



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

Deputy General Manager  
Enforcement Department-1  
Division of Regulatory Action-1

EFD1/RJB/PU/19078/2021/1  
August 11, 2021

Nouveau Shares & Securities Limited  
Add-1: No. 401 A, Pearl Arcade, Opp. To P.K. Jewellers  
Daud Bagh Lane, Off. J. P. Road  
Andheri (West)  
Mumbai – 400058

Add-2: 1-A, Hill View Apartment,  
Next to Navrang Talkies, J P Road  
Andheri (W), Mumbai – 400058

E-mail: [nouveau@vsnl.com](mailto:nouveau@vsnl.com)

Madam/Sir,

**Sub:- Show Cause Notice under Regulation 27(1) of the SEBI (Intermediaries) Regulations, 2008 against Nouveau Shares & Securities Limited in the matter of Peacock Industries Ltd.**

1. The Designated Authority ('DA') has submitted an Enquiry Report dated 31.03.2021, in respect of the enquiry conducted against Nouveau Shares & Securities Limited, for certain non-compliances / violations as a Stock Broker (copy enclosed). Vide the said Enquiry Report, the DA has recommended *"a warning may be issued to the Noticee, in facts and circumstances of the case and for its lapses, as observed in the preceding paragraphs of the report."*
2. You are hereby called upon to show cause as to why the action as recommended by the DA or any other action including passing of appropriate directions, as deemed appropriate by the Competent Authority, should not be taken against Nouveau Shares & Securities Limited in terms of Regulation 27 of the SEBI (Intermediaries) Regulations, 2008.
3. Your reply to the show cause notice along with documents, that you may choose to rely upon in support of the same, if any, should reach SEBI, through e-mail at [preethiu@sebi.gov.in](mailto:preethiu@sebi.gov.in) / [rjbaby@sebi.gov.in](mailto:rjbaby@sebi.gov.in) and at the address provided below, within 21 days of receipt of this notice, failing which it shall be presumed that you have no reply to submit and SEBI shall proceed in the matter on the basis of material available on record

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.  
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : [www.sebi.gov.in](http://www.sebi.gov.in)

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.  
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : [www.sebi.gov.in](http://www.sebi.gov.in)





अनुवर्ती :  
Continuation :

भारतीय प्रतिभूति  
और विनिमय बोर्ड  
**Securities and Exchange  
Board of India**

and in accordance with law. You are advised to indicate in your reply, if you would like to avail of an opportunity of personal hearing before the Designated Member.

4. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to avail the benefit of the settlement process, you may apply for the same in the manner provided in the said regulations under intimation to the undersigned.

21-11-2021

**Robin Joseph Baby**



Encl: Copy of the Enquiry report dated 31.03.2021.

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**ENQUIRY REPORT**

**DA/SBM/EAD-1/4/2020-21**

**UNDER REGULATION 27 OF SECURITIES AND EXCHANGE BOARD OF  
INDIA (INTERMEDIARIES) REGULATIONS, 2008**

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*In respect of*

**Nouveau Shares & Securities Limited  
No.401 A, Pearl Arcade, Opp. to P.K Jewellers  
Daud Bagh Lane, Off. J P Road  
Andheri ( West)  
Mumbai 400058**

**Stock Broker, NSE  
(Registration No: INB230938434)**

*In the matter of*

**Peacock Industries Limited**

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**FACTS OF THE CASE**

1. Based on an observation made by the off-line surveillance mechanism of the Compliance Department of the National Stock Exchange (hereinafter referred to as '**NSE**') that on September 22, 2000 there was a considerable difference in the closing price of the scrip of Peacock Industries Limited (hereinafter referred to as '**Company**' or '**PIL**') at the two stock exchanges viz. Bombay Stock Exchange (BSE) and NSE, an investigation was conducted by Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') into the trading/dealings in the scrip of PIL during the period August 23, 2000 to September 26, 2000 (hereinafter referred to as '**Investigation Period**'/'**IP**') covering Settlement nos. 2000035N to 2000039N (at NSE). Subsequently, an investigation report containing the observations / findings of the investigation along with the recommended course of actions was also submitted by the Investigating Officer of SEBI.



2. During the course of investigations, it was observed by SEBI that the scrip of PIL had witnessed upward price movement at NSE during the investigation period. On NSE, it was observed that, during Settlement Nos. 2000035N to 2000039N, the scrip opened at Rs. 8.50 on August 23, 2000 and closed at Rs 47.10 on September 19, 2000. The scrip of PIL witnessed a low of Rs. 6.45 on August 23, 2000 and a high of Rs. 51.20 on September 18, 2000. It was observed that there was irregular trading pattern in the scrip w.r.t the volumes that were traded in the scrip during the investigation period. During the investigation period, the quantity of shares traded in the scrip of PIL on the high side was 1,44,670 shares (on August 28, 2000) and on the lower side, it was 1900 shares (as on September 11, 2000).
3. At BSE, the scrip of PIL opened at Rs. 6.00 on August 23, 2000 and closed at Rs. 12.65 on September 26, 2000. The scrip touched a high of Rs. 21.55 on September 19, 2000 and during the period August 23, 2000 to August 25, 2000, the volume as well as the number of trades in the scrip of PIL was high but the price movement in the scrip was not very significant on BSE. On September 19, 2000, highest quantity of 2,47,006 shares were traded in the scrip of PIL and the scrip opened at Rs. 21.55, which was also the highest price that was recorded in the scrip of PIL at BSE during the investigation period. On the same day i.e Sept 19, 2000, the scrip also fell to Rs. 18.95. Subsequently the scrip of PIL continued to fall at BSE and the scrip hit the lower filter on almost every day. It was observed that the closing price of PIL on NSE was Rs 36.75 whereas, on BSE, the closing price of the scrip was Rs 14.85, which is a difference of 63.25%. As per the findings of investigation, there was considerable difference in the quantity of shares traded in the scrip on both the stock exchanges viz. BSE & NSE and the number of shares of PIL that were traded on the BSE and NSE were 1 & 10072, respectively.
4. Upon perusal of the Annual Reports of the company for the FYs ended 1999-2000 & 2000-01, it is observed that PIL was declared as a sick industrial company and the rehabilitation proposal was under consideration through the operating agency, namely, IDBI. The total loss shown by the company as on July 31, 2000 was Rs. 83.69 crores. Thus, it can be reasonably inferred that



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there was no positive or commensurate corporate development or announcement made by the company to justify the sudden jump in the scrip price of PIL at NSE during the investigation period. The shares of the company were admitted to the permitted category of NSE on February 08, 1995 and during the period of investigation, it was traded under the listed category at NSE.

5. It is observed that the scrip of PIL was listed on BSE, Delhi Stock Exchange (DSE), Jaipur Stock Exchange (JSE) and Calcutta Stock Exchange (CSE). However, during the above mentioned investigation period, the scrip was predominantly active only on the NSE and BSE. During the course of investigation, it was observed by SEBI that Nouveau Shares and Securities Limited, a Stock Broker of NSE (hereinafter referred to as '**Nouveau**'/'**Noticee**') having SEBI Registration no. INB230938434, had a trade concentration of 17.76% on gross basis in the scrip of PIL. The Noticee was also the net seller of 78,248 shares of PIL during the said investigation period and was the top Trading Member (TM) at NSE on net sell basis during the above investigation period. The counterparty TM to the trades of the Noticee was predominantly ISJ Share & Stock Brokers Ltd (Stock Broker of NSE) and hereinafter referred to as ('**ISJ**'). It was observed that Noticee had traded / dealt in the scrip of PIL on behalf of its client viz. M/s Goyal Investment (Prop:- Arun Goyal) on the NSE who, apart from being registered as a client of the Noticee, was also registered with ISJ as its client ( at BSE). It is noted that Goyal Investments had traded extensively in the scrip of PIL through the Noticee at NSE during the investigation period and predominantly sold the shares. It is further observed that, at BSE, the Noticee was not appearing among the list of top 10 members (both on gross & net basis) who had traded in the scrip of PIL during the investigation period.
6. Based on the findings of the investigation, it has been specifically alleged that Noticee was instrumental in executing 114 structured trades/deals on behalf of its client i.e Goyal Investments along with the counter party TM viz. ISJ in the scrip of PIL at NSE amounting to 1,37,131 shares during the period August 23, 2000 to September 26, 2000. It is further alleged that these trades were



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executed with ISJ on the buy side and the Noticee on the sell side and the structured trades/deals constituted 29.01% and 47.66% of the gross traded quantity in respect of ISJ and the Noticee, respectively. Further, these structured trades/deals contributed to 8.41% of the total gross traded quantity in the scrip of PIL during the investigation period. It is alleged that the above structured trades/deals were executed by the Noticee in complicit with ISJ at consistently higher price than the previous day's closing price in the scrip of PIL. It is alleged that the structured deals/trades were executed by the Noticee and ISJ on behalf of Goyal Investments & the entities belonging to Goyal family group and allegedly, the Noticee allotted multiple client codes for the said client/members of the Goyal family group while trading in the scrip of PIL. It is alleged that Noticee allotted multiple client codes to escape regulatory attention. As per the findings of the investigation, it is also observed that Noticee had executed 8 cross deals in the scrip of PIL involving 4600 shares during the above mentioned investigation period whereby Goyal Investments (Prop Arun Goyal) appeared on both sides of the transactions i.e both on the buy side and sell side w.r.t the cross deals.

7. It is alleged that there was some 'financing arrangement' between the Noticee and the Goyal family members/Goyal Investments and there was huge credit balance in the ledger account of Goyal Investments in the Noticee's books of accounts. It was observed that there was a credit entry of Rs 3.30 lacs as on February 17, 2001, which was also reflected in the Noticee's books of account i.e the client ledger of Goyal investments maintained with the Noticee which showed 'refund of brokerage' allegedly made by the Noticee to its client viz. Goyal Investments during the investigation period. It is alleged that such practice of 'refund of brokerage' adopted by the Noticee was an unfair trade practice for inducement of clients and therefore, the same was not in conformity with the bye-laws of NSE and also the code of conduct prescribed for stock brokers.
8. In view of the above observations, it is alleged that (a) Noticee had dealt in the scrip of PIL with the intention of artificially raising the scrip price of PIL during the investigation period and thereby inducing the trading in the scrip (b) Noticee



had indulged in acts calculated to create a false and misleading appearance of trading in the shares of PIL and (c) Noticee had indulged in acts which resulted in the reflection of the scrip price of PIL based on non-genuine trade transactions.

9. Therefore, from the above observations, it is alleged that Noticee has violated the provisions of Regulations 4(a), 4(b) and 4( c ) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995 (hereinafter referred to as '**PFUTP Regulations, 1995**') r/w Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ( Repeal & Savings) and also the provisions of clauses A(2), A(3), A(4) and C(5) of the Code of Conduct prescribed for Stock Brokers contained in Schedule II to Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as '**Stock Broker Regulations**'). In view of the same, Enquiry Proceedings have been initiated against the Noticee under the provisions of the SEBI (Procedure for holding Enquiry by Enquiry Officer and Imposing Penalties) Regulations, 2002 (hereinafter referred to as '**Enquiry Regulations, 2002**').
10. The Enquiry Regulations, 2002 have been repealed w.e.f. the notification of SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as '**Intermediaries Regulations**') and the current enquiry proceeding against the Noticee has been continued in terms of the provisions of Regulations 38(1) and (2) of the Intermediaries Regulations (Repeal & Savings).

#### **APPOINTMENT OF ENQUIRY OFFICER/DESIGNATED AUTHORITY**

11. The undersigned was appointed as the Enquiry Officer & Designated Authority (DA) in the present matter under the provisions of section 19 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') read with Regulation 5(1) of the Enquiry Regulations, 2002 to conduct an enquiry into the alleged violations committed by the Noticee while dealing in the scrip of PIL during the investigation period. It is pertinent to note that the file pertaining to the appointment of Enquiry Officer/Designated Authority was



received by the undersigned from the concerned Department of SEBI only on January 16, 2009. As already mentioned above, in view of the repeal of the Enquiry Regulations, 2002, the instant proceedings were continued in terms of the Intermediaries Regulations.

### **SHOW CAUSE NOTICE AND REPLY OF THE NOTICEE**

12. Show Cause Notice ref. no. MIRSD/ENQ/SBM/178948/2009 dated October 06, 2009 (hereinafter referred to as 'SCN') was issued to the Noticee under Regulation 25 r/w Regulation 38 of the Intermediaries Regulations to conduct an enquiry in the matter and w.r.t the aforementioned alleged violation of the provisions of law committed by the Noticee regarding its dealings in the scrip of PIL during the investigation period. The SCN, inter alia, contained the observations brought out against the Noticee w.r.t its dealings in the scrip of PIL during the relevant investigation period. The SCN also contained annexures viz. Annexure 1 containing details of the 114 structured trades/deals allegedly entered into between the Noticee and ISJ, Annexure 2 containing the copy of the statement of Shri Kishan Khadaria, the MD of the Noticee, Annexure 3 containing the statement of Shri I S Jain (the key person of ISJ) and Annexure 4 containing the Order dated January 6, 2005 regarding the appointment of Enquiry Officer in the matter.
13. In response to the SCN, vide its letter dated October 28, 2009, which was addressed to EFD-SEBI and a copy of which was also marked to the Enquiry Officer/ Designated Authority, it was mentioned by the Noticee that it would be filing a consent application for settlement of the Enquiry Proceedings. In this regard, the Settlement Division has confirmed that no application for settlement of the proceeding has been received from the Noticee. It is observed that Noticee vide its letter dated October 20, 2009 had mentioned that it had stopped the trading and therefore it was not in a position to trace the relevant records in order to make its submissions to the SCN. Vide letter dated October 20, 2009, Noticee therefore sought inspection of the records pertaining to the proceeding. Noticee sought records/documents, including copy of order logs etc which were pertinent to the above referred investigation period.



Subsequently, vide its letter dated May 17, 2010, Noticee acknowledged the receipt of the additional details/records provided to it during the proceedings and sought extension of time to submit its reply to the SCN. Thereafter, vide letter dated June 19, 2010, Noticee submitted its reply to the SCN and inter alia submitted the following:

- a) *There was inordinate delay in initiating the Enquiry Proceedings as the trades/transactions w.r.t the matter took place during the year 2000 whereas the enquiry was initiated vide Order dated January 6, 2005.*
- b) *The Noticee admitted to the fact that it had dealt in the scrip of PIL on behalf of M/s Goyal Investments and mentioned that its involvement in the scrip on gross basis was only 17.7% and was less than 10% of the total volume on each side.*
- c) *Further, it is submitted that we have not been provided with all the documents/ material relied upon in preparation of the show cause notice. For instance, the following documents among others, have not been provided to us:-*
  - *Copy of the SEBI Investigation Report*
  - *Copy of statements of / representatives of The Goyal Family*
  - *Copy of the complete order log and trade log of the scrip of PIL.*
  - *Details of the buying depth as well as selling depth at the time when the alleged transactions were ordered by us.*
  - *Details of the buying depth as well as selling depth at the time when the alleged transactions were executed by us.*
  - *Copy of the order book depicting the time of placement of order by us.*
- d) *With regard to the observations in para 2, we state that we dealt with M/s. Goyal Investments it is a matter of record. Our involvement on Gross basis was only 17.7% and would be less than 10% of the total volume on each side. Hence, we state that the trading done by us was not significant and there could not have been any perceivable effect on the price and volume of the scrip.*
- e) *With regard to the observations made in para 3, we would like to state that M/s Goyal Investments was indeed introduced by Mr. I.S. Jain of*



*I.S.J. Share & Stock Brokers. It is therefore a matter of record that Mr. I.S. Jain was aware that M/s. Goyal Investments was dealing through us on NSE. However, we are unable to ascertain as to how the Designated Authority has come to the conclusion that the trading done by M/s Goyal Investments with us was for non-bonafide considerations. As a matter of fact when M/s Goyal Investments was introduced to us by Mr. I.S. Jain, M/s I.S.J. Shares was not having an NSE membership. It is clear from the statement given by Mr. I.S. Jain to the investigating authority that the membership of NSE was taken only in June, 2000. Therefore, at the time of registration M/s Goyal Investments was dealing with us on NSE and we had no reason to suspect Mr. I.S. Jain as he was not having membership of NSE. In fact, as M/s ISJ Share Brokers took the membership in 2000, they should be aware of dealings of M/s Goyal Investments and their dealings are to be questioned. We had registered the client in bonafide faith and the dealings have been carried out since 1998 and we had no reason to suspect about the dealings after doing business with the client for over 2 years. It has been further alleged that we and M/s ISJ Stock Brokers executed as much as 114 structured deals amongst us. However, how these deals have been termed as structured has not been provided. On the mere assumption that there has been trading between us, these deals cannot be termed as structured. Further, we do not have any link / nexus / connection/ arrangement either with M/s I.S.J. Share Brokers and therefore, the allegation of carrying out structured trades by us cannot survive. Further, we as a broker had carried out transactions in the normal course of business on the instruction of our client. It is submitted that we as broker have followed the instructions of our client and have placed the buy and sell orders in our normal course of business and we are not aware as to how the orders placed by us were structured / reversed. With regard to the transactions placed by us it is submitted that:*

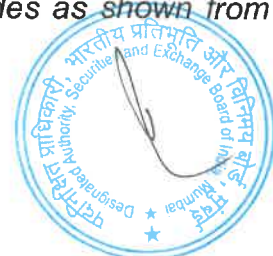


- All the transactions were done through the screen based trading mechanism provided by the exchange.
  - All the orders were placed by us at the prevalent market prices.
  - All the orders were placed by our client and they had maintained proper margin and pay-in/pay-out, such that there was no reason to suspect the trading done by the client
- f) Further, with regard to the charge of structured trades is concerned, it is submitted that for structured trades to take place:
- all the parties to the transaction i.e. buying client, buying broker, selling broker and selling client should have some common understanding.
  - Or it is possible even if one of the brokers and buying and selling clients have some common understanding
  - Or it is possible even if both the buying and selling client have some common understanding.
- g) In the instant case, it has not been shown that we had understanding with the counter party broker or any of the clients and if the clients were having a common understanding amongst themselves, they can structure the deal without even letting the broker know about the same. Thus, it cannot be said that we were a party to any alleged manipulation.
- h) It is submitted that we were entering into transactions on behalf of our client as per its instructions in accordance with the Rules / Regulations made by SEBI and Stock Exchange. Moreover, at the relevant time, we had no knowledge about who the counter party broker or counter party clients were as, we were trading through online screen based trading terminals wherein identity of the counter party clients or counter party broker is not disclosed. Moreover, simply because our client was simultaneously placing orders through counter broker also, no negative inference can be drawn against us, as we had no knowledge about his simultaneous placing of orders and the counter party brokers alleged intention of indulging in manipulation.
- i) In the instant case also, at the relevant time we were not aware that the client was executing synchronized trades. Merely because we traded on behalf of our client/s i.e Goyal Investments in the scrip of PIL, it



cannot lead to the conclusion that we knew about the nature of the transactions executed by the client.

- j) Thus, in terms of the said Circular, there is no bar on executing the Negotiated deals but once a negotiated deal is struck, SEBI obliges that the same be notified to the concerned Stock Exchanges. It is submitted that when a negotiated deal is entered on the trading screen, there will be meeting of minds of both the Buyer & the Seller and both the Buyer and the Seller would be simultaneously aware of the fact that transaction is being entered on the trading screen in terms of their agreement. It therefore necessarily implies that, both buyer and seller would simultaneously enter their sell and purchase transaction at the agreed price on the screen at same time in order to consummate the transaction. This transaction would necessarily be a synchronized transaction. Thus SEBI itself permits synchronized trading.
- k) It is conspicuous from the above that synchronized deals are not ipso facto illegal, which imply that they are legal (good) unless proved illegal (bad) through evidences. Therefore, the real parameters of illegal/bad synchronizations are not same quantity, same rate and same time, but the presence of an ulterior motive, along with other factors, as has been explained herein below. Therefore, what would be of significance for making out an allegation based on synchronized deals is, whether they are good or bad, wherein the presence of ulterior motive would be of utmost importance.
- l) As regards your observation in Para 4 is concerned, it is submitted that the relationship and trading of the family members of the Goyal family is a matter of record and we have no role in promoting the said trading. Infact, the Notice also states that the majority of the trading has been done through M/s ISJ Shares. We had dealt only for M/s Goyal Investments and were unaware of the trading done by the other family members of Mr. Arun Goyal.
- m) Further, the total trading done by M/s Goyal Investments was restricted to only 7 days and spread across only 12 trades as shown from the



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analysis of the trading provided in the show cause notice. It has been alleged that the trades were structured, however, in the show cause notice there is no mention of the timings of the orders so placed. Moreover, even if the trading was done between the entities of the Goyal family, it has not been shown that we were involved in executing such trading amongst the clients.

- n) As regards the observations made in para 7, it is submitted that during the period of trading viz., August 2000 to September, 2000 it was not compulsory to put the client code at the time of order entry itself and many times due to time constraints the dealers used to put order under different code (trading A/C) which were later corrected and assigned to the respective clients. This was a prevalent market practice and it was considered as perfectly legal. Further, the surveillance mechanism of the exchange monitored the broker level position rather than client level position. So by using different client code, which was not intentional, has not avoided any scrutiny of the exchange surveillance system. Thus, there could have been no use in putting different client codes, as the exchange surveillance mechanism would have generated alert in case of suspicious dealing between two members. Thus, the allegation that different client codes were used to camouflage the trading of Goyal Investments hold no merit and is completely baseless.
- o) As regards allegations in para 8, it has been alleged that as Goyal Investments maintained a huge balance and we did not give any interest to them, it indicates that there was some sort of financing arrangement between us. We would like to submit that Goyal Investments was regularly dealing with us and because of their trading; they were maintaining such huge balance with us. There is nothing wrong in maintaining such huge balance with the broker and the said balance was being maintained in a current account. Further, as per prevalent regulations, the client used to maintain balance in proportion to their trading. Moreover, as per the stipulations of the Member Client Agreement at that time, the client was not entitled to any interest on the



surplus funds kept with the broker. However, as a broker, we had to secure that pay-in was made in time and hence we charge interest for any delayed payment and for dishonour of cheques. If there would have been any sort of financing, such interest would not have been levied in the clients account. Further, it is incorrect to draw an analogy that the broker would pay interest to client for maintaining excess funds because he is charging the same for delayed payment. The interest is governed by member client agreement and it is not correct to state that it is mandatory for a broker to give interest to his clients for maintenance of excess balance. Further, as regards refund of brokerage, we were following industry standards and any refund was made was based on the volume of trading done by a client. For a regular trader with high volumes, the brokerage have to be kept low and in bid to retain our client we followed a system wherein after client traded for a particular volume, the brokerage would be charged at a lower rate and all the excess brokerage would be refunded. This refund cannot be in any case treated as interest as it was paid as an incentive of higher trading and not as an interest. If we would have given the interest the same would be paid as interest as we did not have any ulterior motive to route interest in such a manner. As regards the salary of Mahesh Pandya he said arrangement was proposed by M/s Goyal Investments as they needed someone to keep a track of their trading and balances. The amount of salary was to be paid by us, however, the same was supposed to be reimburse by Goyal Investments.

- p) As regards the refund of brokerage, we would like to submit that the refund was made after the trading was done and not before the trading. In such case, there could have been any incentive to induce the business.

14. Based on the findings of the investigation and observations/allegations levelled in the SCN, the Noticee was informed vide letter dated January 13, 2010 that its submissions/statement in the context of the proceeding would be recorded



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on January 19, 2010. However, on January 18, 2010 i.e the date when the submission of the Noticee was recorded, the Noticee by way of a letter dated January 18, 2010, inter alia, made the following additional submissions in the matter:-

- a. *By our letter dt.17/12/2009, we requested copy of certain records and papers, required by us for deposing before the designated authority, however, same is yet to be provided to us.*
- b. *We once again request you to submit the same to us to enable us to submit our proper reply and defense before the authorities.*
- c. *Again as per discussion, it appears that there were some structured transactions, however, we deny doing any structured deals with our knowledge. We were not aware of that the shares of the referred company were being purchased by the same client through M/s ISJ Shares & Securities Limited also we do not have any mechanism to verify the counter party of any deal.*
- d. *You had just informed on the basis of statement of Mr Goyal that orders were put by one Mr Bandi (reportedly an employee of M/s IS Jain Shares & Securities Limited) through our terminal however we deny that and all the orders were put by M/s Goyal Investment directly.*
- e. *You have asked us about using 3 different client codes for the same client. We are not able to comment on this for want of records.*
- f. *We are still not able to find data at our end and most humbly request SEBI to provide us the same, on the basis of which SEBI is relying on to issue the above show cause notice.*

**CONSIDERATION OF ISSUES AND FINDINGS:**

15. I have taken into consideration the facts and circumstances of the case, the findings/observations made in the investigation report, the allegations levelled against the Noticee in the SCN, the submissions of the Noticee vide its letters



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dated December 17, 2009 and June 19, 2010 and the other material/documents on record.

16. Before moving forward, the relevant extracts of the provisions of law allegedly violated by the Noticee are mentioned as under:--

**SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995**

***Prohibition against Market Manipulation***

***4. No person shall -***

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

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

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

***Repeal and savings***

*Reg 13 (1) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 1995 is hereby repealed.*

*Reg 13(2) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 1995, any violation of regulations 3,4,5 and 6 of the SEBI ( Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.*

*Reg 13 (3) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 1995, any investigation pending, at the*



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commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations.

**SECURITIES AND EXCHANGE BOARD OF INDIA (STOCK-BROKERS AND SUB-BROKERS) REGULATIONS, 1992**

**SCHEDULE II**

**CODE OF CONDUCT FOR STOCK BROKERS**

**A. General.**

(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 rumors with a view to distorting market equilibrium or making personal gains.

(4) *Malpractices:* A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.

**C. Stock-Brokers vis-a-vis Other Stock-Brokers**

(5) *Inducement of Clients:* A stock-broker shall not resort to unfair means of inducing clients from other stock-brokers.

**SEBI (Intermediaries) Regulations, 2008**  
**Repeal and saving** an

Reg.38(1) With effect from publication of these regulations in the Official Gazette-

a. the Securities and Exchange Board of India ( Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002; and

b. the Securities and Exchange Board of India ( Criteria for Fit and Proper Persons) Regulations, 2004,

shall be repealed



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*Reg 38(2) Notwithstanding such repeal, anything done or any action taken under those regulations including an enquiry commenced or notice issued under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, before the publication of these regulations in the Official Gazette, shall be deemed to have been done or taken or commenced under the corresponding provisions of these regulations.*

17. I will now proceed to deal with the specific observations/allegations levelled against the Noticee in the SCN and record my findings/observations as under:

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- a. Allegation that Noticee had entered into 114 structured deals/trades in the scrip of PIL with ISJ as the counter party broker at consistently higher prices than the previous day's closing price in the scrip of PIL during the investigation period. Allegation that the structured trades/deals were executed in the scrip of PIL wherein ISJ predominantly appeared on the buy side and Noticee appeared on the sell side of the transactions.
- b. Allegation that Noticee executed cross deals/self-trades in the scrip of PIL during the investigation period.
- c. Allegation that Noticee indulged in frequent client code modification/ client code changes while trading/dealing in PIL.
- d. Allegation that Noticee was maintaining huge credit balance in the ledger account of its client viz. Goyal Investment and making interest payment to the client in the guise of 'Brokerage Refund' and thereby indulging in financing activity.
- e. Allegation that the client account of Goyal Investment maintained with the Noticee was misused by it for making salary payment to one Mr Mahesh Pandya for managing the transactions of Goyal Investments.

- i) As regards the alleged violation mentioned at para 17(a) above, I find from the records that the total gross quantity traded/ dealt by the Noticee in the



scrip of PIL i.e total gross buy & sell concentration in the scrip during the investigation period was 2,90,102 shares which constituted 17.76 % of the total gross volume in the scrip of PIL at NSE during the investigation period. I note that ISJ appeared as the top TM at NSE on gross trade basis at 28.94 % of the total traded volume in the scrip during the investigation period. However, on net sell basis, I note that the Noticee appeared as the top TM at NSE with net sell quantity of 78,248 shares (constituting 9.58% of the total volume at NSE). I also observe that the trading concentration in the scrip of PIL by both Noticee and ISJ put together at NSE was 46% of the total trading volume in the scrip during the investigation period. Therefore, it is on record that both Noticee & ISJ constituted substantial trading in the scrip of PIL at NSE.

- ii) From the records made available, I find that M/s Goyal Investments ( Prop. Arun Goyal and belonging to Goyal Family group) was the main client of the Noticee who had traded in the scrip of PIL at NSE and the said client was predominantly selling the shares of PIL through the Noticee. The counter party TM to the trades of the Noticee was ISJ (whose clients were also allegedly the members belonging to the Goyal family group). From the investigation report and other records made available, I note that, on NSE, the scrip of PIL opened at Rs. 8.50 on August 23, 2000 and closed at Rs. 47.10 on September 19, 2000, with a low of Rs. 6.45 on August 23, 2000 and a high of Rs. 51.20 on September 18, 2000. During the investigation period, the volume recorded in the scrip also showed huge variation with lowest volume of 1,900 shares that was recorded on September 11, 2000 and highest volume of 1,44,670 shares that was recorded on August 28, 2000. On BSE, I find that the scrip of PIL opened at Rs. 6 on August 23, 2000 and closed at Rs. 12.65 on September 26, 2000, with a high of Rs. 21.55 on September 19, 2000. The closing price of PIL on September 22, 2000 on NSE & BSE was Rs. 36.75 and Rs. 14.85, respectively i.e a difference of 63.25% and the difference in the traded quantity in the scrip on the same day viz. September 22, 2000 was 1 and 10,072 shares, respectively at the two stock exchanges.



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- iii) As already stated above, there was no commensurate corporate announcement and/or any other significant development announced / made by the company around the investigation period which could justify the huge variation in the scrip price/volume of PIL.
  - iv) I find from the records that Goyal Investments was registered with the Noticee as a client on June 25, 1998 and prior to that, Goyal Investments was dealing through ISJ at BSE. Further, it is observed that Goyal Investments was introduced to the Noticee by none other than Mr. I. S. Jain himself who was the promoter/director of ISJ and the same is also evident from the client registration form of Goyal Investments dated June 25, 1998, which was maintained with the Noticee. The above fact was also admitted by the MD of the Noticee in his deposition made to the investigating officer, SEBI on July 06, 2004. It is also observed that when Mr I S Jain (of ISJ) had introduced Goyal Investments to the Noticee on June 25, 1998, ISJ was only a trading member of BSE and it was not a TM of NSE. I observe that ISJ became a TM of NSE in the year 2000 i.e almost 2 years after it had introduced Goyal Investments to the Noticee at NSE.
  - v) Therefore, from the above and as per the findings of the investigation report, it is implied that Mr. I.S. Jain (of ISJ) knew that Goyal Investments / Arun Goyal was trading /dealing through the Noticee at NSE and therefore, it has been alleged that Goyal Investments chose to deal through the Noticee at NSE for other than bona fide considerations and with manipulative intent. It is in this context that it has also been alleged that Noticee executed 114 structured deals/trades in the scrip of PIL with ISJ as the counter party TM amounting to 1,37,131 shares during the period August 23, 2000 to September 26, 2000.
  - vi) It is pertinent to mention the connections of the clients belonging to the Goyal family group and their overall role in the trading of PIL during the investigation period. During the investigations, it was observed that Mr. Arun Goyal (Prop of Goyal Investments) had received 1,00,000 shares of PIL by way of off-market transaction from Space Age Polymers Private Limited (an entity which belonged to the promoter group of PIL) on August 31, 2000.



The above transaction shows the connections of Goyal Investments with the promoters/management of PIL. Mr. Arun Goyal (Prop of Goyal Investments) and Mr. Pawan Kumar Goyal & the related entities viz. Goyal Bros, Goyal Securities ( Prop. Vinod Goyal) constituted major volumes in the scrip of PIL with respect to the market gross & market net in the scrip of PIL during the period under scrutiny. The relationship among the clients who have allegedly entered into the manipulative trades in the scrip of PIL are given below:-

- Pawan Kumar Goyal is connected with M/s Goyal Investments and Goyal Brothers (Prop Mr. Arun Kumar Goyal, Brother of Mr. Pawan Kumar Goyal) and M/s Goyal Securities (Proprietor, Mr. Vinod Goyal, brother of Mr. Pawan Kumar Goyal)
- Goyal Investments, Goyal Brothers, Goyal Securities were registered Sub brokers of ISJ.
- The partners of Goyal Brothers and Goyal Securities are brothers.
- There was a role of Mr. I S Jain in the trading of Pawan Kumar Goyal.
- M/s Goyal Investment was a registered client with ISJ and the Noticee and Mr. I S Jain introduced M/s Goyal Investment to the Noticee. Mr. I S Jain was also the promoter/ director of ISJ Shares & Securities Ltd.

- vii) The investigation conducted by SEBI found that Noticee on behalf of its client viz. M/s Goyal Investments was the net seller at NSE constituting 29.60% & 1.67% to the market gross and 94.36% & 22.28% to the market net in the scrip of PIL during Settlement 2000035N and 2000038N. It was observed that Noticee purchased a total of 1,05,427 shares and sold 1,82,675 shares of PIL for its client viz. M/s Goyal Investments/Mr. Arun Goyal during the investigation period at NSE. Similarly, M/s Goyal Brothers / Mr. Arun Goyal purchased a total of 28,600 shares and sold 20,000 shares through the stock broker, ISJ at BSE during the period of investigation. It is also observed that M/s Goyal Securities, a proprietary concern of Mr. Vinod Goyal had also dealt in the shares of PIL and had sold a total of 14,900 shares and bought a total of 2,100 shares through the broker, ISJ at NSE during the period of investigation. M/s Goyal Securities had also purchased 4,600 shares and sold 5,650 shares of PIL through the



stock broker, ISJ at BSE. Thus, from the above observations, it can be inferred that the clients of ISJ and the Noticee were found to have executed trades involving substantial number of shares of the company during the investigation period.

- viii) It is an undisputed fact that the Goyal family group viz. Mr. Arun Goyal, Mr. Pawan Kumar Goyal and Mr. Vinod Goyal were the major shareholders of PIL during the relevant period and they belonged to the same family group. As per the distribution schedule received from the various stock exchanges where the shares of PIL were listed, the shareholding pattern of the above mentioned persons/entities in PIL was as under:

| Sr. No. | Name of the shareholder      | As on October 21,1999<br>(Filed with NSE) | As on November 24, 2000<br>(Filed with BSE) |
|---------|------------------------------|-------------------------------------------|---------------------------------------------|
| 1       | Park Continental Ltd.        | 1750000                                   | 701400*                                     |
| 2       | Space Age Polymers Pvt. Ltd. | 459500                                    | 816700*                                     |
| 3       | Arun Goyal                   | 40900                                     | 92600*                                      |
| 4       | Pawan Goyal                  | 36200                                     | 83085*                                      |
| 5       | Vinod Goyal                  | NIL                                       | 79500 (Physical)                            |

- ix) During investigation, it was observed that the scrip of PIL witnessed an increase in NSE from Rs. 8.50/- on August 23, 2000 to Rs. 51.20/- on September 18, 2000. As already mentioned in the present enquiry report, during the investigation period, there were several structured trades/ deals that were executed in the scrip of PIL between the client of the Noticee and with the connected clients of ISJ who also belonged to the Goyal family group. These trades/deals were allegedly executed at the higher end of the circuit filter and almost all the trades were invariably placed at rates which were above the previous day's closing rate. Therefore, it has been alleged that such trades have also resulted in increasing the scrip price of PIL at NSE.
- x) It is observed that during the investigation period, Pawan Kumar Goyal (trading through ISJ) and Arun Goyal of Goyal Investments (trading through the Noticee) executed 114 structured deals accounting to 1,37,131 shares in the scrip of PIL on NSE. These deals constituted 29.01% and 47.66% of the gross traded quantity in respect of the above clients for ISJ and the



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Noticee, respectively on NSE. Further, such structured trades/deals constituted 8.41% of the gross traded volume in the scrip of PIL on NSE.

- xi) It was also observed during the investigations that the structured deals/trades were always placed over and above the last traded price (LTP) in the scrip of PIL and this way, the scrip price of PIL witnessed upward movement in NSE. I find that Annexure IX to the investigation report contained the details of the alleged structured deals/trades executed between the Noticee and ISJ in the scrip of PIL during the investigation period. The same was also shared with the Noticee in the SCN dated October 6, 2009. The role of the Noticee in the said structured trades/deals and whether the trading/dealing of the Noticee had impacted the price movement in the scrip of PIL was examined. The following table shows the data with respect to the Last Trade Price (LTP) variation for trades executed by the Noticee for its client viz. Goyal Investments through the aforementioned structured trades/ deals:-

**TABLE 1**

| Date      | Close Price | Close to Close Variation % | Total Traded Qty (One Side) | Structured deals by Noticee - Type of trade | Qty of Noticee in Structured deal | Avg Price of Structured deals | % of Structured deal to Total Trd Qty | % LTP variation in Structured deals of Noticee |
|-----------|-------------|----------------------------|-----------------------------|---------------------------------------------|-----------------------------------|-------------------------------|---------------------------------------|------------------------------------------------|
| 23-Aug-00 | 8.5         | 49.12                      | 16,300                      | Sell                                        | 300                               | 8.52                          | 1.84%                                 | 5.56%                                          |
| 25-Aug-00 | 13.6        | 50.28                      | 60,050                      | Buy                                         | 100                               | 13.6                          | 0.17%                                 | 3.03%                                          |
| 28-Aug-00 | 16.6        | 22.06                      | 1,44,670                    | Sell                                        | 93,380                            | 17                            | 64.55%                                | 0.00%                                          |
| 29-Aug-00 | 19.35       | 16.57                      | 1,38,487                    | Buy                                         | 13,751                            | 19.44                         | 9.93%                                 | -7.91%                                         |
| 31-Aug-00 | 26.15       | 8.06                       | 60,226                      | Sell                                        | 15,200                            | 25.8                          | 25.24%                                | 0.39%                                          |
| 05-Sep-00 | 29.95       | 6.96                       | 44,368                      | Buy                                         | 8,900                             | 29.8                          | 20.06%                                | -0.67%                                         |
| 06-Sep-00 | 32.35       | 8.01                       | 40,418                      | Sell                                        | 500                               | 30                            | 1.24%                                 | 0.33%                                          |
| 19-Sep-00 | 47.1        | -8.01                      | 52,726                      | Buy                                         | 5,000                             | 53.6                          | 9.48%                                 | -0.09%                                         |

From the above table, it can be seen that the Noticee, as TM has not contributed significantly to the price rise in the scrip of PIL during the investigation period. It is observed that on August 23, 2000 and August 25, 2000, the LTP contribution as a result of the alleged structured deals by the Noticee was 5.56% and 3.03%, which is not significant when compared to the market wide close to close variation of 49.12% and 50.28% on August 23, 2000 and August 25, 2000, respectively. Further, on August 28, 2000,



when the contribution to the total market volume of the structured deals by the Noticee was the highest viz. 64.55%, the LTP contribution of the Noticee was Zero on the said date. Further, on rest of the days, I note that the Noticee's contribution to the LTP is either negative or not significant enough when compared with the total change in the scrip price on that day. Therefore, from the above, it is difficult to arrive at a conclusion that the alleged structured deals by the Noticee could have contributed to the price rise in the scrip of the PIL.

- xii) As mentioned above, during the investigation period, Pavan Kumar Goyal (client trading through ISJ) and Arun Goyal/ Goyal Investments (trading through the Noticee) allegedly executed 114 structured deals/trades in the scrip of PIL amounting to 1,37,131 shares on NSE. All the structured trades/deals were executed at prices above the previous day's closing price. It is observed that, on August 23, 2000, Pawan Goyal ( trading through ISJ) bought 100 shares which were matched with the trades of Goyal Investments (who traded through the Noticee), details of which are explained as under.

| Day Date | Trade time | Trade Price | Trade Qty | Buy Member Name | Sell Member Name | Buy Side Client A/c code | Sell Side Client A/c code |
|----------|------------|-------------|-----------|-----------------|------------------|--------------------------|---------------------------|
| 23-8-00  | 15:03:55   | 8.45        | 100       | ISJ             | NOUVEAU          | 6209                     | 1                         |
| 23-8-00  | 10:58:27   | 8.55        | 200       | ISJ             | NOUVEAU          | 823                      | 1                         |

- xiii) On August 25, 2000, Pawan Goyal (trading through ISJ) sold 44,890 shares of PIL of which trades of 100 shares were matched with the Noticee's trades on behalf of M/s Goyal Investments, details of which are as under.

| Day Date | Trade time | Trade Price | Trade Qty | Buy Member Name | Sell Member Name | Buy Side Client A/c code | Sell Side Client A/c code |
|----------|------------|-------------|-----------|-----------------|------------------|--------------------------|---------------------------|
| 25-8-00  | 15:18:29   | 13.6        | 100       | NOUVEAU         | ISJ              | 75                       | 8056                      |

- xiv) From the structured trades/ deals allegedly entered into between the Noticee and ISJ on two dates i.e. August 23, 2000 and August 25, 2000, there has been an aggregate positive LTP variation of 5.56% and 3.03 % respectively. Further, on 23rd Aug 2000 and 25th Aug 2000, the structured deals constituted only 1.84% and 0.17% respectively.



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xv) On August 28, 2000 when the volume of the alleged structured trades/deals in the scrip was the highest at NSE, it is observed that ISJ was the Buying TM from the start of trade and its buy trades moved the price from Rs.13.6 (previous day last price) to Rs.17. It is seen that there were 9 trades that were executed before the alleged structured deal/trade which commenced between ISJ and the Noticee. However, I note that the investigation report has not mentioned the details (including the order/ trade rate) w.r.t the 9 trades which were executed before the alleged structured deals between the clients of ISJ and Noticee. Further, as already stated, the LTP contribution of the Noticee on August 28, 2000 was zero. All the structured deals between ISJ and the Noticee were executed at Rs.17 on August 28, 2000 and on that day, the alleged structured deals constituted 64.55% of the total traded quantity in that scrip. The total quantity traded by the Noticee and ISJ for and on behalf of their two clients namely, Pawan Goyal (trading through ISJ) and Arun Goyal/Goyal Investments (through Noticee) on August 28, 2000 was 93,380 shares constituting 65% of the net market quantity on that day. The two brokers viz. ISJ and the Noticee executed the orders for their respective clients at consistently higher prices than the previous day's closing price. It is seen from the Order log analysis made available by the department for August 28, 2000 ( Annexure Viii to the investigation report) that initially ISJ placed a sell order of 1,00,000 shares at 9:55:38 AM, at Rs. 17 (which was 25% higher than the previous day's closing price of Rs. 13.60). Subsequently, Noticee placed several sell orders at Rs 17/- from 13:43:33 PM onwards till 14:46:37 hrs (i.e Noticee's orders/trades were placed after a gap of around four hrs from the buy order placed by ISJ), which got matched with the pending buy order of ISJ placed at Rs 17/-.

xvi) Following is observed from the examination of the orders placed by the Noticee and ISJ on August 28, 2000:-

- a. It is pertinently observed that the material made available by the concerned Dept ( IVD), including the investigation report and annexures only contained the extract of the order log/trade log



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analysis which were carried out only for one day i.e on August 28, 2000. For the remaining days of trading in the scrip of PIL between ISJ and the Noticee, such details/information/analysis were not provided by the department. In order to arrive at a definite conclusion whether the trades between ISJ and the Noticee were structured trades/deals, it has to be examined if there was a consistency in the trading pattern in the scrip between ISJ and the Noticee for the entire period of scrutiny and the same should not be restricted to a single day's trading. It is of the view that complete order book analysis vis a vis trade log for the entire period when the alleged structured trades/deals took place has to be studied in depth and only if there is a continuous pattern that is emerging between the trades of the two TMs, such trades can be considered as structured deal/trade. Based on a single day trade analysis, it is difficult to come to a conclusion if the trades between the two TMs were structured trades/deals.

- b. Upon analysis of the details submitted by the Department for August 28, 2000, it is observed that it was ISJ which had placed the buy order first as a buyer for 1,00,000 shares at Rs. 17. Thus, it is seen that it was ISJ which had placed order at a higher price first. (compared to closing price of Rs. 13.65 on previous trading day). It is observed that the sell orders were placed by the Noticee after a gap of almost 4 hours at Rs. 17. Out of the total orders placed by the Noticee, trades for 93,380 shares got matched with ISJ's buy orders on August 28, 2000. It is noted that the buy order of ISJ was already lying pending in the order book at Rs. 17 and Noticee, as a seller, placed its sell orders to match the price of the pending order that was already available in the order book. It is observed that Noticee as a seller is expected to place its sell orders at the highest available rate in the order book. As already stated, there were pending buy orders @ Rs 17 which were placed by ISJ during the start of the trading session on August



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28,2000. Therefore, it is very likely that the sell orders placed by the Noticee would get matched with the pending buy orders of ISJ at Rs 17/.

- c. As already stated, in the instant matter, it is pertinently observed that the extract of the order log vis a vis the trade log analysis was provided by the concerned department i.e IVD for only one day i.e on August 28, 2000 and the order log & trade log analysis of the trades of ISJ and the Noticee for the remaining days of their trading in the scrip were not furnished by IVD. The same is also evident from the submissions of the Noticee to the SCN wherein Noticee had specifically sought for the complete details of order logs for all the days of its trades in order to respond to the allegation that it had executed 114 structured deals/trades in connivance with ISJ. Further, in the absence of the complete order book showing the trades by other TMs ( other than trades of Noticee and ISJ) on August 28,2000, it is not clear whether there were any other pending buy orders other than the buy orders placed by ISJ for 100000 shares @ Rs 17/- at 9.55.38 hrs. In absence of such information, it is difficult to arrive at a definite conclusion as to whether the orders placed by the Noticee were deliberately entered in a manner at such price & time so as to match the same with the orders/trades of ISJ. As a seller, it is logically expected of the Noticee to place its sell orders at highest possible price available in the order book, which the Noticee in the instant case did. Therefore, in order to establish the role of the Noticee in the alleged structured trades/deals, it is essential to establish that the Noticee ignored the other buy orders at even higher price (which were available in the system/ order book before 13:43:33 hrs) and placed its sell orders in the scrip only to match the same with the buy orders of ISJ. The complete details of the Order Book and the details of the rest of the orders entered in the scrip of PIL on that day therefore assumes importance in



view of the fact that the Noticee placed its order almost after four hours of ISJ placing its buy order. As already stated, such details were not made available nor were commented in the investigation report.

- d. Merely because Goyal Investments was introduced to the Noticee by Mr I S Jain (i.e the key person behind ISJ) alone would not suffice to arrive at a conclusion that the trades between Noticee and ISJ were structured trades/deals. I note that Goyal Investments was introduced to the Noticee in the year 1998 whereas the impugned trades took place in August 2000 ie after 2 years. In my assessment, there should be circumstance of determining factor in the form of consistency in the trading pattern between ISJ and Noticee, which can emerge only upon a complete examination of the order book vis a vis the trade logs for the said trades during the related period. As stated earlier, the order book/trade log analysis submitted by the Department for a single day alone i.e on August 28, 2000 is not sufficient to arrive at a conclusion that Noticee had entered into structured deals/trades with ISJ in the scrip of PIL during the investigation period.

- xvii) Therefore, in absence of any evidence to prove the charge of direct involvement of the Noticee in the execution of the structured trades/deals, only circumstantial evidence can be relied upon for establishing the role of the Noticee. Here again, I would now look into the other evidence provided to me to establish the charge against the Noticee. It is observed that the Order log for the alleged structured trades entered between ISJ and the Noticee on behalf of their clients, has been provided only for August 28, 2000, by the concerned department and the same has not been provided for other days when Noticee had traded/dealt in the scrip of PIL. I am of the view that even the order log/trade log analysis furnished by IVD for August 28, 2000 is not adequate to prove beyond doubt that the Noticee was aware and/or could have even doubted that the orders which were being placed



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on behalf of its client were majorly matching with the orders of ISJ. Further, I find that for the remaining alleged structured trades/deals during the entire investigation period, only trade log has been provided by the concerned department as the evidence, which does not contain the details of the time, size and price of the orders placed by either the Noticee or ISJ. It also does not contain the trades/orders placed by other TMs/clients ( i.e other than Noticee & ISJ and their clients) in the scrip of PIL during the relevant period. In the absence of such evidence, it is not possible to establish any pattern in respect of the alleged structured trades/deals executed between the Noticee and ISJ. Further, Noticee's trades were also not the first trade of the day ( i.e on August 28,2000) as there was time gap of almost 4 hours from the trades of ISJ and also that the sell orders placed by the Noticee were scattered i.e orders placed by Noticee from 13:43:33 hrs to 14:46:37 hrs .

- xviii) In this regard, it is pertinent to mention the observations made by Hon'ble SC in its Order dated February 08, 2018 in the matter of SEBI vs Rakhi Trading P.Ltd. , wherein following was observed by the Hon'ble SC:

*"As far as brokers are concerned, we are of the view that there is hardly any evidence on their involvement so as to proceed against them for violation of Regulation 7A of the Brokers Regulations and PFUTP Regulations. Merely because a broker facilitated a transaction, it cannot be said that there is violation of the Regulation. SEBI has not provided any material to suggest negligence or connivance on the part of the brokers. As held by this Court in Kishore R. Ajmera (supra), there are several factors to be considered. We would especially like to refer to the case of Angel Trading wherein the broker repeatedly wrote to the National Stock Exchange informing them about trades in the options segment that were executed at unrealistic prices and requesting them to put in mechanisms in the Options segment so that these trades are not allowed to enter the system. In the absence of any material provided by SEBI to prove the charges against the brokers, particularly regarding aiding and abetting fraudulent or unfair trade practices, we are of the opinion that the orders of SEBI against the brokers should be interfered with. Accordingly, the appeals filed against the brokers are dismissed"*

- xix) In the instant matter, there is no evidence to show that Noticee had connived with ISJ in executing the alleged structured trades/deals in the



scrip of PIL during the investigation period. Further, Hon'ble SAT in the matter of Kishor R. Ajmera vs. Securities and Exchange Board of India, Appeal No. 13 of 2007 decided on February 5, 2008 made observations as under:-

*"Merely because two clients have executed matched trades, it does not follow that their brokers were necessarily a party to the game plan. On a screen based trading through the price order matching mechanism of the exchange, it is not possible for either of the brokers (or sub-brokers) to know who the counter party or his broker (or sub broker) is and when the trade is executed, their names or codes do not appear on the screen."*

- xx) Thus, it is clear from the orders of Hon'ble SAT and Hon'ble Supreme Court mentioned above, that merely because the clients of any stock broker have done a fraudulent trade, it does not mean that the stock broker is also an accomplice in such manipulation. For this to happen, the order log for the relevant period should establish a pattern to show that Noticee was aiding and abetting its clients for executing structured deals. Thus, it has to be proved that the stock broker was indeed aware that such trades are fraudulent or done with malicious intent. I am of the view that without examining the pattern of the orders and trades for the entire period, the Noticee as a stock broker, cannot be faulted for trades done by its client with fraudulent intentions. Therefore, I am convinced that the evidence made available in the instant matter is not sufficient to show that the Noticee was aware that the 114 trades/deals between its client viz. M/s Goyal Investment (Prop: Arun Goyal) and clients of ISJ were structured. Therefore, the allegations against the Noticee that it had aided and abetted its client in executing the 114 structured trades/deals for manipulating the price of the scrip of PIL during the investigation period is without any merit and unsustainable
- xxi) As regards the allegation leveled against the Noticee at para 17 ( b) above, I find that the SCN has alleged that Noticee had executed 8 cross deals/self-trades for a total of 4,600 shares in the scrip of PIL during the entire investigation period. These cross deals/self-trades were executed by the Noticee on behalf of its client viz. Goyal Investments wherein the said client



appeared both on the buy side and sell side of the transaction. From the Table mentioned below, I note that Noticee had executed the cross deals/self-trades on August 25, 2000 ( for 1000 shares), on August 28, 2000 ( for 2900 shares) and on August 29, 2000 ( for 700 shares), details of the self- trades/cross trades mentioned in below Table ( column showing Noticee on both sides).

**TABLE II**

| Date        | Close Price | % Variation of Close to Close Price | Total Traded Qty (One Side) | Noticee Buy Trd Qty | Noticee Sell Trd Qty | Noticee on both sides | % of Noticee trades to Mkt Gross (Both sides) |
|-------------|-------------|-------------------------------------|-----------------------------|---------------------|----------------------|-----------------------|-----------------------------------------------|
| 01-Aug-2000 | 4.50        | -9.09                               | 5600                        | 0                   | 2000                 |                       | 17.9%                                         |
| 02-Aug-2000 | 4.75        | 5.56                                | 600                         |                     |                      |                       | 0.0%                                          |
| 03-Aug-2000 | 4.50        | -5.26                               | 1900                        | 300                 | 0                    |                       | 7.9%                                          |
| 04-Aug-2000 | 4.55        | 1.11                                | 200                         |                     |                      |                       | 0.0%                                          |
| 07-Aug-2000 | 4.20        | -7.69                               | 1100                        | 300                 | 0                    |                       | 13.6%                                         |
| 08-Aug-2000 | 4.20        | 0.00                                | 800                         |                     |                      |                       | 0.0%                                          |
| 09-Aug-2000 | 4.40        | 4.76                                | 1200                        |                     |                      |                       | 0.0%                                          |
| 10-Aug-2000 | 4.50        | 2.27                                | 700                         |                     |                      |                       | 0.0%                                          |
| 11-Aug-2000 | 4.20        | -6.67                               | 2100                        |                     |                      |                       | 0.0%                                          |
| 14-Aug-2000 | 3.95        | -5.95                               | 5200                        |                     |                      |                       | 0.0%                                          |
| 16-Aug-2000 | 4.25        | 7.59                                | 2300                        |                     |                      |                       | 0.0%                                          |
| 17-Aug-2000 | 4.75        | 11.76                               | 12500                       | 5800                | 0                    |                       | 23.2%                                         |
| 18-Aug-2000 | 4.50        | -5.26                               | 3400                        |                     |                      |                       | 0.0%                                          |
| 21-Aug-2000 | 5.20        | 15.56                               | 16500                       | 6100                | 1100                 |                       | 21.8%                                         |
| 22-Aug-2000 | 5.70        | 9.62                                | 25000                       | 5100                | 0                    |                       | 10.2%                                         |
| 23-Aug-2000 | 8.50        | 49.12                               | 16300                       | 500                 | 300                  |                       | 2.5%                                          |
| 24-Aug-2000 | 9.05        | 6.47                                | 21489                       | 4800                | 300                  |                       | 11.9%                                         |
| 25-Aug-2000 | 13.60       | 50.28                               | 60050                       | 2300                | 4600                 | 1000                  | 5.7%                                          |
| 28-Aug-2000 | 16.60       | 22.06                               | 144670                      | 3000                | 136200               | 2900                  | 48.1%                                         |
| 29-Aug-2000 | 19.35       | 16.57                               | 138487                      | 73126               | 800                  | 700                   | 26.7%                                         |
| 30-Aug-2000 | 24.20       | 25.06                               | 39525                       | 0                   | 100                  |                       | 0.1%                                          |
| 31-Aug-2000 | 26.15       | 8.06                                | 60226                       | 0                   | 40100                |                       | 33.3%                                         |
| 04-Sep-2000 | 28.00       | 7.07                                | 21629                       | 0                   | 100                  |                       | 0.2%                                          |
| 05-Sep-2000 | 29.95       | 6.96                                | 44368                       | 16126               | 0                    |                       | 18.2%                                         |
| 06-Sep-2000 | 32.35       | 8.01                                | 40418                       | 0                   | 1000                 |                       | 1.2%                                          |
| 07-Sep-2000 | 34.95       | 8.04                                | 9945                        | 675                 | 0                    |                       | 3.4%                                          |
| 08-Sep-2000 | 37.75       | 8.01                                | 6025                        |                     |                      |                       | 0.0%                                          |
| 11-Sep-2000 | 40.80       | 8.08                                | 1900                        |                     |                      |                       | 0.0%                                          |
| 12-Sep-2000 | 44.10       | 8.09                                | 47902                       | 0                   | 675                  |                       | 0.7%                                          |
| 13-Sep-2000 | 40.60       | -7.94                               | 3100                        |                     |                      |                       | 0.0%                                          |
| 14-Sep-2000 | 43.85       | 8.00                                | 73447                       |                     |                      |                       | 0.0%                                          |
| 15-Sep-2000 | 47.40       | 8.10                                | 17562                       | 400                 | 0                    |                       | 1.1%                                          |
| 18-Sep-2000 | 51.20       | 8.02                                | 15439                       |                     |                      |                       | 0.0%                                          |
| 19-Sep-2000 | 47.10       | -8.01                               | 52726                       | 5000                | 0                    |                       | 4.7%                                          |
| 20-Sep-2000 | 43.35       | -7.96                               | 1031                        | 0                   | 0                    |                       | 0.0%                                          |
| 21-Sep-2000 | 39.90       | -7.96                               | 601                         |                     |                      |                       | 0.0%                                          |
| 22-Sep-2000 | 36.75       | -7.89                               | 1                           |                     |                      |                       | 0.0%                                          |
| 25-Sep-2000 | 33.85       | -7.89                               | 1                           |                     |                      |                       | 0.0%                                          |
| 26-Sep-2000 | 31.15       | -7.98                               | 1                           |                     |                      |                       | 0.0%                                          |
| 27-Sep-2000 | 28.70       | -7.87                               | 3                           |                     |                      |                       | 0.0%                                          |
| 28-Sep-2000 | 26.40       | -8.01                               | 30                          |                     |                      |                       | 0.0%                                          |
| 29-Sep-2000 | 24.30       | -7.95                               | 1                           |                     |                      |                       | 0.0%                                          |



I find from the investigation report that the total gross quantity of shares traded in PIL during the investigation period at NSE ( only taken for Top Ten TMs) was 12,07,110 shares of which the cross deals/ self-trades executed by the Noticee was to the tune of only 4600 shares, which works out to 0.38 %. In my view, considering the miniscule volume of self-trades by the Noticee i.e even after reckoning the total gross volume for top ten TMs on NSE ( and not for the entire volume on NSE) , I do not find the violation by itself significant enough to warrant any enforcement action against the Noticee. Therefore, I am inclined to take a lenient view in respect of the said violation.

- xxii) As regards the alleged violation mentioned at para 17( c ) above wherein it is mentioned that Noticee indulged in frequent client code changes/client code modification during the investigation period, I find that the SCN issued to the Noticee has mentioned that the Noticee had used multiple client codes viz. 1, 4,75, G003 etc for the same client i.e mainly for the trading of Goyal Investments / Arun Goyal while trading/dealing in the scrip of PIL during the investigation period. It is therefore alleged in the SCN that the frequent use of diverse client codes for the above client has been done intentionally by the Noticee in order to secure that the above structured deals/cross deals, which have been discussed in the earlier paragraphs of the Enquiry Report do not get noticed by the exchange authorities. I find that the Noticee has in its submissions made to the SCN stated that during the relevant period i.e August/September 2000 when the impugned trades in the scrip of PIL took place, there was no mandatory requirement to enter the client code at the time of Order placement /Order entry and the codes were also modified/corrected at the end of the day, which according to the Noticee was a prevalent market practice during the relevant point of time. In this regard, I find that, vide SEBI Circular ref. SMDRP/Policy/Cir-39/2001 dated July 18, 2001, Unique Client Code ( UCC) was made mandatory by SEBI for all the clients and the Exchanges were instructed accordingly. Further, I note that a detailed policy on the Client Code modification by Brokers was also issued by SEBI vide SEBI Cir: CIR/DNPD/6/2011 dated



July 05, 2011. From the perusal of the investigation report, I find that nothing has been discussed in the Investigation Report in detail regarding the reasons behind the frequent client code changes /modification made by the Noticee during the relevant period i.e whether they were on account of punching error, mistake and/or for any other reason etc. In this regard, I find from the Investigation Report that following instances of client code modification were carried out by the Noticee:-

- On August 31, 2000, Pawan Goyal trading through ISJ bought a total of 22,706 shares out of which the counterparty for 15,200 shares was M/s Goyal Investments trading through the Noticee, details of which are as under.

| Day Date | Trade time | Trade Price | Trade Quantity | Buy Member Name | Sell Member Name | Buy Side. Client A/c code | Sell Side. Client A/c Code |
|----------|------------|-------------|----------------|-----------------|------------------|---------------------------|----------------------------|
| 31-8-00  | 11:04:43   | 25.8        | 4850           | ISJ             | NOUVEAU          | 8056                      | G003                       |
| 31-8-00  | 13:06:36   | 25.8        | 10350          | ISJ             | NOUVEAU          | 8056                      | G003                       |

- On September 05, 2000, Pawan Goyal sold a total of 20,000 shares of which the counterparty for 8,900 shares was M/s Goyal Investments trading through the Noticee. The price for the buy and sell orders was the same.

| Day Date  | Trade time | Trade Price | Trade Quantity | Buy Member Name | Sell Member Name | Buy Side. Client A/c code | Sell Side. Client A/c Code |
|-----------|------------|-------------|----------------|-----------------|------------------|---------------------------|----------------------------|
| 5- Sep-00 | 13:38:22   | 29.8        | 3100           | NOUVEAU         | ISJ SHARE        | G003                      | 8056                       |
| 5- Sep-00 | 13:38:22   | 29.8        | 5800           | NOUVEAU         | ISJ SHARE        | G003                      | 8056                       |

- On September 19, 2000, Noticee bought a total of 5000 shares for its clients M/s Goyal Investments, all of which were matched with M/s Goyal Securities dealing through ISJ. The client code 8056 pertaining to Pawan Goyal was used by M/s Goyal Securities for which the actual code was 6229.

| Day Date | Trade time | Trade Price | Trade Quantity | Buy Member Name | Sell Member Name | Buy Side. Client A/c code | Sell Side. Client A/c Code | Day Date |
|----------|------------|-------------|----------------|-----------------|------------------|---------------------------|----------------------------|----------|
|----------|------------|-------------|----------------|-----------------|------------------|---------------------------|----------------------------|----------|



|         |          |         |      |      |         |           |      |      |
|---------|----------|---------|------|------|---------|-----------|------|------|
| 19-9-00 | 14:21:10 | 2000038 | 53.6 | 5000 | NOUVEAU | ISJ SHARE | G003 | 8056 |
|---------|----------|---------|------|------|---------|-----------|------|------|

- In case of another entity viz. Shri Sudhir Joshi, certain deals were observed for which the counterparty clients were known to the client as well as to each counterparty. On August 23, 2000 Mr. Sudhir Joshi bought a total of 200 shares for which the counterparty was Mr. Pawan Goyal trading through ISJ. The client code 823 was also used by Mr. Sudhir Joshi for which the actual code was 8723.

| Day Date | Trade time | Trade Price | Trade Quantity | Buy Member Name | Sell Member Name | Buy Side. Client A/c code | Sell Side. Client A/c Code |
|----------|------------|-------------|----------------|-----------------|------------------|---------------------------|----------------------------|
| 23-8-00  | 10:58:27   | 8.55        | 200            | ISJ SHARE       | NOUVEAU          | 823                       | 1                          |

- On August 29, 2000, Mr. Sudhir Joshi sold a total of 4500 shares of which the counterparty client for 4451 shares was M/s Goyal Investments trading through the Noticee. The price for both the buy and the sell orders was the same in the first case.

| Day Date | Trade time | Trade Price | Trade Quantity | Buy Member Name | Sell Member Name | Buy Side. Client A/c code | Sell Side. Client A/c Code |
|----------|------------|-------------|----------------|-----------------|------------------|---------------------------|----------------------------|
| 29-8-00  | 11:58:08   | 20.5        | 1550           | NOUVEAU         | ISJ SHARE        | 4                         | 8723                       |
| 29-8-00  | 11:59:06   | 20.1        | 2901           | NOUVEAU         | ISJ SHARE        | 1                         | 8723                       |

From the observations of client code modifications by the Noticee, as detailed above, I note that the frequent client code modification by the Noticee without any valid reason is not a healthy practice. However, since the impugned trades of the Noticee were before the aforementioned SEBI Circulars, I am inclined to take a lenient view w.r.t the aforementioned alleged violation against the Noticee.

- xxiii) As regards the allegation leveled against the Noticee at para 17 (d) above, I observe from the findings of the investigation report that it has been alleged that the ledger account of M/s Goyal Investments i.e the client ledger of Goyal Investments maintained with the Noticee had huge credit balance for almost 6 months during the relevant period i.e during the year 2000. I note from the observations/findings of the investigation report that



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M/s Goyal Investments was keeping substantial funds with the Noticee for about 6 months from April to September, 2000. Although there is no entry w.r.t payment of interest made by the Noticee to M/s Goyal Investments in the ledger account towards the excess balance, I observe that there was a credit entry of Rs. 3,30,000/- that was made on February 17, 2001 in the client ledger of Goyal Investment on account of "*Brokerage Refund*". As per the findings of investigation, this entry appears to be in lieu of the interest due to M/s Goyal Investments on account of the huge funds kept with the Noticee. Further, upon examination of the client ledger, which was enclosed along with the investigation report, I note that there were two entries of Rs. 6,215/- and Rs.2,070/- on July 27, 2000 and July 31, 2000 respectively where the account of M/s Goyal Investments has been debited by the Noticee on account of interest charged/debited (*for 7 days on Rs. 9 lakhs and for 7 days on Rs. 3 lakhs*).

- xxiv) As submitted by the Noticee, during the course of investigation, the interest levied of Rs. 2,070 and Rs. 6,215 were on account of late realization of cheques of Rs. 3 lakhs and Rs. 9 lakhs issued on July 19, 2000 and July 24, 2000, which were dishonored on presentation. In view of the above observations, I note that the investigation report has drawn a conclusion that when Noticee has debited the account of Goyal Investments to the tune of Rs 2,070/- & Rs 6,215/- towards late payment/dishonor of cheque, as a logical corollary to this, the aforementioned credit of Rs 3,30,000/- made by the Noticee in the account of Goyal Investments on February 17, 2001 could very well be the interest paid by the Noticee to Goyal Investments towards the excess credit balance maintained by Goyal investments with the Noticee. I find from the investigation report that nothing has been mentioned as regards the amount/total quantum of credit balance of Goyal Investments that were lying with the Noticee during the said period and whether there were any pay-in obligation and/or open position of the said client with the Noticee against the credit balance. Further, the allegation that the Noticee has refunded Rs 3.30 lacs in lieu of brokerage refund has not been substantiated. In this regard, the investigation report has also not



commented on the total business volume done by the Noticee on behalf of its client viz. Goyal Investments i.e total business done and brokerage earned by the Noticee while trading in PIL and also in scrips other than PIL for and on behalf of Goyal Investments during the relevant period and also whether any rebate in brokerage charged has been arrived at and credited etc. In other words, the investigation report has not brought out any observations w.r.t the total brokerage charged by the Noticee from Goyal Investments for the related period and for the entire trading of the said client through the Noticee during the relevant period, details of brokerage scales agreed upon by the parties viz. Noticee and the client and whether the Rs 3.3 lacs was actually the rebate made by the Noticee to Goyal Investments against the excess brokerage charged by the Noticee from its client. As stated above, I find from the investigation report that an inference has been drawn that when the Noticee had debited the client account of Goyal Investments towards late payment/dishonor of cheques, as a logical corollary, the amount of Rs 3.30 lacs could be towards the refund of brokerage. In my view, without assessing the total component of brokerage collected by the Noticee from the said client for its trades in PIL and other scrips during the relevant period and also by not assessing the total brokerage charged by the Noticee from the client across all scrips, the above conclusion drawn that the same is towards brokerage refund is difficult to sustain. I am of the view that during investigations, the factual position w.r.t the payment of Rs 3.3 lacs to Goyal investments should have been ascertained from the Noticee during the course of investigation instead of relying upon the entry made by the Noticee in the client ledger of Goyal investments that the same was towards the 'brokerage refund'. There is nothing on record in the investigation report to show that Noticee was asked to justify the details w.r.t refund of Rs 3.30 lacs made by it to Goyal Investments was towards the brokerage refund, except an entry made to this effect in the client ledger. On this basis alone, it is difficult to hold the allegation leveled against the Noticee that it had refunded the excess brokerage amount so as to induce the client for more business. Therefore,



in my view, the allegation leveled against the Noticee of having violated the provisions of clause C (5) of the Code of Conduct for Stock Brokers contained in the Stock Broker Regulations is unsustainable.

- xxv) As regards the allegation levelled against the Noticee at para 17 (e) above, I find from the client ledger of Goyal Investments that the Noticee has admittedly debited the ledger account of Goyal Investments on 11/11/2000 and 13/11/2000 for Rs 16,000/- and Rs 4,000/- respectively towards the salary payment made to one Mr Mahesh Pandya who according to the Noticee was managing the client account of Goyal Investments. The Noticee has mentioned that as per an arrangement which was agreed upon by it with Goyal Investments, Mr Mahesh Pandya was entitled to salary of Rs 4000/- P.M for managing the account of Goyal Investments and the payment would be debited from the client account of Goyal Investment, which would be reimbursed to the Noticee later by Goyal Investments. Accordingly, there were debit entries which were made from the client ledger of Goyal Investments, as mentioned above.
- xxvi) In this context, I am of the view that the client ledger maintained by a stock broker should be reflecting only genuine transactions arising out of securities market operations of the client viz. receipt of money when shares are sold, payment made towards pay in obligations, margin payments, margin credited, entries for receipt of corporate benefit if any and/or towards payment made for statutory purpose relating to securities trading of the client through the broker . In the instances cited above, the Noticee cannot use the credit balance lying in the client ledger for making payments to third parties, as is observed in this case, even though the same has been made after mutual agreement, as per the version of Noticee. In view of the above and the fact that only two instances were noted and also that the value involved in respect of the transactions being small, I find that Noticee has technically violated the provisions of the code of conduct prescribed for stock brokers in the Stock Broker Regulations, specifically Clause A (2) of the Code of Conduct. However, since the instances are only few and the



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amount involved is not significant, I am not inclined to invoke any enforcement action for the said lapse on the part of the Noticee.

### **Other Observations**

18. The following observations are also relevant in the context of the present proceeding:

- a) As stated above, the crux of the allegation levelled against the Noticee in the present proceeding is that Noticee has allegedly entered into structured trades/deals with another TM viz. ISJ during the investigation period for and on behalf of Goyal Family group clients. As already stated, the investigation report and the enclosures submitted by the Department only contained the order log vis a vis trade log analysis carried out for one day i.e August 28, 2000 and for the remaining days of the investigation period, only the trade logs were made available, which did not contain the order placement analysis vis a vis the alleged structured trades. NSE has also expressed its inability to submit the required data as the same were not available in their archives.
- b) In the instant matter, it is pertinently noted that investigation report and related annexures were incomplete. The same is also evident from the reply of the Noticee wherein it had sought complete records to make its submission to the SCN. The Noticee had specifically sought the complete order log/trade log report to enable it to submit its views on the alleged structured trades/deals. In the instant matter, in view of the above reasons, only the data/information made available to the DA by IVD could be sent to the Noticee.
- c) The file containing the appointment of DA was received by the undersigned on January 16, 2009. The Noticee was suspended from NSE w.e.f November 1, 2006 for its failure to meet capital adequacy requirements (as confirmed by NSE). As understood from NSE, the membership of the Noticee is still in suspended mode. In view of the same, during the course of proceeding, Noticee was also not having the



relevant records as it had stopped trading. The same has also been stated in Noticee's submissions.

- d) In the matter of manipulation in the scrip of PIL, an Order dated December 31, 2009 u/s 11B r/w 11(4) of the SEBI Act has been passed by SEBI against the Goyal family group and related entities restraining the persons/clients/entities belonging to Goyal family group from accessing the securities market and also prohibiting them from buying, selling or dealing in securities, directly or indirectly, for a period of one year.
- e) Enquiry Proceedings which were initiated against the two TMs viz. ISJ Share and Stock Brokers Pvt Ltd and ISJ Securities Pvt Ltd have been settled vide consent orders passed in terms of SEBI Cir No EFD/ED/Cir-1/2007 dated April 20, 2007.

#### **RECOMMENDATION:**

19. Therefore, considering the above observations/findings against the Noticee and also keeping in mind the fact that Noticee as Trading Member has been suspended by NSE since November 2006 and continues to remain suspended even as on date, I, in terms of Regulation 27 of the Intermediaries Regulations, recommend that a warning may be issued to the Noticee, in the facts and circumstances of the case and for its lapses, as observed in the preceding paragraphs of the report.

**PLACE: Mumbai**

**DATE : March 31, 2021**



**SURESH B MENON**

**DESIGNATED AUTHORITY**