31:05 AM	670.50	15000	10:31:05	Self	DKB	200007260195162	10:31:05 AM	670.50	15000	Hulda
18-Oct-00	200010180335234	11:17:59 AM	344.25	565	18-Oct-00	Self	DKB	200010180331069	11:16:29 AM	344.25	20000	DSQ H
18-Oct-00	200010180335529	11:18:05 AM	344.25	500	18-Oct-00	Self	DKB	200010180331069	11:16:29 AM	344.25	20000	DSQ H
18-Oct-00	200010180354123	11:25:42 AM	344.00	1000	18-Oct-00	Self	DKB	200010180355814	11:26:25 AM	344.00	75000	DSQ H
18-Oct-00	200010180381153	11:38:29 AM	342.55	353	18-Oct-00	Self	DKB	200010180385870	11:40:57 AM	342.50	20000	DSQ H
19-Oct-00	200010190212550	10:41:31 AM	301.50	500	19-Oct-00	Self	DKB	200010190212616	10:41:32 AM	301.50	25000	DSQ H
19-Oct-00	200010190894636	2:10:56 PM	338.00	500	19-Oct-00	Self	DKB	200010190894601	2:10:55 PM	337.75	50000	DSQ H
01-Nov-00	200011010188192	10:26:13 AM	390.00	10000	01-Nov-00	Mehta & Ajmera	DKB	200011010188706	10:26:20 AM	389.50	50000	DSQ H
01-Nov-00	200011010188194	10:26:13 AM	390.00	2000	01-Nov-00	Self	DKB	200011010188706	10:26:20 AM	389.50	50000	DSQ H

01-Nov-00	200011010 194363	10:27:3 2 AM	391.50	1000	01-Nov-00	Self	DKB	2000110101 94239	10:27:30 AM	391.00	50000	DSQ H
08-Jan-01	200101080 446205	11:15:0 8 AM	388.55	500	08-Jan-01	Self	DKB	2001010804 46501	11:15:11 AM	388.50	50000	Hulda

5.2.5 I observe the following from the order log and trade details of the exchange :

5.2.5.1 that on 07 March, 2000, DKB Securities placed an order for sale of 25000 shares of DSQ Software on behalf of DSQ Holding @ Rs. 2258.00 at 10:22:46. This sale order got matched with the buy orders of Mehta & Ajmera, which was placed through member Accord Capital for 25000 shares @ Rs. 2258.00 at 10:22:45. The buy and sell orders were placed within a space of 0:00:01 seconds. Similar transactions have occurred on the following dates – 2/2/00, 21/2/00, 28/2/00, 7/3/00, 18/4/00, 16/5/00, 29/5/00, 1/6/00, 5/6/00, 7/6/00, 8/6/00, 14/6/00, 28/6/00, 6/7/00, 10/7/00 and 1/11/00.

5.2.5.2 that on 26 October, 1999, Prabhudas Lilladher Pvt. Ltd. placed an order for sale of 30000 shares of DSQ Software on behalf of Powerflow Holding & Trading Co. @ Rs. 318.50 at 11:42:44 AM. This sale order got matched with the buy orders of Mehta & Ajmera, which was placed through member Accord Capital Markets Ltd. for 30000 shares @ Rs. 318.50 at 11:42:40 AM. The buy and sell orders were placed within a space of 0:00:04 seconds. Similar instances have been observed on 24/11/99 and 8/8/00.

5.2.6 From the above, I note that

5.2.6.1 the firm were buying clients when DSQ Holdings and Hulda Properties, who were among the promoter entities of DSQ Software were selling through brokers Dresdner and Prabhudas Lilladher. I also note that a significant quantity of shares was purchased by the firm through the broker Accord Capital Markets Ltd, a company promoted by the partners of the firm.

5.2.6.2 the buy and sell order have been put almost at the same time and also there is exact matching in the quantity and rate. Such matching is not possible without prior understanding especially in large number of cases which cannot be a coincidence but a deliberate act with active participation of brokers.

5.2.6.3 the purchase and sell transactions were in the nature of synchronisation of trades / matched orders/ structured trading which ensured matching of orders of seller with a specific buyer.

5.2.6.4 The reply of the firm that they merely carried out the instructions of their clients and that they did not know that the same were synchronised transactions are not valid since not only were the buying and selling brokers different, the clients too were different and the possibility of their orders matching in the trading system in the normal course was very remote.

5.2.7 I also note that the firm was the top broker on CSE in many settlements on the basis of net purchase positions. The settlement in which the net purchase position of the firm was more than 10% of the market net on CSE is as under:

Sett. No.	Net Purchase Qty	Market Net Qty.In CSE	% of Member's net to Market Net
9900129	119900	480300	24.96
9900131	71800	460200	15.60
9900135	134987	807452	16.72
9900136	244135	598688	40.78
9900138	328372	852137	38.54
9900139	74795	440709	16.97
9900141	170281	610891	27.87
9900142	114399	515910	22.17
9900143	135017	519143	26.01
9900151	72805	469207	15.52
9900152	84715	369427	22.93
2001101	78313	464725	16.85
2001106	86150	507728	16.97
2001110	63622	584737	10.88
2001116	86874	672157	12.92
2001120	358255	1045915	34.25
2001126	175600	1379370	12.73
2001130	202419	1268753	15.95
2001145	277783	1851345	15.00

5.2.8 I also note that the firm had traded on behalf of the promoter entities of DSQ Software during the period under investigation. Details of the trades/transactions are as under:

Client Name	Sett.no.	Qty.	Gross	Gross	Net	Qty	Qty Del/
		B/f	Purchases	Sales	Qty	C/f	Recd
Hulda Properties & Trades ltd.	9900130S	0	89400	0	89400	0	89400
	9900136S	0	52900	0	52900	0	52900
	9900137S	0	200000	0	200000	0	200000
	9900141S	0	46940	0	46940	0	46940
	9900142S	0	53060	0	53060	0	53060
	9900143S	0	42700	0	42700	0	42700
	9900144S	0	180000	0	180000	0	180000
	9900145S	0	45000	0	45000	0	45000
	9900146S	0	119000	0	119000	0	119000
	9900150S	0	94000	0	94000	0	94000
	2001101S	0	450000	200000	250000	0	250000
	2001102S	0	336000	401000	-65000	0	-65000
	2001103S	0	614163	469000	145163	0	145163
	2001104S	0	490000	490000	0	0	0
	2001105S	0	7500	250000	-242500	0	-242500
	2001106C	0	50000	0	50000	0	50000
	2001106S	0	160000	317032	-157032	0	-157032
	2001107S	0	0	150000	-150000	0	-150000
	2001108S	0	27000	400000	-373000	0	-373000

	2001109S	0	87575	0	87575	0	87575
	2001110S	0	451392	278478	172914	0	172914
	2001111S	0	28605	76500	-47895	0	-47895
	2001113S	0	120	433062	-432942	0	-432942
	2001115S	0	45000	0	45000	0	45000
	2001116S	0	184045	0	184045	0	184045
	2001118S	0	0	309556	-309556	0	-309556
	2001119S	0	109247	220354	-111107	0	-111107
	2001120S	0	0	259066	-259066	0	-259066
	2001121S	0	0	119272	-119272	0	-119272
	2001125S	0	84251	84251	0	0	0
	2001126S	0	90400	0	90400	0	90400
	2001128S	0	0	90400	-90400	0	-90400
	2001131S	0	0	55000	-55000	0	-55000
	2001137S	0	200000	200000	0	0	0
	2001138S	0	0	10000	-10000	0	-30000
	2001139S	0	290100	490100	-200000	0	-200000
	2001390S	0	0	250000	-250000	0	-250000
	2001391S	0	0	300000	-300000	0	-300000
		0	4628398	5853071	-1224673	0	-1244673
DSQ GRANITE LTD	9900152S	0	0	100000	-100000	0	-100000
		0	0	100000	-100000	0	-100000
DSQ HOLDINGS LTD	9900136S	0	215800	0	215800	0	215800
	9900137S	0	145000	0	145000	0	145000
	9900138S	0	104200	0	104200	0	104200
	9900139S	0	0	61000	-61000	0	-61000
	9900141S	0	125000	0	125000	0	125000
	9900142S	0	250900	0	250900	0	250900
	9900145S	0	52000	0	52000	0	52000
	9900148S	0	325000	0	325000	0	325000
			1217900	61000	1156900	0	1156900

5.2.9 I further note that the firm had traded on behalf of other clients; details of which are as under:

Client Name	**Sett.no.**	**Qty.**	**Gross**	**Gross**	**Net**	**Qty**	**Qty Del/**
		B/f	**Purchases**	**Sales**	**Qty**	**C/f**	**Recd**
(i) ACCORD CAPITAL MARKETS LTD	2001115S	0	35000	0	35000	0	35000
	2001132S	0	150000	150000	0	0	0
	2001133S	0	100000	100000	0	0	0
	2001135S	0	100000	100000	0	0	0
	2001136S	0	65000	65000	0	0	0
	2001137S	0	280000	280000	0	0	0
	2001138S	0	25000	0	25000	0	25000
	2001139S	0	300000	300000	0	0	0
	2001140S	0	320000	320000	0	0	0
	2001142S	0	22000	0	22000	0	22000
	2001144S	0	109500	109500	0	0	0
	2001145S	0	40000	0	40000	0	40000
		0	1546500	1424500	122000	0	122000

(ii) ANNAPURNA TIE UP PVT. LTD.	9900139S	0	76000	0	76000	0	76000
	9900140S	0	175000	0	175000	0	175000
	2001102S	0	400000	0	400000	0	400000
	2001103S	0	78200	478200	-400000	0	-400000
	2001113S	0	200000	0	200000	0	200000
	2001125S	0	0	231000	-231000	0	-231000
	2001134S	0	100000	0	100000	0	100000
	2001135S	0	30000	0	30000	0	30000
	2001139S	0	87000	0	87000	0	87000
			1146200	**709200**	**437000**	**0**	**437000**
(iii) TIME VINIMAY PVT LTD	9900135S	0	107666	107666	0	0	0
	9900136S	0	82500	82500	0	0	0
	9900138S	0	0	13000	-13000	0	-13000
	9900140S	0	0	25000	-25000	0	-25000
	9900141S	0	195000	0	195000	0	195000
	2001102S	0	60000	60000	0	0	0
	2001103S	0	202000	202000	0	0	0
	2001108S	0	0	150000	-150000	0	-150000
	2001110S		340000	340000	0	0	0
	2001112S	0	72500	72500	0	0	0
	2001113S	0	200000	0	200000	0	200000
	2001125S	0	0	200000	-200000	0	-200000
	2001139S	0	50000	0	50000	0	50000
	2001146S	0	50000	50000	0	0	0
	2001150S	0	0	50000	-50000	0	-50000
		0	**1359666**	**1352666**	**7000**	**0**	**7000**

5.2.10 I also note that the firm had transacted on behalf of Classic Credit Limited which was one of the entities connected with Shri Ketan Parekh and which was alleged to have indulged in price manipulations. Details of the transactions are as under:

Client Name	**Sett.no.**	**Qty. B/f**	**Gross Purchases**	**Gross Sales**	**Net Qty**	**Qty C/f**	**Qty Del/ Recd**
CLASSIC CREDIT LIMITED	2001124S	0	200000	0	200000	0	200000
	2001397W	0	187000	0	187000	0	187000
		0	387000	0	387000	0	387000

5.2.11 I note that the firm has also transacted in its own account in large quantities. The settlement-wise details of trading done by the member in its account are as below:

Sett No	**Gross Buy(a)**	**Gross Sell(b)**	**Net (a-b)**	**B/F Qty**	**C/F Qty**	**Net D/R Qty**
9900129S	389200	248500	140700	5100	-136000	9800
9900130S	76000	212300	-136300	136000	-104100	-104400
9900131S	584900	522500	62400	104100	-140500	26000
9900132S	307900	439000	-131100	140500	-17800	-8400
9900133S	522700	528700	-6000	17800	-5800	6000
9900134S	630100	557000	73100	5800	0	78900

9900135S	633602	501715	131887	0	-99509	32378
9900136S	524103	571868	-47765	99509	-77702	-25958
9900137S	481018	972997	-491979	77702	0	-424377
9900138S	964664	711457	253207	0	-85862	153610
9900139S	149242	94097	55145	85862	-46500	75651
9900140S	174175	364079	-189904	46500	-33496	-152065
9900141S	7746	59005	-51259	33496	-40000	-21928
9900142S	60000	80561	-20561	40000	-26143	28931
9900143S	175261	133744	41517	26143	0	67660
9900144S	50122	107323	-57201	0	0	-57201
9900145S	80941	179839	-98898	0	0	-98898
9900146S	142922	166545	-23623	0	0	-23623
9900147S	289474	87651	201823	0	0	201823
9900148S	107438	425225	-317787	0	-19213	-337000
9900149S	119667	165596	-45929	19213	-14000	-40716
9900150S	196239	224824	-28585	14000	-20265	-34850
9900151S	237967	72062	165905	20265	-28070	158100
9900152S	93048	28433	64615	28070	-34613	58072
2000026R	150000	340000	-190000	0	0	-190000
2000215W	170000	180000	-10000	0	0	-10000
2000506W	183500	5000	178500	0	0	178500
2001101S	533172	690459	-157287	34613	-22426	-145100
2001102S	381137	687237	-306100	22426	-35026	-318700
2001103S	719232	330882	388350	35026	-21339	402037
2001104S	438721	432416	6305	21339	-57525	-30381
2001105S	266417	33852	232565	57525	-60340	229750
2001106C	0	150000	-150000	0	0	-150000
2001106S	258256	191524	66732	60340	-100000	27072
2001107S	344097	369436	-25339	100000	-65000	9661
2001108S	427943	501732	-73789	65000	-89261	-98050
2001109S	145204	239196	-93992	89261	-101644	-106375
2001110C	100000	100000	0	0	0	0
2001110S	536959	617201	-80242	101644	40266	-18864
2001111S	601388	381051	220337	40266	0	260603
2001112S	130825	254671	-123846	0	0	-123846
2001113S	616600	377374	239226	0	-4096	235130
2001114S	310528	407785	-97257	4096	-36089	-129250
2001115S	73343	171650	-98307	36089	-382	-62600
2001116S	114484	234255	-119771	382	0	-119389
2001117S	169331	268380	-99049	0	0	-99049
2001118S	220605	103220	117385	0	0	117385
2001119S	279095	155306	123789	0	0	123789
2001120C	180000	180000	0	0	0	0
2001120S	826294	165623	660671	0	-15255	645416
2001121S	218353	79732	138621	15255	-50000	103876
2001122S	332853	255018	77835	50000	-64835	63000
2001123S	109303	95276	14027	64835	-63662	15200
2001124S	41954	104216	-62262	63662	0	1400
2001125S	754599	1167649	-413050	0	0	-413050
2001126S	258323	175201	83122	0	0	83122
2001127S	109630	111430	-1800	0	-49800	-51600
2001128S	322613	272813	49800	49800	0	99600
2001129S	538401	499141	39260	0	0	39260
2001130S	754125	526706	227419	0	-136000	91419

2001131S	591037	578058	12979	136000	-98679	50300
2001131W	100000	100000	0	0	0	0
2001132S	894074	775464	118610	98679	-100000	117289
2001133S	1070147	1100374	-30227	100000	-50000	19773
2001134S	294103	369179	-75076	50000	-54224	-79300
2001135S	267679	309856	-42177	54224	-42047	-30000
2001136S	174378	302157	-127779	42047	-64268	-150000
2001137S	2737953	2954253	-216300	64268	-95000	-247032
2001138S	154241	112474	41767	95000	-108167	28600
2001139S	741368	623244	118124	108167	-41441	184850
2001140S	547822	974349	-426527	41441	0	-385086
2001141S	394285	384852	9433	0	-24333	-14900
2001142S	611511	314316	297195	24333	0	321528
2001143S	591411	1083712	-492301	0	-75000	-567301
2001144S	133361	306798	-173437	75000	0	-98437
2001145S	391917	155434	236483	0	-114000	122483
2001146S	43541	231211	-187670	114000	0	-73670
2001390S	250000	0	250000	0	0	250000
2001391S	300000	0	300000	0	0	300000
2001397W	0	187000	-187000	0	0	-187000
2001463W	25000	25000	0	0	0	0

5.2.12 I note from the above that the firm had entered into several transactions on behalf of the promoter entities and others connected with them. The volume of trades entered into by the firm was substantial enough to influence the price of the scrip and more particularly, I note that during the period under investigation, 99.51% of the sales by DSQ Industries were through matched transactions.

5.2.13 In view of the above, I find that the firm, by entering into the matched transactions had created an impression among the investing public that there was a huge demand for the shares of DSQ Software and that the same was the reason for the upswing in the price of the scrip. The firm had thus created an artificial market for the shares of DSQ Software.

5.2.14 I further note from the investigation report that DSQ Software had lent relatively large funds to the firm and that these moneys were utilised by the firm to purchase the shares of DSQ Software. I note that the following are the details of the moneys lent to the firm by DSQ Software:

Rs. in Crores

Date	Amount lent	Date of repayment	Amount Repaid
10.01.2000	25.00		
19.01.2000	10.00		
27.01.2000	5.00		
28.01.2000	5.00		
04.02.2000	9.00		
		28.03.2000	50.00

		30.03.2000	4.00
	54.00		**54.00**

5.2.15 I note that Shri. Dinesh Dalmia the Managing Director of DSQ Software was instrumental in advancing the funds of DSQ Software to the firm. I note that DSQ software also advanced funds to Annapurna Tie-up Pvt. Ltd. and Time Vinimay Pvt. Ltd. I also note that one of the directors of Time Vinimay Pvt. Ltd viz. Nilesh Doshi and one of the directors Annapurna Tie-up Pvt. Ltd. Manoj Patel, share seats on the board of Accord Capital Markets Ltd. with Mr. Girish Mehta & Himanshu Ajmera partners in the firm. Also, Annapurna and Time Vinimay were operating from the same address as that of Accord Capital and correspondence address of Mehta & Ajmera viz. at 13, Sushila Apartments, Mahendra Road, Kolkata – 700 025. These funds were then transferred to the firm by way of book entries. I find that this was done to in order to ensure that the funds could be used to buy shares of DSQ Software in the name of third parties (i.e. Annapurna & Time Vinimay) instead of buying them directly in the name of the firm.

5.2.7 In view of the above, I find that the firm has acted in concert with DSQ Software and its promoter entities also in creating a false market for the shares of DSQ Software.

5.3 Whether the firm failed to co-operate with the inspecting officials of SEBI?

5.3.1 I note from the report of the inspecting officials that the firm did not produce before them the books of account and other details sought of them.

5.3.2 In this regard, the partners have submitted that there was a dispute amongst them and hence they could not submit the books of account for inspection. However, I note from the report of the enquiry officer that both the partners have been responding to notices issued to the firm and have made similar submissions before the Enquiry Officer. Even in the course of personal hearing before me, Shri Himanshu Ajmera and the firm were represented by the other partner Girish S Mehta. I also observe from the report of the enquiry officer that they have failed to give any plausible explanation regarding the exact nature of the dispute between them.

5.3.3 In view of the above, I find that the firm and its partners were deliberately abstaining from producing the books of account and other records of the firm before the inspection officials.

5.3.4 In this regard, I note that Regulation 21 of the SEBI (Stock Broker and Sub Broker) Regulations, 1992 provides that:

"**Obligation of stock broker on inspection by the Board**

21. (1) It shall be the duty of broker on inspection by the Board every director, proprietor, partner, officer and employee of the stock-broker, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to the transactions in securities market within such time as the said officer may require.

(2) The stock-broker shall allow the inspecting authority to have reasonable access to the premises occupied by such stock-broker or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the stock- broker or any other person and also provide copies of documents or other materials which, in the opinion of the inspecting authority are relevant.

(3) The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the stock- broker.

(4) It shall be the duty of every director proprietor, partner, officer and employee of the stock broker to give to the inspecting authority all assistance in connection with the inspection, which the stock broker may be reasonably expected to give."

5.3.5 In view of the above, I find that the firm has violated Regulation 21 of the SEBI (Stock Broker and Sub Broker) Regulations, 1992.

5.4 Whether the penalty recommended by the Enquiry Officer should be imposed

5.4.1 I note that Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995 (hereinafter referred to as the "FUTP Regulations") provides that:-

“4. No person shall -

(a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;

(c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;

(d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;

(e) pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities.

5.4.2 Further, regulation 7 of the Stock Broker Regulations provides that:

“Stock-Brokers to abide by Code of Conduct, etc.

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

The Code of Conduct for Stock Brokers provides that:

“A. GENERAL

(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(2) Exercise Of Due Skill And Care: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business.

(3) Manipulation: A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.

(4) Malpractices: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A 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.

5.4.3 I find that Rule 4 of the SEBI (Stock Broker and Sub Broker) Rules, 1992 provides that:

"The Board may grant a certificate to a stock-broker subject to the following conditions namely:

(a) he holds the membership of any stock exchange;

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange or stock exchanges of which he is a member;

(c) in case of any change in the status and constitution, the stock broker shall obtain prior permission of the Board to continue to buy, sell or deal in securities in any stock exchange;

(d) he shall pay the amount of fees for registration in the manner provided in the regulations; and

(e) he shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received from such investors.

5.4.4 In this regard, I find that it has been submitted by Shri Girish Mehta and representative of the firm before the Enquiry Officer that the partnership was formed under Article 25 (A) of the Articles of Association of CSE and that they have dissolved the partnership in 2000. But, they have also submitted that as required under article 23 (1) of Articles of Association of CSE, they have given an undertaking that as partners of the dissolved partnership, they continue to be liable for the acts of the firm. Therefore, I find that Shri. Himanshu Ajmera and Shri Girish Mehta are liable for the actions of the firm such as indulging in off-the-floor transactions and creating a false market for the shares of DSQ Software. They have thus violated Regulation 4 (b) of the FUTP Regulations and thereby Rule 4 (b) of the Broker regulations. I also find that Shri. Himanshu Ajmera and Shri Girish Mehta have violated clause (4) of Part A of the Code of Conduct for Stock brokers and thereby Regulation 7 of the Broker Regulations.

5.4.5 Shri. Himanshu Ajmera and Shri Girish Mehta have by their actions not only violated the broker regulations and code of conduct prescribed for stock brokers and conditions subject to which registration was granted to them, but have also indulged in activities that have interfered with the price discovery mechanism thereby adversely affecting the interest of investors and the credibility of the securities market. In view of the above, I find that the penalty recommended by the Enquiry Officer is commensurate and does not require to be reduced.

6.0 Order

6.1 Therefore, I, in exercise of the powers conferred on me under Section 19 of the SEBI Act read with Regulation 13 (4) of the Enquiry Regulations, hereby suspend the Certificates of Registration No. INB030451326 and INB031149611 granted to Himanshu Ajmera and Certificate of Registration No. INB030451228 granted to Girish Mehta for a period of one year.

This order shall come into effect immediately on expiry of 21 days from the date of this order.

Place: Mumbai
Date: 4th March 2004

A K Batra
Whole Time Member
Securities and Exchange Board of India