BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/AE-S./2021-22/15699]

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

In respect of:

Finquest Securities Pvt Ltd

PAN: AABCB7028F

In the matter of Asian Granito India Ltd

FACTS OF THE CASE IN BRIEF:

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') carried out an investigation into trading in the scrip of Asian Granito India Limited (hereinafter referred to as "**AGIL/Company**") for the period December 15, 2011 to October 09, 2014 (hereinafter referred to as '**Investigation period/ Examination Period/ IP**'). The focus of the investigation was to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**) during the aforesaid investigation period. The

shares of the Company were listed on BSE Ltd (BSE) and National Stock Exchange of India Ltd (NSE).

2. During the course of investigation SEBI observed that there were 16 suspected entities from the Bharat Patel Group, out of which certain group entities have traded in the scrip during the investigation period. It was noted that the 6 Bharat Patel Group entities repetitively executed synchronized trades on BSE within the group for 21,42,281 shares (18.55% of the market volume) in 26 trades over 8 trading days and thus created misleading appearance of trading in the scrip without any intention of change in ownership of the security. It was also observed that the '*suspected entities'* have executed synchronized trades for 8,46,482 shares (7.96% of the market volume) over 6 trades on 5 trading days at NSE during the investigation period. In view of the above, it was observed that the trades of aforementioned 6 *suspected entities* of the Bharat Patel Group at BSE have violated the provision of section 12A (a), (b) and (c) of SEBI Act read with regulations 3 (a), (b), (c) and (d), 4(1) and 4(2) (a) and (g) of the PFUTP Regulations.

3. It was also observed that Finquest Securities Pvt. Ltd. (hereinafter referred to as the "**Noticee**"), was the broker and counterparty broker for 13 out of 26 synchronized trades at BSE for a quantity of 12,27,197 shares (10.62% of the market volume) during the investigation period. All the buy and sell synchronized trades were executed from terminal ID 4 and 6 at Noticee. It was observed that two of the suspected entities Hardik Bharat Patel and Minal Bharat Patel were directors of Noticee. Thus, it was observed that Noticee is connected to the suspected entities which have indulged in synchronized trades and in view of the same, it was alleged that Noticee facilitated their fraudulent trades and created misleading appearance of trading in the scrip without any intention of change in ownership of the security. In view of the above, it was alleged that Noticee has violated the provisions of

section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) and (g) of the PFUTP Regulations. Further, it was alleged that the Noticee being a SEBI registered broker, it failed to exercise due skill, care and diligence in conduct of its business thereby violating clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as '**Stock Brokers Regulations**').

APPOINTMENT OF ADJUDICATING OFFICER

4. Vide order dated May 04, 2020, Shri Amit Pradhan was appointed as Adjudicating Officer ('**AO**') under Section 15-I of the SEBI Act read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) inquire into and adjudge under section 15HA and 15HB of the SEBI Act, the alleged violations of the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) and (g) of the PFUTP Regulations and clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, by Noticee. Subsequently, the undersigned was appointed as the AO in the matter by SEBI vide its order dated June 18, 2021.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A show cause notice vide ref. no. EAD-2/AP/VS/11694/2020 dated July 14, 2020 (hereinafter referred to as '**SCN**') was issued to Noticee under Rule 4 of the

Adjudication Rules to show-cause as to why an inquiry should not be initiated against Noticee and penalty, if any, not be imposed upon it under the provisions of 15HA and 15HB the SEBI Act for the aforesaid violations alleged to have been committed by them.

6. The allegations levelled against Noticee in the SCN are as under:

   a) During the investigation, the price volume data of the scrip at BSE for the period before, during and after the investigation period was noted as mentioned in following graphs and tables:

Chart-1: Price Volume movement at BSE

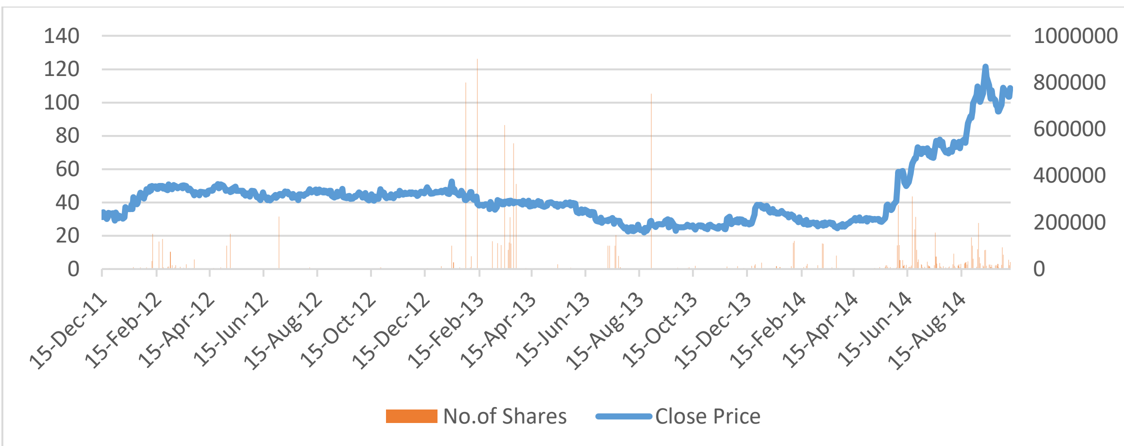

Table-1: Price movement at BSE

Period	Dates		Open	Close	Low	High	Total traded shares (Daily Avg.)
Pre Investigation Period	15-09-2011 to 14-12-2011	Price	43.45	37	30.30 (30-11-2011)	45.95 (10-10-2011)	76,880 (1,326)
		Vol	6,680	33	1 (21-11-2011)	10,921 (11-11-2011)	
Patch 1 Fall (405 days)	15-12-2011 to 20-08-2013	Price	34.05	22.05	21.30 (02-08-2013)	56.75 (28-02-2012)	62,83,062 (15,476)
		Vol.	3,092	557	1 (22-12-2011)	901,483 (12-02-2013)	
Patch 2 Rise (273 days)	21-08-2013 to 09-10-2014	Price	25.55	108.65	22.00 (14-11-2013)	121.90 (11-09-2014)	52,67,596 (19,225)
		Vol.	537	29,835	1 (10-12-2013)	751,519 (28-08-2013)	
Post Investigation period	10-10-2014 to 09-01-2015	Price	110.00	150.9	101.50 (16-10-2014)	172.80 (18-11-2014)	46,22,148 (75,773)
		Vol	57,699	28,018	6,999 (22-12-2014)	370,788 (22-10-2014)	

b) It was observed that 6 Bharat Patel Group entities (out of total 16 suspected entities of Bharat Patel Group) carried out synchronized trades on BSE within the group for 21,42,281 shares (18.55% of the market volume) in 26 trades over 8 trading days and thus created misleading appearance of trading in the scrip without any intention of change in ownership of the security. It was also observed that the suspected entities have executed synchronized trades for 8,46,482 shares (7.96% of the market volume) over 6 trades on 5 trading days at NSE during the investigation period.

c) The Noticee was the broker and counterparty broker for 13 out of 26 synchronized trades at BSE for a quantity of 12,27,197 shares (10.62% of the market volume) during the investigation period. All the buy and sell synchronized trades were executed from terminal ID 4 and 6 at Noticee. Two of the suspected entities Hardik Bharat Patel and Minal Bharat Patel are directors of Noticee. Thus, Noticee is connected to the suspected entities which have indulged in synchronized trades and in view of the same, it is alleged that the Noticee facilitated their fraudulent trades and created misleading appearance of trading in the scrip without any intention of change in ownership of the security. Further, it was alleged that the Noticee being a SEBI registered broker, it failed to exercise due skill, care and diligence in conduct of its business

7. The SCN was sent to the Noticee through SCN was sent to Noticee through Speed Post Acknowledgement due (herein after referred to as '**SPAD**') on July 14, 2020, and the same was duly served on Noticee. Noticee was given fourteen (14) days' time from the date of receipt of SCN to make its submissions in respect of the allegations made in the SCN. The Noticee failed to submit its reply to the SCN dated July 14, 2020 within the time stipulated in the SCN. Thereafter, the Noticee was issued a Hearing Notice dated October 07, 2020 which was duly served upon the Noticee by email dated October 07, 2020. However, the Noticee failed to appear on the scheduled date of hearing i.e. October 22, 2020. Subsequently another Hearing Notice dated February 10, 2022 was issued to the Noticee granting an opportunity of personal hearing before the undersigned on February 28, 2022. The Hearing Notice dated February 10, 2022 was sent to the Noticee by SPAD and the same was duly served on Noticee. In view of the Noticee's request for a short adjournment vide email dated February 26, 2022, the hearing was adjourned to March 09, 2022. The hearing was attended by Advocate Mr. Rihal Razi and Mr. Deepak Chavda, Authorised Representatives (ARs) of the Noticee, on the scheduled date. During the hearing, the AR of the Noticee made the following submissions:
   a. There was delay in issuing the SCN in the present adjudication proceedings. Due to delay in issuing the SCN, prejudice has been caused to Noticee as it is not possible to check/verify the records relating to the matter.
   b. The assumption of connected entities provided in the SCN is unreasonable and unrealistic.

c. Synchronised trades are not per se illegal. In the present matter, full payment/delivery of securities was made for the trades in question.

d. The impugned trades were miniscule in percentage. Violation of PFUTP Regulations is not established in this case as no fraud has been established.

8. The AR of Noticee requested time till March 10, 2022 for making written submissions in the matter which was acceded to by the Adjudicating Officer. Subsequently, the Noticee's written submissions, vide enclosing letter dated March 10, 2022, were taken on record. Thus, the Noticee made the following additional submissions:

a. The Noticee denied all allegations made in the SCN.

b. The SCN was issued after an inordinate delay of 8 years as the investigation period is from December 15, 2011 to October 09, 2014. Thus, prejudice has been caused to Noticee as it is not possible to recollect the reasons for execution of the trades in question or check/verify the records relating to the matter which could only be maintained for a period of 5 years as per Regulation 18 of SEBI (Stock Brokers) Regulation, 1992. In support of the aforesaid contention the Noticee has placed reliance upon the judgement of the Hon'ble Supreme Court in Government of India vs. Citedal Fine Pharmaceuticals, Madras and Others and Adjudicating Officer, SEBI vs. Bhavesh Pabari and rulings of Hon'ble SAT in Ashok Shivlal Rupani v. SEBI, Bharat J Patel v. SEBI, ICICI Bank v. SEBI, Subhkam Securities v. SEBI, Libord Finance Ltd., HB Stockholdings Ltd. case, and Price Waterhouse case.

c. Most of the alleged trades are in excess of 0.5% of the equity capital of AGIL. In fact, 5 out of the total alleged 13 synchronised trades are bulk trades and as such ought to have been displayed on the bulk deal window of the Stock Exchange. The trades in question were expressly reported to the Stock Exchange which has not found any irregularity with any of the said trades.

d. The SCN alleges existence of a group of 16 "suspected entities" called the Bharat Patel Group. Out of the 16 suspected entities 6 suspected entities are alleged to have traded in the scrip of AGIL during the investigation period. The rational provided in the SCN to justify the same is completely erroneous and forms no basis at all. The SCN fails to appreciate that the Noticee and the other corporate entities mentioned in the purported group of "connected entities" are separate legal entity distinct from its members and clients.

e. SCN fails to appreciate that the purported trades were executed on the floor of the stock exchanges and in accordance with the stock exchange mechanism, on various dates. The trades took place between different parties, at the market price, where full payment by the buyer/s was/were effected, and delivery thereof was made to the buyer/s. All the trades resulted into payment and delivery. Thus, the allegation that there was no change of ownership of the shares traded for and on behalf of the clients of the Noticee is wrong and incorrect.

f. Synchronised trades are not illegal if payment was made and delivery of the shares took place. the alleged synchronized trades were executed in the duration between March 2012 and March 2014 on various days where delivery and payments were exchanged. Thus, the allegations against the Noticee of 'having no_intension to transfer beneficial ownership of the shares' cannot be sustained. The said allegation could have been sustained, had the trades been squared off on the same day, thereby avoiding taking delivery of the shares. Hence, the entities (buyer/s) of the scrip/s on the said date became the duly registered owner and holder of the shares and as per Section 2(a) and Section 10(3) of the Depositories Act, the beneficial ownership had in fact the legally transferred.

g. The SCN fails to appreciate that the alleged trade could have been carried out by its clients for various purposes, including for booking of profit/losses and/or for taxation purpose and/or for any other reason, unknown to the Noticee. The Noticee has no prerogative to question the trading decisions of its clients.

h. The SCN disregards the fact that the alleged trades were miniscule to the total turnover of the Noticee and its clients. Despite there being an efficient and active surveillance system of the respective stock exchanges, no alarm was raised by them to have found anything unusual or illegal. The SCN does not allege that the purported trades caused any price manipulation or volume manipulation. The SCN also does not report or point out any investor grievances being made to it.

i. The allegations of violating provisions of the PFUTP Regulations can be established, only on establishing that a fraud had been committed by the Noticee and/or on the basis of a concrete charge proven in the regard, which lacks in the present SCN.

j. It was contended that SEBI has not taken any action against the Counter-party brokers who had acted for their respective clients in 19 trades, out of the 32 purported synchronised trades.

k. Thus, the Noticee should be discharged from the instant adjudication proceeding without any adverse direction/order and the SCN be recalled/dropped.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

9. I have carefully examined the material available on record, and the submissions made by the Noticee. The issues that arise for consideration in the present case are :

   I. Whether the Noticee has violated the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) and (g) of the PFUTP Regulations, and Clause A (2) of Code of Conduct for Stock

Brokers as specified under Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992?

II. Does the violation, if established, attract monetary penalty under Sections 15HA and 15HB of SEBI Act, 1992?

III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act, 1992?

10. Before proceeding further, I find it relevant to refer to the relevant provisions of the SEBI Act, PFUTP Regulations and Stock Brokers Regulations alleged to be violated by the Noticee, as below:

SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. *No person shall directly or indirectly—*

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations, 2003

3. *Prohibition of certain dealings in securities*

No person shall directly or indirectly—

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

(b) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

(c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

(d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

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

Stock Brokers Regulations

Conditions of registration.

9. *Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-*

…

(f) *he shall at all times abide by the Code of Conduct as specified in Schedule II;*

SCHEDULE II

Securities and Exchange Board of India (Stock Brokers) Regulations, 1992

CODE OF CONDUCT FOR STOCK BROKERS

[Regulation 9]

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.*

Issue No. 1: Whether Noticee has violated the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) and (g) of the PFUTP Regulations, and Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992?

11. I note that the Noticee has contested that the SCN ought to be set aside on the ground of inordinate delay in the issuance of the same. It has expressed its inability in defending allegations over events that have taken place long time ago. I note that in the case of Bharat J Patel & Others vs. SEBI, decided vide order dated September 8, 2020, the Hon’ble SAT had emphatically iterated that “*whether delay has caused prejudice to the parties would depend on the facts of each case.”* I also note that the

investigation in the matter pertained to the period between December 15, 2011 and October 09, 2014. The investigation was initiated and it involved complex and detailed Self-trade analysis, LTP Analysis, Broker and Client Concentration Analysis, Synchronized Trade Analysis and discovery and establishment of connection between 16 connected entities of Bharat Patel Group. The investigation was completed on March 29, 2019. Thus, adjudication proceeding and Whole Time Member (WTM) proceeding were approved on the same date. Thereafter, the first SCN in the matter was issued in the WTM proceedings on December 02, 2019. It is also noted that Shri Santosh Shukla was originally appointed as the Adjudicating Officer (**AO**) in the captioned matter on August 08, 2019. Subsequently, Shri Amit Pradhan was appointed as the AO on May 04, 2020, consequent to the transfer of Shri Santosh Shukla and the SCN was issued on July 14, 2020. Thereafter, the undersigned was appointed as the AO in the matter by SEBI vide its order dated June 18, 2021. It is noted that the WTM Order against the group entities in the captioned matter was passed on October 20, 2021. Thus, in view of the above, I find that the proceedings against Noticee have been initiated within a reasonable period of time. I note that, the Noticee has merely expressed its inability to defend itself, without specifically pointing out the prejudice, if any, that has been caused to it due to the alleged delay in the issuance of the SCN. Thus, the contentions of Noticee in this regard are liable to be rejected.

12. Noticee has also contended that the mandatory requirement for stock broker to preserve records is of 5 years. In this regard, I note that the Stock Broker Regulations provide for maintenance of records for a minimum period of 5 years and not otherwise. The Noticee has failed to state as to what record/document/evidence that could not be accessed/obtained because of the alleged passage of time which has prejudiced its ability to defend itself. I note that the Noticee was provided with the following documents along with the SCN: a) Price volume data during the investigation period,

b) Basis of connection amongst the Bharat Patel Group, c) Copy of trade and order log received from BSE and NSE. Thus, looking at the material available at the disposal of the Noticee, I find that the Noticee has been provided with all the material that would have been abundantly adequate to facilitate recollection of events or collection of relevant data and thereby enabling it to form a definite defense to the charges in the SCN. On the other hand, I note that SEBI Act, 1992 and the regulations framed thereunder serve a larger public purpose in the form of investor protection and the regulation and development of the securities market. These purposes would stand defeated if manipulators are allowed to go scot free just because of the time taken to conclude a complex and detailed investigation. In view of the above facts, I find that no prejudice has been caused to the Noticee, nor the Noticee has been able to sufficiently make out a case about the prejudice due to the alleged delay in the issue of the SCN.

13. I note that the main allegation against the Noticee is that it is connected to a group of entities (hereinafter referred to as “Bharat Patel Group”) which has indulged in synchronized trades and in view of the same, it is alleged that the Noticee facilitated their fraudulent trades which created misleading appearance of trading in the scrip without any intention of change in ownership of the security. Further, it is alleged that the Noticee being a SEBI registered broker was bound to maintain high standards of integrity, promptitude and fairness in the conduct of its business and it failed to exercise due skill, care and diligence laid down in the code of conduct for Brokers enshrined in Stock Broker Regulations.

14. I note that investigations has identified a group of 16 entities who are referred to as Bharat Patel Group. The inter-se relationship among the Bharat Patel Group entities has been brought on the basis of Know Your Client (KYC)/Unique client code (UCC) details, MCA website (for common directors), Bank statements and Off market

transfers, and the same has been elaborated in Annexure B of the SCN issued to the Noticee. The details of the 16 suspected entities of Bharat Patel Group are as follows:

Table 1: Suspected entities of Bharat Patel Group

Sr. no.	PAN No.	Entity Name	Sr. no.	PAN No.	Entity Name
1	AAAPP6652R	Bharat Jayantilal Patel	9	AAACP3115E	Pat Financial Consultants Pvt. Ltd.
2	ANDPP9202F	Ruchit Bharat Patel	10	AAICA9489N	Acira Consultancy Pvt. Ltd.
3	AACPP5126G	Minal Bharat Patel	11	AACCG3017C	Gandiv Investment Pvt. Ltd.
4	AHIPP1407H	Hardik Bharat Patel	12	AACCH5285R	Hridaynath Consultancy Pvt. Ltd.
5	AABPP2156M	Prashant Jayantilal Patel	13	AABCP1438P	Pranav Holdings Pvt. Ltd.
6	AABPP2157L	Pankaj Jayantilal Patel	14	AABCF0017A	Fidelity Multitrade Pvt. Ltd.
7	ABAPS7558L	Vanraj Vinod Shah	15	AAFCM3690Q	Moneybee Realty Pvt. Ltd.
8	AAGPK6090A	Ajaykumar Banwarilal Kejriwal	16	AAACP8316P	Pasha Finance Pvt. Ltd.

15. The details of basis of connection as elaborated in Annexure B to the SCN is reproduced below –

Table 2: Basis of connection of Bharat Patel Group

Sr. no.	PAN	Entity Name	Basis of Connection
1	AAAPP6652R	Bharat Jayantilal Patel	1. Director in Fidelity Multitrade Ltd., Finquest Financial Solutions Pvt. Ltd., Pranav Holdings Pvt. Ltd., Pasha Finance Pvt. Ltd. and PAT Financial Consultants Ltd. 2. Fund movement with Prashant Jayantilal Patel, Hardik Bharat Patel, Ruchit Bharat Patel, Minal Bharat Patel, Vanraj Vinod Shah, PAT Financial Consultants Pvt Ltd and Pranav Holdings Pvt Ltd.
2	AACPP5126G	Minal Bharat Patel	1. Director in Finquest Securities Pvt. Ltd. (Member, BSE), Fidelity Multitrade Pvt. Ltd., Pasha Finance Pvt. Ltd.& Finquest Financial Solutions Pvt. Ltd. 2. Fund movement with Bharat Jayantilal Patel, PAT Financial Consultants Pvt. Ltd.
3	AHIPP1407H	Hardik Bharat Patel	1. Director in Finquest Securities Pvt. Ltd.(Member, BSE), PAT Financial Consultants Pvt. Ltd. & Finquest Financial Solutions Pvt. Ltd. 2. Fund movement with Bharat Jayantilal Patel, PAT Financial Consultants Pvt. Ltd.
4	ANDPP9202F	Ruchit Bharat Patel	1. Director in Fidelity Multitrade Pvt. Ltd. & Pat Financial Consultants Pvt. Ltd. 2. Fund movement with Bharat Jayantilal Patel,

5	AABPP2156M	Prashant Jayantilal Patel	1. Director in Pat Financial Consultants Pvt. Ltd 2. Fund movement with Bharat Jayantilal Patel
6	AABPP2157L	Pankaj Jayantilal Patel	1. Director in Pranav Holdings Pvt. Ltd.
7	ABAPS7558L	Vanraj Vinodchandra Shah	1. Director in Hridaynath Consultancy Pvt. Ltd. 2. Fund movement with Bharat Jayantilal Patel
8	AAGPK6090A	Ajaykumar Banwarilal Kejriwal	1. Off market transfers between Ajaykumar Banwarilal Kejriwal and Hridaynath Consultancy Pvt Ltd.
9	AAACP3115E	Pat Financial Consultants Pvt. Ltd.	1. Bharat Jayantilal Patel, Hardik Bharat Patel, Ruchit Bharat Patel and Prashant Jayantilal Patel are the directors. 2. Fund movement with Bharat Jayantilal Patel, Minal Patel, Hardik Patel, Acira Consultancy Pvt Ltd., Moneybee Realty Pvt Ltd and Hridaynath Consultancy Pvt Ltd
10	AAICA9489N	Acira Consultancy Pvt. Ltd.	1. Shanker Tuljaram Kirpalan is the director. He was also director on Finquest Securities Private Limited between March 28, 2005 to April 30, 2014. Hardik Bharat Patel and Minal Bharat Patel, Hardik Bharat Patel are directors in Finquest securities Pvt. Ltd. Since February 15, 2001 2. Fund movement with Gandiv Investment Pvt Ltd., PAT Financial Consultants Pvt Ltd 3. Off market transfers between Acria Consultancy Pvt Ltd and Hridaynath Consultancy Pvt Ltd.
11	AACCG3017C	Gandiv Investment Pvt. Ltd.	1. Fund movement with Acira Consultancy Pvt. Ltd.
12	AACCH5285R	Hridaynath Consultancy Pvt. Ltd.	1. Vanraj Vinodchandra Shah is a director 2. Fund movement with PAT Financial Consultants Pvt. Ltd. 3. Off market transfers between Acria Consultancy Pvt Ltd and Hridaynath Consultancy Pvt Ltd (Hriday) between Ajaykumar Banwarilal Kejriwal and Hriday.
13	AABCP1438P	Pranav Holdings Pvt. Ltd.	1. Bharat Jayantilal Patel, Pankaj Jayantilal Patel are directors. 4. Fund movement with Bharat Jayantilal Patel,
14	AABCF0017A	Fidelity Multitrade Pvt. Ltd.	1. Bharat Jayantilal Patel, Minal Bharat Patel and Ruchit Bharat Patel are the directors.
15	AAFCM3690Q	Moneybee Realty Pvt. Ltd.	1. Dhiren Shevantilal Shah is a director. He is also a director in Tee Ventures India Pvt Ltd on which Bharat Jayantilal Patel was director between March 29, 2011 to July 05, 2015. 2. Fund movement with PAT Financial Consultants Pvt. Ltd.
16	AAACP8316P	Pasha Finance Pvt. Ltd.	1. Bharat Jayantilal Patel and Minal Bharat Patel are directors.

16. I note that the Noticee has contended that the rationale provided in the SCN to justify the connection of the 16 “suspected entities” is completely erroneous and forms no basis at all. The Noticee has further contended that the SCN fails to appreciate it and the other corporate entities mentioned in the purported group of connected

entities are separate legal entity distinct from its members and clients. I note that the connection among the 16 suspected entities forming part of the Bharat Patel Group has been depicted in the above connection table (provided as Annexure B of the SCN). It is pertinent to mention that the veracity of the facts noted in the said connection table has not been disputed by the Noticee. I find that the Noticee has not advanced a single argument to challenge or disprove the connection amongst the entities of the Bharat Patel Group or between itself and Bharat Patel Group. Likewise, the Noticee has not pointed out any instance which it finds as an erroneous connection. In this regard, I thus, note that the Noticee has merely made a bald statement that the rational for the connection of the 16 suspected entities is erroneous and forms no basis. Thus, I find no merit in the aforesaid submissions of the Noticee.

17. The trading activity of the Bharat Patel Group entities in the scrip of AGIL during the investigation period is summarized below –

<u>Table 3: Summary of trading by Bharat Patel Group during the investigation period</u>

Name of Entity	BSE				NSE			
	Gross Buy	% of Gross Buy to Mkt. Vol.	Gross Sell	% of Gross Sell to Mkt. Vol.	Gross Buy	% of Gross Buy to Mkt. Vol.	Gross Sell	% of Gross Sell to Mkt. Vol.
Pasha Finance Pvt. Ltd.	893198	7.73	422098	3.65	0	0.00	471100	4.43
Hridaynath Consultancy Pvt. Ltd.	615850	5.33	837000	7.25	273659	2.57	117532	1.11
Bharat Jayantilal Patel	603000	5.22	324884	2.81	39468	0.37	1076667	10.12
Pat Financial Consultants Pvt. Ltd.	557311	4.83	860300	7.45	347194	3.26	206100	1.94
Minal Bharat Patel	275000	2.38	284975	2.47	621100	5.84	202301	1.90
Gandiv Investment Pvt. Ltd.	150000	1.30	0	0.00	0	0.00	150000	1.41
Pranav Holdings Pvt. Ltd.	150000	1.30	150000	1.30	0	0.00	0	0.00
Ruchit Bharat Patel	100000	0.87	894798	7.75	794798	7.47	0	0.00
Pankaj Jayantilal Patel	0	0.00	790000	6.84	790000	7.43	0	0.00

Total	**3344359**	**28.96**	**4564055**	**39.51**	**2866219**	**26.94**	**2223700**	**20.90**

18. From the above table, it is observed that Bharat Patel Group was net seller of 12,19,696 shares wherein it purchased 33,44,359 shares (28.96% of total market volume) and sold 45,64,055 (39.51% of total market volume) at BSE. At NSE, Bharat Patel Group was net buyer of 6,42,519 share wherein it purchased 28,66,219 shares (26.94% of total market volume) and sold 22,23,700 (20.90 % of total market volume).

19. Further, it is also observed that 6 Bharat Patel Group entities repetitively executed synchronized trades within the group at NSE and BSE as per the details below –

Table 4: Details of Contribution of Bharat Patel Group to synchronized trades

Gross Buy Qty of the Group	Gross Sell Qty of the Group	Total traded qty among the Bharat Patel Group	Sync traded qty by the Bharat Patel Group	Sync Trades as % of total traded qty among the Group	Sync Trades as % of Total market volume	Sum of LTP contribution through sync trades
BSE						
33,44,359	45,64,055	25,91,627	21,42,281	82.66%	18.55%	-2.65
NSE						
28,66,219	22,23,700	17,47,931	8,46,482	48.43%	7.96%	-2.90

Table 5: The entity-wise details of synchronized trades by Bharat Patel Group:

Buyer	Seller	synchronized Qty.	% of Sync. Vol. to Mkt. Vol.	No. of Trades	No of days
BSE					
Pasha Finance Pvt. Ltd.	Ruchit Bharat Patel	8,93,198	7.73	1	1
Bharat Jayantilal Patel	Hridaynath Consultancy Pvt Limited	6,02,700	5.22	1	1
Pat Financial Consultant Pvt Ltd	Hridaynath Consultancy Pvt Limited	2,32,000	2.01	11	2

Pat Financial Consultant Pvt Ltd	Bharat Jayantilal Patel	2,14,662	1.86	11	2
Pat Financial Consultant Pvt Ltd	Minal Bharat Patel	1,01,999	0.88	1	1
Ruchit Bharat Patel	Bharat Jayantilal Patel	97,722	0.85	1	1
Total		**21,42,281**	**18.55**	**26**	**8**
NSE					
Minal Patel	Pasha Finance Pvt Ltd	47,0,950	4.43	2.00	1.00
Pat Financial Consultants Pvt Ltd	Bharat Patel	22,0,000	2.07	2.00	2.00
Minal Patel	Gandiv Investment Pvt Ltd	1,50,000	1.41	1.00	1.00
Pat Financial Consultants Pvt Ltd	Hridaynath Consultancy Private Limited	5,532	0.05	1.00	1.00
Total		**8,46,482**	**7.96**	**6**	**5**

20. From the above tables, it is noted that 6 Bharat Patel Group entities viz., Bharat Jayantilal Patel, Minal Bharat Patel, Pasha Finance Pvt. Ltd., Ruchit Bharat Patel, Pat Financial Consultants Pvt. Ltd. and Hridaynath Consultancy Pvt. Ltd. have repetitively executed synchronized trades amongst themselves for 21,42,281 shares (18.55% of the market volume) in 26 trades over 8 trading days at BSE and thus created misleading appearance of trading in the scrip without any intention of change in ownership of the security. I also note that the synchronized traded volume (21,42,281 shares) was 82.66% of the total traded volume within the group (25,91,627 shares). It was also observed that the Bharat Patel group entities have executed synchronized trades for 8,46,482 shares (7.96% of the market volume) over 6 trades on 5 trading days at NSE during the investigation period. I note from the SCN that the aforesaid synchronized trading by the Bharat Patel group entities within the group created misleading appearance of trading in the scrip without any intention of change in ownership of the security and the same is in violation of Section 12A (a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4(1) and 4(2) (a) and (g) of the PFUTP Regulations. In this regard, I note that with regard to the aforesaid violations, proceedings under Sections 11(1),11(4), 11(4A), 11B(1), 11B(2) and 15I of the SEBI Act read with the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 were initiated against the aforesaid

Bharat Patel Group entities and vide Order dated October 20, 2021 passed by the Whole Time Member of SEBI it was held as follows –

"I note that the Noticees have indulged into synchronized trading by repeatedly placing orders amongst themselves at the same time (with hardly a difference of a second) and that too the order quantity and price of the buyer is matched with the same amount of order quantity and price of the seller without any partial order execution or order modification. I note that such synchronized trades constituted 18.55% of market volume on BSE and 7.96 % of market volume on NSE during the Investigation Period. Such trades created a misleading appearance of trading in the securities market…."

21. Vide the said Order, the 5 entities viz. Ms. Minal Bharat Patel, Pasha Finance Pvt Ltd, Mr. Ruchir Bharat Patel, Pat Financial Consultant Pvt Ltd and Hridaynath Consultancy Pvt Ltd, were restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of one year, from the date of coming into force of this order, and further penalty was imposed on them. No directions were issued against entity - Bharat Jayantilal Patel as the said entity had expired on May 29, 2021.

22. Moving forward, I note that it is alleged that Noticee was the broker and counterparty broker for 13 out of 26 synchronized trades at BSE for a quantity of 12,27,197 shares (10.62% of the market volume) during the investigation period. I have perused Annexure C to the SCN (trade log), which contained details of the synchronized trades executed by the Bharat Patel Group entities. The extract of Annexure C to the SCN depicting the 13 instances of synchronized trades wherein the Noticee is the broker and counterparty broker is reproduced hereunder:

Table 6: Details of synchronized trades by Bharat Patel Group wherein Finquest Securities Pvt Ltd is the broker and counterparty broker:

Date	Buyer Name	Seller Name	Buy Order Time	Sell Order Time	Buy Order (limit Price)	Sell Order (Limit Price)	Buy Order Volume	Sell Order Volume	Time Difference
10/02/2012	Pat Financial	Minal Bharat Patel	12:58:27.441732	12:58:27.723238	46.65	46.65	102000	102000	00:00:00
12/02/2013	Pasha Finance	Ruchit Bharat Patel	09:17:55.210017	09:17:56.582388	36.6	36.6	894798	894798	00:00:01
05/02/2014	Pat Financial	Hridaynath Consultancy	10:22:32.056437	10:22:32.858048	30	30	112000	112000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00
06/02/2014	Pat Financial	Hridaynath Consultancy	12:49:25.102510	12:49:25.814911	31	31	120000*	120000	00:00:00

*ORDER_AVLQTY was 12,000 shares

23. Further, from the tradelog, I note that all the buy and sell synchronized trades were executed from terminal ID 4 and ID 6 at the same location of the Noticee viz. *602 BOSTON HOUSE 6TH FLOOR NEXT TO CINEMAX SUREN ROAD ANDHERI EAST MUMBAI MAHARASHTRA 400093*. I also note that two Bharat Patel Group entities, viz. Hardik Bharat Patel (son of Bharat Jayantilal Patel) and Minal Bharat Patel (wife of Bharat Jayantilal Patel) are directors of the Noticee. Accordingly, I note that Noticee is closely connected to the Bharat Patel Group which has indulged in synchronized trades and in view of the same, I find that the Noticee facilitated

their fraudulent trades and created misleading appearance of trading in the scrip without any intention of change in ownership of the security.

24. The Noticee has contended that synchronised trades are not at all illegal or impermissible, if payment was made and delivery of the shares took place. The Noticee has further contended that the allegation that there was no change of ownership of the shares traded for and on behalf of the clients of the Noticee is wrong and incorrect. In this regard, I note that it is an obvious fact and goes without saying that the trades carried out in the exchange platform will require payment to be made and will result in delivery which would reflect in the demat statement of the respective clients. I note that such a contention do not further the case of the Noticee. Further, I note that even though there is change in beneficial ownership but the same is merely amongst the clients of the Noticee who are connected entities. What the SCN has alleged is that by entering into the impugned synchronized trades, the suspected group entities of Bharat Patel Group have created artificial misleading appearance of trade by conducting transfer of ownership of shares within the connected entities. I note that it has not resulted into any real transfer of ownership to other unconnected entities, rather it was merely a transfer of shares amongst connected entities. Thus, I find no merit in the above contentions of the Noticee. Further, with regard to the Noticee's contention that synchronized trades is allowed by law, I would like to place reliance on the judgement of the Hon'ble SAT in the matter of *Sparkline Mercantile Co. Pvt. Ltd. Vs SEBI*, order dated 16.01.2012 wherein it was held that:

"It is an admitted position that it is difficult to get direct evidence with regard to synchronization of trades for the purpose of upsetting the market equilibrium or to manipulate the market. It is only on the basis of circumstantial evidence that such a connection can be proved. Looking at the details provided in the investigation report, the show cause notice and the findings recorded by the adjudicating officer, we are

convinced that the adjudicating officer has brought enough material on record in support of the conclusion that the entities mentioned in the tables above are connected entities and traded among themselves with prior arrangement resulting in creation of artificial volume and distorting the market equilibrium. A large number of trades were executed among the group entities within a minute of placing the order. This cannot happen without prior meeting of minds among the connected entities. From the details of the trades executed and having regard to the trading system, we do not think that such large number of trades could match between the same parties unless the trading system was being abused. Therefore, we have no hesitation in upholding the findings recorded by the adjudicating officer in the impugned order."

25. I also note that the Hon'ble SAT in *Ketan Parekh vs. Securities and Exchange Board of India (Appeal No. 2 of 2004, order dated July 14, 2006),* held that:

"20. There are yet another type of transactions which are commonly called synchronised deals. The word 'synchronise' according to the Oxford dictionary means "cause to occur at the same time; be simultaneous". A synchronised trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. This could be done through the same broker (termed a cross deal) or through two different brokers. Every buy and sell order has to match before the deal can go through. This matching may take place through the stock exchange mechanism or off market. When it matches through the stock exchange, it may or may not be a synchronised deal depending on the time when the buy and sell orders are placed. There are deals which match off market i.e., the buyer and the seller agree on the price and quantity and execute the transaction outside the market and then report the same to the exchange. These are also called negotiated transactions. Block deals (when shares of a company are traded in bulk) are an instance of trades that match off market. Such trades have always been recognised by the market and also by the Board as a regulator. It has

recently issued a circular requiring all bulk deals to be transacted through the exchange even if the price and quantity are settled outside the market. When such deals go through the exchange, they are bound to synchronise. It would, therefore, follow that a synchronised trade or a trade that matches off market is per se not illegal. Merely because a trade was crossed on the floor of the stock exchange with the buyer and seller entering the price at which they intended to buy and sell respectively, the transaction does not become illegal. A synchronised transaction even on the trading screen between genuine parties who intend to transfer beneficial interest in the trading stock and who undertake the transaction only for that purpose and not for rigging the market is not illegal and cannot violate the regulations. As already observed 'synchronisation' or a negotiated deal ipso facto is not illegal. <u>A synchronized transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal</u>. <u>Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available</u>. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."

26. In the present case, I note that the suspected entities of the Bharat Patel Group had repeatedly entered into synchronized trades with one another (26 such trades contributing 18.55% to the market volume during the investigation period). The buy and sell orders for the alleged impugned trades (13 synchronized trades contributing 10.62% to the market volume), in the present case, were placed at the same time upto the precision of the same second and through the same broker i.e. the Noticee. I note that even the order price and order quantity for each of the impugned trades also matches with exact precision. The said pattern of trading cannot be termed as a mere co-incidence especially among connected entities and does not appear to be for genuine reasons such as the buyer wanting to acquire shares from the market and the seller looking to sell shares in the market. In the present case, the suspected group entities wanted to very well trade amongst themselves, as observed from the pre-meditated synchronized trades, wherein the connected entities as buyers and sellers repeatedly placed orders at the same time (with hardly a difference of a second) and that too with exact same price and quantity. It is abundantly clear that the trading pattern of the connected suspected entities indicates connivance and a pre-meditated scheme of synchronized trading. Thus, I do not find any merit in the contention of the Noticee that the synchronized trades were not illegal or impermissible.

27. The Noticee has contended that most of the alleged trades (5 out of 13 alleged synchronized trades) are in excess of 0.5% of the equity capital of AGIL and as such were bulk deals which would have been displayed in the bulk deal section of the stock exchange. The Noticee has further contended that the stock exchange has not found any irregularity with any of the said trades and it is only after several years, SEBI is finding purported irregularity therein. In this regard, it is noted that only after establishing connection between the trading entities and conducting investigation, the details of synchronized trades have come to light. Hence, I do not find merit in

the submission that the stock exchange did not find any fault at that point of time. Further, with regard to certain trades being displayed in the bulks deal list, I note that to the general public the closely executed synchronized trades between connected entities would not have looked like synchronised trades being carried out with same broker appearing on both the buy and sell side but would appear as trades between unrelated entities. Hence, being displayed in the bulk deals lists of the exchanges would not give the complete details or make it apparent that the trades were being done in a synchronised manner between connected entities. I find the trades carried out by the suspected entities of the Bharat Patel Group are liable to create a misleading appearance of trading in the eyes of the general investors. Thus, I find no merit in the above contentions of the Noticee.

28. The Noticee has contended that SEBI has not taken any action against the counterparty brokers who had acted for their respective clients in 19 trades, out of the 32 purported synchronized trades. I find that the role of the Noticee is distinguishable from other brokers. In this regard, I note that the it was observed during investigations that the Noticee was the broker as well as counterparty broker, i.e. Noticee was present at both the buy side as well as sell side, for 13 out of 26 synchronized trades between the suspected entities of the Bharat Patel group at BSE for a quantity of 12,27,197 shares (10.62% of the market volume) during the investigation period. Further, it was observed that all the said buy and sell synchronized trades were executed from terminal ID 4 and 6 at the same location of the Noticee. Further, the connection of the Noticee with the suspected group which has indulged in synchronized trades has also been brought out by the investigations. In view of the same, it is alleged that the Noticee facilitated their fraudulent trades and created misleading appearance of trading in the scrip without any intention of change in ownership of the security. I find that the above parameters are not applicable for other brokers. In any case, the argument regarding other

brokers does not absolve the Noticee from the responsibility of executing trades in a genuine manner. Accordingly, I do not find merit in the above contentions of the Noticee.

29. The Noticee has also contended that the SCN fails to appreciate that the alleged trades could have been carried out by its clients for various purposes, including for booking of profit/losses and/or for taxation purpose and/or for any other reason, unknown to the Noticee. In this regard, I note that the said statement of the Noticee is general and does not seem to address the specific allegation against it. Further, in this regard, I note that the trading platform is not meant for booking of any deliberate profit/loss between connected entities including for taxation purpose, as argued by the Noticee. Such trades would amount to non-genuine trades and are prohibited under the PFUTP Regulations. Thus, I find the said contention of the Noticee to be untenable.

30. The Noticee has also contended that the SCN does not consider the fact that the trades were executed on the instructions of the clients who are high net worth traders, dealing in high volumes and where the Noticee has no prerogative and is prohibited from questioning the trading decisions of its clients. In this regard, I note that as a broker, the actions of the Noticee on behalf of its clients has to be within the regulatory framework. I find no merit in the Noticee's justification that it cannot question the clients especially when the pattern of order placement is suspicious. I note that the buy and sell orders for the impugned trades were placed at the same time upto the precision of the same second and from the same location of the Noticee. I note that even the order price and order quantity for the buy and sell order entered by the Noticee matched with the exact precision. In this regard, I note that considering the pattern of trades executed through the Noticee which were in the nature of fraudulent trades coupled with the fact that the Noticee was closely connected with its clients, the same shows connivance on the part of the Noticee. I

note that the broker being a registered market intermediary whose duty and responsibility is to provide access to the trading platform cannot be a mute spectator in front of its clients and has to act in a responsible manner. The onus to execute trades in a genuine manner lies on the broker and it is its statutory obligation to act with due skill, care and diligence in the conduct of all its business. Accordingly, I find no merit in the above contentions of the Noticee.

31. The Noticee has contended that the SCN does not allege that the purported trades caused any price manipulation or volume manipulation. In this regard, I note that no charge of price manipulation has been alleged, however, it has been alleged in the SCN that the Noticee has facilitated the execution of fraudulent trades and created misleading appearance of trading in the scrip. Further, the Noticee has contended that the SCN does not allege drastic or unrealistic movement of price or volume, does not allege of any harm or loss caused to anyone and does not report or point out any investor grievances being made to it. I note that in the instant matter, the allegations pertaining to the violation of impugned provisions of PFUTP Regulations are not contingent upon any complaints made or losses incurred by investors. Further, the Noticee has contended that the SCN does not ascribe any motive or reason for the purported trades. In this regard, I note that the SCN alleges that the synchronized trades carried out by the connected entities of the Bharat Patel Group were fraudulent and created misleading appearance of trading in the scrip. In this regard, I rely on the judgement of the Hon'ble Supreme Court in the matter of SEBI vs Rakhi Trading (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018) wherein it was held that,

"Respondent-Rakhi Trading and Kasam Holding on facts are found to have been engaged in non-genuine transactions creating appearance of trading. If the factum of manipulation is established, it will necessarily follow that the investors in the market have been induced to buy or sell and that no further proof in this regard is

required. The market, as already observed, is so widespread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and the Board cannot be imposed with a burden which is impossible to be discharged."

Thus, I find no merit in the above contentions of the Noticee.

32. The Noticee has also contended that the SCN does not allege that the Noticee or its clients were connected to or acting for the promoters/Directors of AGIL. I note that no such allegation has been made in the SCN and I find the said contention to be not relevant as regard the instant allegations nor does it further the case of the Noticee.

33. In light of the above observations, I conclude that the broker Finquest securities Pvt. Ltd. (Noticee) is closely connected to the Bharat Patel Group, as Minal Bharat Patel (Bharat Patel's wife), Hardik Bharat Patel (son of Bharat Patel) are the directors in Finquest securities Pvt. Ltd. It has already been noted above that 6 suspected entities of the Bharat Patel Group indulged in synchronized trades amongst themselves in the scrip of AGIL at BSE during the investigation period and created misleading appearance of trading in the scrip without any intention of change in beneficial ownership. The connection of Noticee with the suspected entities of the Bharat Patel Group is already detailed above. I find that Noticee acted as broker and counterparty broker for 6 suspected entities of the Bharat Patel Group in executing synchronized trades at BSE and created artificial volumes in the scrip. Noticee has played an active role in this case in the manner of placing of orders and execution of the synchronized trades, and since Bharat Patel Group entities and the Noticee are all connected, I find that Noticee acted as a party to the fraudulent trades. Such acts/conduct on the part of the broker are directly in violation of the provisions of Sections 12A (a),(b),(c) of SEBI Act, 1992 read with Regulations 3 (a),

(b), (c) and (d), 4 (1), and 4 (2) (a) and (g) of PFUTP Regulations, therefore I hold that Noticee has violated the aforesaid provisions. For the same reasons, I find that the Noticee has also not exercised due skill and care as a broker and acted as party to the fraudulent trades. Had it done so, then it would have been aware that both the buyer and sellers are his own clients and they both are related to each other as well to itself. But the fact that it has aided in the execution of pre-meditated synchronized trades between its own connected entities repeatedly, shows that it has not exercised due skill and care in this case. Therefore, I hold that Noticee has violated Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Broker Regulations.

Issue No. 2: Does the violation, if established, attract monetary penalty under Sections 15HA and 15HB of SEBI Act, 1992?

34. I note that the Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Ram Mutual Fund [2006] 68 SCL 216 (SC) held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established...…".* Therefore, the above violations, as brought out in the foregoing paragraphs, make Noticee liable for monetary penalty under Section 15HA and 15HB of the SEBI Act. The text of Section 15HA and 15HB of the SEBI Act is reproduced below:

SEBI Act

[1][***Penalty for fraudulent and unfair trade practices.***

[1] Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty [2][which shall not be less than five lakh rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher].*

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be [3][liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]*

<u>Issue No. 3: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act, 1992?</u>

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

Factors to be taken into account while adjudging quantum of penalty.

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

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

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[2] Substituted for the words ―twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher ‖ by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

[3] Substituted for the words "liable to a penalty which may extend to one crore rupees" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

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

(c) the repetitive nature of the default.

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E,clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

36. In view of the charges as established, the facts and circumstances of the case, the quantum of penalty would depend on the factors referred in Section 15-J of the SEBI Act, stated as above. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on part of the said Noticee. In the present case, the Noticee has repetitively facilitated the execution of fraudulent trades (13 synchronized trades at BSE for a quantity of 12,27,197 shares contributing 10.62% of the market volume) between the suspected group entities of the Bharat Patel Group and to that extent it demonstrates the repetitive nature of default on its part. I also cannot ignore the fact that the Noticee being a registered intermediary was under a solemn obligation to abide by the provisions of the SEBI Act and Rules and Regulations framed thereunder, which it failed to do. Such disregard for the regulatory provisions governing the functioning of the securities market, calls for an appropriate penalty which should act as a deterrent.

37. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticee and also the factors mentioned in Section 15J of the SEBI Act, as enumerated above, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the

Adjudication Rules, hereby impose following penalties upon Noticee, under the provisions of Section 15HA and 15HB of SEBI Act:

S. No.	Name of the Noticee	Under the Provisions of	Penalty
1	Finquest Securities Pvt. Ltd.	Section 15HA of SEBI Act	₹ 10,00,000/- (Rupees Ten Lakh only)
		Section 15HB of SEBI Act	₹ 2,00,000/- (Rupees Two Lakh only)
TOTAL			**₹ 12,00,000/- (Rupees Twelve Lakh only)**

I am of the view that the aforesaid penalties are commensurate with the lapses/ omissions on the part of Noticee.

38. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

39. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD – DRA - 4, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1. Case Name:	
2. Name of payee:	
3. Date of payment:	

4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

40. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee.

41. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticee viz. Finquest Securities Pvt. Ltd. and also to the Securities and Exchange Board of India.

Place: Mumbai **SOMA MAJUMDER**

Date: March 29, 2022 **ADJUDICATING OFFICER**