

WTM/AB/EFD1/DRA4/20/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: ANANTA BARUA, WHOLE TIME MEMBER
ORDER

Under Section 12(3) of Securities and Exchange Board of India Act, 1992 read with Regulations 27 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of:

Sr. No.	Name of the Intermediary	Registration Number/PAN
1.	SIC Stock & Services Pvt. Ltd.	INZ000289933
2.	Rajinder Handa	Not available.
3.	Sidharth Handa	Not available.
4.	Gita Handa	Not available.

In the matter of Vertex Spinning Ltd.

1. The present proceedings have emanated a common show cause notice dated November 14, 2019 (hereinafter referred to as “**SCN**”) issued by Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) to SIC Stock & Services Pvt. Ltd. (hereinafter referred to as “**SIC**” or “**Noticee no.1**”) and its directors (Noticee no. 2 to 4). The Noticee no. 1 presently is a registered stock broker with SEBI being member of National Stock Exchange of India Ltd. (hereinafter referred to as “**NSE**”) and BSE Ltd. SIC is also a registered depository participant with SEBI being participant of Central Depository Services Ltd. (hereinafter referred to as “**CDSL**”). Noticee no. 2 and 4 were its erstwhile directors while Noticee no. 4 is a present director of Noticee no.1.

2. The SCN forwarded therewith copy of an Enquiry Report dated July 31, 2019 (hereinafter referred to as “**ER**”) submitted by the Designated Authority (hereinafter referred to as “**DA**”) and called upon the Noticees to show cause as to why action as recommended by the DA or any other action including passing of appropriate other directions, as deemed appropriate by the competent authority should not be taken against them in terms of the erstwhile Regulation 28 of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as “**Intermediaries Regulations**”). In the ER, the DA had recommended the following:

“SIC Stock & Services Private Limited as a stock broker may be suspended for three months for the aforesaid violations committed by it. Since Noticee Col. Rajinder Handa contributed into the fraudulent trade practices by not only being a director but also by taking buy sell position in the synchronized and cross deals, I recommend that Col. Rajinder Handa be debarred from being employed or associated with any registered intermediary or other registered person and also be prohibited from taking up any new assignment or contract for the period of six months. Since Ms. Gita Handa and Mr. Sidharth Handa being directors and officers of SIC facilitated the fraudulent and unfair trade practices, I recommend that Gita Handa and Sidharth Handa, be debarred from being employed or associated with any registered intermediary or other registered person for the period of three months.”

3. The ER found that Noticee no. 1 through its directors viz. Noticee nos. 2, 3 and 4 had facilitated in creation of false and artificial market in shares of Vertex Spinning Ltd. (hereinafter referred to as “**VSL**”) and caused an upward pressure on share price of VSL and has violated Section 12A(a), (b) and (c) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) read with Regulations 3(a),(b), (c) & (d), 4(1), 4(2) (a), (e), (f), (k) & (p) of SEBI

(Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”). The ER also found that the Noticee no.1 did not exercise due skill, care and diligence expected from stock-brokers in terms of Regulation 7 read with Clause A (1) to (5) of Code of Conduct specified under Schedule II of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as “**Stock Brokers Regulations**”). The ER also found that Noticee no. 2 to 4 being the promoter directors during the period under investigation and the Noticee no. 1 having acted through them, also are liable for violation of Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a),(b), (c) & (d), 4(1), 4(2) (a), (e), (f), (k) & (p) of PFUTP Regulations, 2003 and Regulation 7 of Stock Brokers Regulations in not exercising due skill, care and diligence expected from stock-brokers in terms of Regulation 7 read with Clause A(1) to (5) of Code of Conduct specified under Schedule II of Stock Brokers Regulations.

4. The service of SCN to all Noticees was completed in December, 2019 giving them time of 21 days to submit replies, if any, to the SCN. However, none of the Noticees replied within the time given. The matter was placed for obtaining hearing dates on February 12, 2020 and in compliance with the principles of natural justice, an opportunity of hearing was granted to all Noticees on April 13, 2020. The Noticees did not appear for the hearing. In view of prevailing pandemic situation, another opportunity of hearing was granted to the Noticees on November 20, 2020. On the said date, the Noticees, vide an email, sought an adjournment of hearing citing pandemic related restrictions and resultant lack of access to documents. Another opportunity of hearing was granted to the Noticees on January 28, 2021. Vide an email dated January 26, 2021 the Noticees sought adjournment stating that due to sudden demise of Noticee no. 2 on January 14, 2021, the directors were busy in performing last rituals. Accordingly, a new date

of hearing was granted to them on March 03, 2021. Vide an email dated February 02, 2021 the Noticees submitted that pursuant to sudden demise of Col. Rajinder Handa, the whole staff of SIC is still mourning and his family members are still in the process of performing rituals as per customs and traditions and the Authorized Representative (hereinafter referred to as "AR" of the Noticees is not available on the scheduled date. Based on the same, the Noticees sought an adjournment of the hearing. Another opportunity of hearing was granted to the Noticees on March 31, 2021. Vide an email dated March 26, 2021 the Noticees sought a further adjournment stating that their AR is staying at Bangalore and is a Senior citizen aged 75 and that the AR was requesting for a physical hearing, but due to sudden rise of Covid-19 cases in Mumbai cannot travel. The Noticees were informed that due to the pandemic in the state of Maharashtra, no physical hearing could be granted and the Noticees were granted an opportunity to attend hearing through video conferencing facility on April 29, 2021. Citing pandemic related restrictions and resultant lack of access to documents, the Noticees again sought an adjournment to the hearing vide an email dated April 28, 2021. A last and final opportunity of hearing was granted to the Noticees on June 14, 2021. On the scheduled date Noticee no. 3 appeared along with an Authorized Representative of Noticee nos. 1 and 4 and made submissions. During the hearing the AR of the Noticee submitted that several enforcement actions pertaining to the Noticees were pending before SEBI and he was not clear as to which action the SCN pertained to. Accordingly, a copy of the SCN and annexure was provided to the Notices and the Noticees were granted time of fifteen days thereafter to file reply to the SCN. Vide an email dated July 02, 2021 the Noticees sought time till July 31, 2021, to submit a reply due to ongoing pandemic. Vide another email dated August 02, 2021 the Noticees further sought time till August 15, 2021 to file a reply to the SCN citing lack of staff due to pandemic. Ultimately, Noticees filed their reply to the SCN on August 20, 2021.

5. I note that the allegation against the Noticees in the SCN, based on the conclusions in the ER is that Noticee no. 1 through its directors viz. Gita Handa, Sidharth Handa and Rajinder Handa had facilitated in creation of false and artificial market in shares of VSL during the investigation period by executing synchronized trades, self-trades, cross dealings in the scrip of VSL as a stock broker for promoters/ directors of VSL and connected entities of VSL which resulted in inflating the price and volume of VSL and also made third party transfers of client funds thereby indulging in fraudulent trade practices and that the Noticees had failed to exercise due skill, care and diligence expected from stock-brokers.
6. Vide preliminary replies dated January 26, 2021 and February 02, 2021 and detailed reply dated August 20, 2021, the Noticees have submitted as follows:
 - i) The Noticee no. 1 does not advise its clients in connection with the sale or purchase of securities by them. The Noticee no. 1 merely executes the orders received as per the instructions of the clients without questioning the prudence of the transactions. The Noticee no. 1 executes orders in accordance with their clients' instructions following the specified requirements. The Noticee no. 1 only earns brokerage on the transactions executed through it and nothing more. As a broker, SIC does not have any mechanism to detect the synchronized trades, if any being executed by the client.
 - ii) The turnover of SIC for the financial year ending March 2021 was significant and about Rs. 162 crores.

- iii) SIC has just started its operations as a main broker at BSE in the year 2004 and the business, operations, compliances, systems etc., were in the various stages of set-up and implementation when SIC acted as an agent on behalf of its constituents in the scrip VSL.
- iv) As regards trading in the scrip of VSL, there was no adverse information or cautionary notice about trading in VSL scrip issued by the SEBI or stock exchanges nor was VSL in any watch list of the regulator to enable the broker to exercise more caution.
- v) There has been inordinate delay in initiation of the proceedings and the SCN has been issued after more than 8 years from the alleged violation and period of investigation.
- vi) Already action has been taken by SEBI twice for its dealings in the same scrip, the details of which are as follows:-
 - Vide letter no. IVD/ID4/ASM/BS/71921/09 dated August 04, 2009, with respect to trades carried out by same set of clients and in the same scrip, Noticee no. 1 was advised to be careful in future. Noticee no. 1 has upgraded its systems and have made efforts that such kind of instances are not repeated again.
 - Vide Adjudication Order No. EAD/BJD/BKM/4095-4098/2019-20 dated August 23, 2019, a total penalty of Rs. 19 lakh has already been levied upon all the three Noticees for the same charges, for the same period of investigation, same scrip etc.

In view of the above, any action at this stage amounts to 'triple jeopardy' which amounts to judicial insubordination and not as per the established legal jurisprudence

- vii) An element of *mens rea* is required to be established whenever fraud is alleged. No allegation of connivance or scheme or plan has been alleged in the SCN and the main allegation relates to the execution of the orders by SIC on behalf of our clients.
- viii) It has always maintained high standards of integrity, promptitude and fairness, acted with due skill and diligence, not indulged in manipulative or deceptive transactions or spread rumours, have not created false market, has abide by all provisions of Act etc. and have always issued contract note without delay to our client etc.
- ix) As far as third party payment is concerned, it was on the basis of specific instructions received from S. S. Forging and Engineering Limited (hereinafter referred to as “**SSFL**”) only vide its letter dated February 09, 2007 and after having discussed the matter with Mr. Suresh Sharma, Director, SSFEL. This amount was due on the basis of sale of one lac shares of VSL. Pursuant to transfer of funds, SIC vide its letter number SIC/S201/003 dated 6th March 2007, informed SSFL about the said transfer of funds and no objection was taken by SSFL at that point in time. Mr Chetan was also a BSE registered remisier vide code number R/0922/013863/27/02/2007 which also establishes that he was also a responsible intermediary. Transfer of funds was carried out on the basis of instructions given by the constituent itself and no adverse inference ought to be drawn.
- x) As regards due diligence while opening the accounts of the various constituents who have traded in the scrip of VSL, it is submitted that adequate due diligence as was prevalent at that point in time was carried out and SIC denies any adverse inference thereto. In so far as the finding that SIC has not conducted In-person Verification (hereinafter referred to as

“IPV”), it is submitted that the concept of IPV was first time introduced by SEBI only vide its letter number F.No. 47-2006/ISD/SR/122539/2008 dated April 04, 2008 (to Depositories) and letter number MIRSD/DPS III/130466/2008 dated July 02, 2008 (to Stock Exchanges).

- xi) Admittedly, Mrs. Gita has not traded for even a single share in the scrip of VSL to warrant serious allegation of fraudulent and unfair trade practices and also any allegation of violation of code of conduct of SEBI. This establishes that she is completely innocent to warrant issuance of any kind of direction. With regard to Mr. Sidharth Handa, it may also be noted that, he has not traded even a single share in the scrip of VSL to warrant serious allegation of fraudulent and unfair trade practices such and also any allegation of violation of code of conduct of SEBI.

Consideration of replies and findings:

7. I have taken into consideration the ER and the replies of the Noticees.
8. I note that SEBI conducted an investigation in trading activity in the scrip of VSL on BSE pertaining to the period from March 29, 2006 to March 28, 2007 (hereinafter referred to as the “**investigation period**”). The price of the scrip of the Company was fluctuating during the investigation period. It was alleged in the findings of investigation that during investigation period the Company made certain false corporate announcements with respect to its project in Dhule District, Maharashtra at Nardhana Industrial Textile Park. The findings of investigation further alleged that while the misleading corporate announcements were made to the public, the promoter/director and related entities of VSL were creating huge volume of false trading in the scrip of VSL. In this regard, it was also *inter alia* alleged that Noticee no.1 being the stock broker of the promoter/ director of VSL

and connected entities for such trades, had facilitated synchronized trades, cross dealings, self-trades and inflating the price and volume of VSL by indulging in fraudulent trade practices, third party transfer of client's funds and failure to exercise due skill, care and diligence expected from stock-brokers. Noticee nos. 2, 3 and 4 were directors of Noticee no. 1 during the investigation period.

9. In this regard Enquiry proceedings under the Intermediaries Regulations has been initiated against the Noticees and the DA has recommended that Noticee no. 1 be suspended for three and that Noticee no. 2 be debarred from being employed or associated with any registered intermediary or other registered person and also be prohibited from taking up any new assignment or contract for the period of six months and Noticee nos. 3 and 4 be debarred from being employed or associated with any registered intermediary or other registered person for the period of three months.
10. The Noticees have submitted that the direction as recommended by the DA may not be issued against them. The Noticees have submitted that Noticee no. 1 does not advise its clients in connection with the sale or purchase of securities by them and merely executes the orders received as per the instructions of the clients without questioning the prudence of the transactions for earning brokerage on the transactions executed through it and nothing more. The Noticees have further submitted that as regards trading in the scrip of VSL, there was no adverse information or cautionary notice about trading in VSL scrip issued by the SEBI or stock exchanges nor was VSL in any watch list of the regulator to enable the broker to exercise more caution and that no allegation of connivance or scheme or plan has been alleged in the SCN. The Noticees have stated that adequate due diligence as was prevalent at that point in time was carried out. The Noticees have also contended that the stock broker can only be punished for the fraudulent

trades carried out by the clients if any connivance is proven and in the present case no such connivance is alleged.

11. From the facts and circumstances of the case, I do not accept the contention of the Noticees and find that the manipulation in the shares of VSL during the investigation period by the clients of Noticee no. 1 who were connected to VSL, can be attributed to Noticee no.1 on the following facts:

- a. Noticee no. 1 was the major broker having buy concentration of 73.51% and sale concentration of 74.92% of the total trading volume of VSL during the investigation period and its clients were all connected to VSL and Noticee no.1 was aware that trading account of all these clients were opened with the assistance of Mr. Suresh Sharma (Managing Director of VSL) and were being operated by Mr. Suresh Sharma. The details of clients of Noticee no. 1 who were connected to VSL are as under:

Sr. No	Name of the Client	Relationship
1	Narendra Upadhyay	As confirmed by VSL vide their letter dated 19.01.2011 the client is Ex-Employee of VSL
2	Ramkumar Sidhar	As confirmed by VSL vide their letter dated 19.01.2011 the client is Ex-Employee of VSL
3	Suresh Sharma	Director of VSL & SS Forging & Eng. Limited
4	Twinstar Finvest Pvt. Limited*	Group company of VSL
5	SS Forging & Engineering Limited*	Group company of VSL & have common director Suresh Sharma
6	Mansukh Finance & Investment Pvt. Limited*	Group company of VSL & have common director Suresh Sharma
7	Sandeep Mishra	Ex-Employee of VSL (confirmed by the client vide his email dated 28.03.2012)
8	Kuldeep Singh	Ex-Employee of VSL (confirmed by Daljeet Mathaur and Sandeep Mishra vide their emails dated 28.03.2012)
9	Daljeet Matharu	Ex-Employee of VSL (confirmed by the client vide his email dated 28.03.2012)

The above-mentioned 9 clients are hereinafter referred to as “**Vertex Group Clients**”.

- b. The Vertex Group Clients contributed high volume of trades in the scrip of VSL during the investigation period by trading through Noticee no. 1. The cumulative contribution of trading of the Vertex Group Clients through the Noticee no.1 accounted for 53.44% of the total volume of trades in VSL scrip during the investigation period.
- c. Vertex Group Clients while dealing through Noticee no. 1 as stock broker entered into 26,956 cross deal trades in the scrip of VSL during the investigation period (53.27% of total trades of VSL during the investigation period) and out of these cross deal trades, 2,130 trades for 32,07,489 shares of VSL (25.16% of the total market volume of VSL during the investigation period) were synchronized trades executed by the Noticee no. 1 on behalf of its Vertex Group Clients which were carried out by these clients with a view to give an artificial picture of trading in the shares of VSL during the investigation period. Therefore, the Noticee no. 1 should have been able to identify these cross deals, especially, when the orders on behalf of Vertex Group Clients were being placed by the same person, i.e. Mr. Suresh Sharma, from different trading accounts maintained with Noticee no.1 and the trades took place over 80 days, which show that the Noticee no. 1 failed to notice large number of trades over 80 days and thus such trades got facilitated through the terminals of Noticee no. 1.
- d. The trades of the Noticee no.1's Vertex Group Clients executed through the Noticee had a price impact on the scrip of VSL during the investigation period, the highest being that of Narendra Upadhyay (Rs.162.85) followed by SS Forging & Eng. P. Ltd. (Rs.99.30).

- e. The high volume and frequency of trades should have raised a suspicion in the mind of the stock broker that artificial volume is being generated by the Vertex Group clients in the scrip of VSL during the investigation period.
- f. Self-trades were carried out by the Vertex Group Clients through the terminals of Noticee no. 1 as stock broker for 6,423 trades for 24,57,590 shares of VSL and in majority of the self-trades the location ID was same. This rules out any possibility of mistaken matching of self-trades amongst the Vertex Group Clients in such a high number of instances and indicates that these trades were deliberately being placed by the same person, i.e. Suresh Sharma using the trading accounts of Vertex Group clients maintained with Noticee no.1 and Noticee no.1 failed to exercise due diligence expected of a registered intermediary.
- g. The Noticee no.1 and its director Col. Rajinder Handa (Noticee no.2, now deceased), had indulged in synchronized trading in the scrip of VSL with the Vertex Group Clients. Out of 34,316 shares of VSL purchased by Col. Rajinder Handa through Noticee no.1 during the investigation period, trades for 16,292 shares were synchronized with a Vertex Group Clients, SSFL with same location ID and no difference between buy/sell rates, quantity and time of orders. Out of 34,316 shares of VSL sold by Col. Rajinder Handa through Noticee no.1 during the investigation period, all were matched with SSFL and out of these, trades for 9,832 shares were synchronised trades with same location ID and no difference between buy/sell rates, quantity and time of orders. Similarly, Noticee no.1 in its proprietary account (as a buyer), carried out synchronized trades pertaining to 5,000 shares with Mr. Narendra Upadhyay (a Vertex Group client), with same location ID and no difference

between buy/sell rates, quantity and time of orders and carried out synchronized trades as a seller pertaining to 9,832 shares with two Vertex Group clients, with same location ID and no difference between buy/sell rates, quantity and time of orders.

12. Regarding the another allegation in the ER pertaining to failure to do IPV, the Noticees have submitted that IPV was first time introduced by SEBI only vide its letter number F. No. 47-2006/ISD/SR/122539/2008 dated April 04, 2008 (to Depositories) and letter number MIRSD/DPS III/130466/2008 dated July 02, 2008 (to Stock Exchanges) and impugned trades took place in 2006-07. I agree with the submission made by the Noticees that IPV was introduced on July 02, 2008 whereas Vertex Group Clients were on boarded by Noticee no. 1 in the year 2006, therefore, Noticees cannot be held liable for not carrying out due-diligence, as far as conducting due diligence through IPV is concerned.
13. Regarding the allegation of third party payment in ER, I note that the Noticee no. 1 had allegedly made a third party payment of Rs. 24, 40,000 to one Chetan Wadhwa from the funds belonging to its client - SSFL (who was also part of Vertex Group Clients). In this regard, the ER notes that Noticee no.1 has submitted a copy of authorization letter dated February 09, 2007 by which Noticee no.1 was purportedly instructed by SSFL to pay a sum of Rs. 24, 40,000 to Mr. Chetan Wadhwa. Further, the ER notes a criminal complaint was also filed by SSFL in this regard alleging criminal breach of trust by the stock broker, i.e. Noticee no. 1. The ER notes that Noticees have submitted an order dated November 07, 2014 passed by Additional Chief Metropolitan Magistrate (ADCMM), 38th Court, Ballard Pier, Mumbai, discharging Mr. Sidhartha Handa (Noticee no. 3) without framing any charges, stating that *prima facie* no criminal liability is attracted, based on the said letter issued by SSFL to Noticee no. 1 authorizing the third

party transfer. In this regard, I note that the order of the ADCMM is with regard to the criminal breach of trust by a broker. From the said order it is corroborated that Noticee no.1 had made third party transfer of client funds belonging to SSFL to Chetan Wadhwa based on the letter dated February 09, 2007 issued by SSFL (Client Code 201) advising Noticee no. 1 to make payment to Chetan G. Wadhawa (Client Code 064) which is in violation of circular SEBI/MRD/SE/Cir-33/27/08 dated August 27, 2003 which stipulates that the stock brokers shall accept cheques drawn only by the client and also issue cheques in favor of the clients only and does not provide for third party payments in any circumstance. Therefore, I agree with the conclusion of the ER that Noticee no. 1, being the stock broker, by allowing third party transaction has failed to exercise due diligence expected from a registered entity.

14. In view of the discussions in previous paras, I agree with the observations in the ER that the Noticee no.1 played an instrumental role in facilitating manipulation in price and volume of shares of VSL being traded on BSE during the investigation period by allowing high volumes of buying and selling in VSL shares by Vertex Group Clients and facilitating synchronized/cross deals and self-trades in shares of VSL on behalf of Vertex Group Clients as well as proprietary trades and trades on behalf of Noticee no. 2 (who was a director of Noticee no.1). I also agree with the observation in the ER that the Noticee no. 1 not only allowed creation of artificial market through its terminals, but also facilitated jacking up of share price of VSL by the Vertex Group Clients during the investigation period. I also find from the ER that Noticee no.1 made third party transfer of clients funds in violation of SEBI circular and contract notes were being sent in a casual manner at an interval of two-three months. Thus, I find that Noticee no.1 has failed to maintain market integrity and exercise due skill and care. Thus, I find that Noticee no. 1 viz. SIC Stocks & Services Pvt. Limited has violated Section 12A(c) of SEBI Act, 1992

read with Regulations 3 (b), 4(1) and 4(2) (a) of PFUTP Regulations, 2003 and Clause A(1) to (5) of Code of Conduct specified under Schedule II of Stock Brokers Regulations.

15. Further, it is noted that Noticee no.1 is a company, i.e., a juristic person and cannot act on its own. During the investigation period, Col. Rajinder Handa (Noticee no. 2), Ms. Gita Handa (Noticee no.4) and Mr. Siddharth Handa (Noticee no.3) were the directors in Noticee no.1. It has been submitted by Noticees that only Noticee no. 2 was responsible for the day to day functioning of Noticee no.1. I note that Noticee no 2 has passed away on January 13, 2021. In this regard a copy of the death certificate no. 1259358 of Noticee no. 2 as issued on January 28, 2021 by Chief Registrar of Births and Deaths, Government of Karnataka, Bengaluru – 92, is available on record and thus, the proceedings against him stand abated. I note that the duties of directors of a company are clearly laid out in the Companies Act, 2013 under Section 166. The directors have a fiduciary duty to act in a manner that will promote the objects of the company in the best interests of the company and exercise their duties with due and reasonable care, skill and diligence. The objects of a stock broking company, i.e. Noticee no.1 would be to carry out the business of stock broking in a lawful manner with reasonable duty of care as per the SEBI Act and the regulations framed thereunder, particularly Stock Brokers Regulations. It was the duty of the directors of the stock broker (Noticee no.1) to act in furtherance of this objective. As discussed in previous paras, the Noticee no.1 played an instrumental role in facilitating manipulation in price and volume of shares of VSL being traded on BSE during the investigation period and failed in its duties as a registered stock broker. Being the whole time directors of the Noticee no.1 and responsible for the actions of Noticee no.1, I find that Noticee nos. 3 and 4 are also liable for violation

of Section 12A(c) of SEBI Act read with Regulations 3 (b), 4(1), 4(2) (a) of PFUTP Regulations, 2003.

16. I note that the SCNs called upon the Noticees to show cause as to why action as deemed appropriate by the competent authority should not be taken against them in terms of Regulation 27 read with Regulation 28 of Intermediaries Regulations. I note that by the amendments made to Intermediaries Regulations on January 21, 2021, Regulation 27 which dealt with recommendations for actions which could be made by DA in case of default, has been substituted and Regulation 28 which dealt with procedure for action on receipt of the recommendation from DA, has been omitted and these matters now stand governed by the Regulations 26 and 27, respectively. In this regard, reference may be made to the judgment of Hon'ble Supreme Court in **CIT, Bangalore Vs. Venkateshwara Hatcheries (P) Ltd. and Ors. (1999) 3 SCC 632** wherein it was held as under:

“.....15. As noticed earlier, the omission of Section 2(27) and re- enactment of Section 80JJ was done simultaneously. It is a very well recognized rule of interpretation of statutes that where a provision of an Act is omitted by an Act and the said Act simultaneously re-enacts a new provision which substantially covers the field occupied by the repealed provision with certain modification, in that event such re-enactment is regarded having force continuously and the modification or changes are treated as amendment coming into force with effect from the date of enforcement of re-enacted provision. Viewed in this background, the effect of re-enacted provision of Section 80JJ was that profit from the business of livestock and poultry which enjoyed total exemption under Section 10(27) of the Act from assessment years 1964-65 to 1975-76 became partially exempt by way of deduction on fulfilment of certain conditions.....”

The aforesaid judgment has been quoted with approval by Hon'ble Supreme Court in its subsequent judgment in **Fibre Boards (P) Ltd., Bangalore Vs. CIT, Bangalore (2015) 10 SCC 333**. In the present case, I note that prior to the aforesaid amendment, procedure for conduct of enquiry proceedings before designated

authority (DA) and designated member (DM) was provided under Regulations 25 to 28 of the Intermediaries Regulations wherein Regulation 25 dealt with issue of SCN by DA, Regulation 26 dealt with reply of SCN by the Noticee, Regulation 27 dealt with recommendation for actions which could be made by the DA and Regulation 28 dealt with conduct of proceedings before DM like issue of SCN, hearing and passing of final order. After the amendment, Regulation 25, as substituted deals with holding of enquiry proceedings before DA, Regulation 26 deals with recommendation for actions which can be made by DA and Regulation 27 deals with conduct of enquiry proceedings before DM and passing of order by DM. Thus, the proceedings before DM which were earlier governed by the provisions of Regulations 28 are now governed by the provisions of Regulation 27 with certain modifications. Therefore, by virtue of the judgment of Hon'ble Supreme Court in *Venkateshwara Hatcheries case (supra)*, the new Regulation 27 is regarded having force continuously (by virtue of pre-existing Regulation 28) and the modification or changes are treated as amendment coming into force with effect from the date of enforcement of new Regulation 27 i.e. January 21, 2021. Accordingly, the present proceedings can be concluded under the amended provisions of the Intermediaries Regulations and for the violations committed by Noticee nos. 1, 3 and 4 discussed in the previous paragraphs, directions under Regulation 27 of the Intermediaries Regulations can be issued.

17. I note that the Noticees have submitted that the impugned transactions pertain to the year 2006 and 2007 and during the investigation period the affairs of Noticee no. 1 were being handled by Noticee no.2 who has expired on January 13, 2021. Further, I find that vide order dated January 29, 2021 the Vertex Group Clients including Shri Suresh Sharma have been debarred from accessing the securities market and prohibited from buying, selling and dealing in securities for carrying out the impugned fraudulent transactions. I also note that for the same

transactions as impugned in the present order, various actions were initiated against the Noticees as stock broker for facilitating the fraudulent transactions by its clients and failure to exercise due diligence, such as adjudication proceedings for the imposition of penalty as well as the present proceedings under the Intermediaries Regulations. Vide an order dated August 23, 2010, a total penalty of Rs. 26,00,000/- was levied by the adjudicating officer appointed by SEBI, on the Noticees, for the impugned transactions.

18. Taking into account the facts and circumstances of the case, I propose to impose directions in terms of para 19 hereunder.

Directions:

19. In view of the above, I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 (5) of the Intermediaries Regulations, hereby issue the following directions:
- (i) The Noticee no.1 i.e. SIC Stocks and Services Pvt. Ltd., is restrained from accepting new clients for a period of three (3) months;
 - (ii) Mr. Sidharth Handa (Noticee no. 3) and Ms. Gita Handa (Noticee no. 4) being directors of Noticee no.1 are hereby warned to ensure that all their activities/future dealings in the securities market are done strictly in accordance with law;
 - (iii) Proceedings against Col. Rajinder Handa (Noticee no. 2) stands abated.

20. The order comes into force with immediate effect.
21. A copy of this order shall be served on the Noticees, all recognized Stock Exchanges.

Place: Mumbai

Date : September 21, 2021

**ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**