BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO: Order/SBM/VS/2022-23/16310)

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

In respect of:

Vishal Vijay Shah
(**Prop. of M/s. Vishal Vijay Shah)**
(PAN No: BBJPS3622P)
112-A, P.J. Towers, 1st Floor,
Dalal Street, Fort,
Mumbai-400001

In the matter of
Front–Running by Manish Chaturvedi & Others

FACTS OF THE CASE

1. Securities and Exchange Board of India ('**SEBI**') had received two reports dated October 11, 2010 and January 31, 2011, respectively, from the National Stock Exchange ('**NSE**'), *inter alia*, mentioning alleged front-running trading activity by certain persons/entities in respect of the trades in the scrips of various listed companies placed by about 10 companies/entities (hereinafter referred to as '**the Sterling Group**') during the period January 1, 2010 to December 15, 2010. Thereafter, SEBI received three more Reports dated May 31, 2010, October 29, 2010 and March 14, 2011 from NSE, on the suspected front-running trading activity by Ms. Laxmi Chaturvedi and Mr. Bhavesh Gadhavi (who were allegedly connected to each other), of the trades of the Sterling Group during the period May 31, 2010 to March 14, 2011. Upon analysis of the aforementioned Reports received from NSE, an investigation in the matter was conducted by SEBI for the period from March 1, 2009 to March 31, 2011 (hereinafter referred to as **'Investigation Period'**). The investigation conducted by SEBI focused on the front-running of the trades of the 'Sterling Group' by several persons/entities. As the same set of persons/entities were also observed to be trading in considerable volumes on the Bombay Stock Exchange (**'BSE'**), the trades of these entities on BSE were also examined by SEBI. The investigation conducted by SEBI revealed that several persons/entities were involved in the front running of the trades of the 'Sterling Group'. The persons/entities relevant to the case have been broadly segregated into the following three sub-groups: -

a. 9 entities viz. Mr. Bhavesh Gadhavi (**'Bhavesh'**), E Ally Consulting India Pvt. Ltd. (**'E-Ally'**), Josh Trading Pvt. Ltd. (**'Josh'**), Ms. Laxmi Chaturvedi (**'Laxmi'**), Pinky Auto Finance Ltd. (**'Pinky'**), Shree Jaisal Electronics & Industries Ltd. (**'Jaisal'**), Viraj Mercantile Pvt. Ltd. (**'Viraj'**), Mr. Anandilal Chanda (**'Anandilal'**) and Anandilal Chanda HUF (**'Chanda HUF'**) were, *prima facie*, observed to be front running the trades of the Sterling Group/ its clients during the period under investigation,
b. 8 persons/entities, viz. Mr. Manish Manoharlal Chaturvedi (**'Manish'**), Mrs. Madhu Chanda (**'Madhu'**), Anandilal, M/s. Sharekhan Limited, Mr. Manoharlal Bhaiyalal Chaturvedi (**'Manohar'**), Mr. Abhinandan Ranka (**'Abhinandan'**), Mr. Sandeep Maloo (**'Sandeep'**) and Mr. Praveen Kumar Jain (**'Praveen'**) had allegedly aided/ abetted /facilitated in the front running activities of these entities,
c. 10 companies /entities of the 'Sterling Group' whose trades in various scrips were front-run viz. Abhi Ambi Financial Services Limited, Sterling Futures & Holidays Limited, Ratha Infrastructure Pvt Limited, Baghmar Finlease Pvt Limited, Shanmugha Home Makers Pvt Limited, Siva Trade Consultancy Pvt Limited, Saravana Enterprises, Shanmuga Real Estate & Promoters Pvt Limited, V.S Net Limited and Siva Projects Engineering & Enterprises Limited (Sterling group of companies whose trades were front-run).

2. Pursuant to the investigations conducted by SEBI, it was observed that a fraudulent scheme of front-running was orchestrated by Manish in connivance with other persons/entities during the above mentioned investigation period. While analyzing the flow of funds from/to of certain entities, it was observed that Mr. Vishal Vijay Shah (Prop. of M/s. Vishal Vijay Shah) (hereinafter referred to as '**Noticee**'), also a Member of the Bombay Stock Exchange (hereinafter referred to as '**BSE**'), having SEBI Registration No. – INB011277614, had allegedly issued some fictitious documents to certain entities viz, Laxmi and Viraj (mentioned in para 1 (a) above) in relation to the purported trading in the market without registering them as client and without executing the relevant trades on BSE. As a result of the above, it is alleged that Noticee has created false and fictitious records of the purported trades for fraudulent purposes in respect of the said two persons/entities viz. Laxmi and Viraj. In this regard, it is alleged that the Noticee has violated the provision of Sections 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**) read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(p) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations'**) and Clauses A (1) and A (5) of the Code of Conduct under Schedule II of the SEBI (Stock broker and Sub broker) Regulations, 1992 (hereinafter referred to

as '**Stock Broker Regulations**'). In view of the above reasons, adjudication proceedings have been initiated against the Noticee under the provisions of sections 15HA and 15HB of the SEBI Act.

3. Further, it is observed that, during the course of investigations and in order to ascertain the veracity behind the above observations and to draw precise conclusions in the matter regarding the role of the Noticee, the Investigating Authority ('**IA'**) of SEBI had issued two summonses to the Noticee on different dates. It was observed that Summons dated April 30, 2013 and October 10, 2013 were issued to the Noticee under the provisions of sections 11C(2) and 11C(3) of the SEBI Act compelling the production of the documents/records/information before the IA. The said two summons were issued to the Noticee at his Mumbai address located at 112-A., P.J. Towers, 1st Floor, Dalal Street, Fort, Mumbai-400001. It is observed from the postal records/confirmation received from the postal department that summons dated October 10, 2013 was served upon the Noticee, which the Noticee has also not disputed. Vide the aforementioned summons, it was also mentioned to the Noticee that in case he intentionally fails or omit to produce the records/documents/details sought through the summons, SEBI may initiate prosecution/adjudication proceedings against him under the provisions of the SEBI Act.

4. Further, it was observed that apart from the above mentioned summons, vide various emails dated April 17, 2013, May 4, 2013 and May 06, 2013, the Noticee was reminded to provide the requisite information/details to the IA during the course of investigations. It is observed that despite the fact that the summons dated October 10, 2013 was served upon the Noticee, the Noticee has failed to furnish the requested information / records / documents / details in spite of several reasonable opportunities provided to him during the course of investigation. In view of the above, it is alleged that Noticee has failed to comply with the summons dated April 30, 2013 and October 10, 2013 and therefore, it is alleged that Noticee has violated the provisions of sections 11C(2) and 11C (3) of the SEBI Act. In view of the above reasons, adjudication proceedings have been initiated against the Noticee under the provisions of section 15A(a) of the SEBI Act.

APPOINTMENT OF ADJUDICATING OFFICER

5. Ms. Rachna Anand, was initially appointed as the Adjudicating Officer ('**AO'**) in the matter vide communique dated July 17, 2017 to conduct the adjudication proceedings in the manner specified under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) and to impose such penalty on the Noticee, as deemed fit, in terms of Rule 5 of the Adjudication Rules and in terms of Sections 15A(a), 15HA and 15HB of the SEBI Act. Pursuant to transfer of Ms. Rachna Anand, the

undersigned was appointed as the Adjudicating Officer ('AO') in the matter vide order dated May 10, 2018. It is noted from the related files that the then AOs had referred the matter to the concerned Department of SEBI seeking certain clarifications /modifications w.r.t the communique and appointment order of the AO. The concerned department of SEBI vide order dated October 03, 2018 had modified the communication order w.r.t the appointment of the AO. Thereafter, pursuant to the transfer of the undersigned to another department of SEBI, Dr. Anitha Anoop was appointed as the Adjudicating Officer in the matter vide order dated March 18, 2019. Subsequently, the undersigned was again appointed as the AO in the matter pursuant to the transfer of Dr Anitha Anoop, vide communique dated November 3, 2020.

SHOW CAUSE NOTICE, HEARING AND REPLY

6. In the said matter, a Show Cause Notice ref. SEBI/EAD-1/AA/ASR/496/2019 dated December 23, 2019 (hereinafter referred to as '**SCN'**) was issued to the Noticee under the provisions of Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against the Noticee and penalty be not imposed on him under the provisions of sections 15A(a), 15 HA and 15 HB of the SEBI Act for the alleged violation of the provisions of sections 11C(2) and 11C(3) of the SEBI Act, Sections 12A(a), (b) and (c) of SEBI Act r/w Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(p) of the PFUTP Regulations and also for the alleged violation of the provisions of Clauses A(1) and A(5) of the Code of Conduct under Schedule II of the Stock Broker Regulations, by the Noticee.

7. The details in respect of the violation / non-compliance by the Noticee as observed from the SCN are as given below:

"…106. The lack of cooperation by Vishal/Noticee 17 in providing the data as requested through numerous summons, the dates of banking transactions vis-à-vis the dates of purported trading and the response of BSE above, prima facie, indicates that the ledgers and the scrip-day wise summary submitted by the clients and the broker were without any actual trades and it appears that no such client accounts were held with Vishal/Noticee 17. It is therefore alleged that the ledgers/ scrip-wise client-wise summary issued by Vishal/Noticee 17 to the clients were not genuine and that the same was in connivance with the clients.

107 As no such transactions were executed on market by Vishal/Noticee 17 for the aforesaid two clients, it is alleged that the documents issued by Vishal/Noticee 17 were fabricated. Therefore, it is alleged that Vishal/Noticee 17 intentionally and willingly opted not to comply with the summons issued by IA.

Accordingly, Vishal/Noticee 17 is in violation of Regulation 4(2)(p) of PFUTP Regulations. For the aforesaid, Adjudication proceedings u/s 15A(a) and 15HA of the SEBI Act, 1992.

108-111…

112. The allegations against the Noticee on the basis of the discussions above are given in the table below along with the provisions allegedly violated by them and the penal provisions:

S. No.	***Name of the Entities***	***Allegations***	***Provisions of SEBI Act/ Rules/ Regulations allegedly violated by the respective Noticee***
1-16	*……*	*…..*	*…..*
17	*Vishal Vijay Shah - BBJPS3622P (Prop. of M/s. Vishal Vijay Shah)*	*Non-Compliance of summons to provide information to Investigating Authority*	*Section 11 C (2) and (3) of SEBI Act.*
		Issued false documents in relation to trading in the market without registering clients and without executing trades on BSE	*Section 12A(a), (b) and (c) read with Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(p) of the PFUTP Regulations* *Clause A (1) and (5) of Code of Conduct under Schedule II of of Stock Broker Regulations.*

8. It is noted that the SCN dated December 23, 2019 was served upon the Noticee. The Noticee vide his letter dated February 05, 2020 requested for the inspection of documents that were relied upon in the SCN and mentioned that one Mr. Vikas Bengani would be the Authorized Representative (AR) on his behalf to undertake the inspection of documents in the instant matter. The request for the inspection of documents by the Noticee was forwarded to the concerned department of SEBI vide communication dated March 12, 2020. Thereafter, vide email dated November 12, 2020, it was informed by the concerned Dept. of SEBI that the inspection of documents sought by the Noticee has been concluded on the same date i.e November 12, 2020. Subsequently, pursuant to the transfer of the erstwhile AO and the appointment of the undersigned as the AO in the matter, vide letter dated February 09, 2021, the Noticee was advised to make his written submissions to the SCN by February 26, 2021 and was also advised to appear for a hearing in the matter before the undersigned on March 08, 2021. The Noticee vide his email dated February 27, 2021 requested for adjournment of the hearing date citing non-availability of his back office staff etc. The request of the Noticee was considered and another opportunity of hearing was provided to the Noticee on April 07, 2021. The Noticee vide his email dated April 05, 2021 again requested for adjournment of the hearing

citing non-completion of the inspection of documents and non-availability of his AR due to health issues etc. The request of the Noticee for adjournment of hearing date was considered and the hearing was adjourned to a later date. It is noted that Noticee failed to make his written submissions to the SCN despite the aforementioned letters/reminders. Thereafter, vide letter dated March 21, 2022, the Noticee was again advised to submit his reply to the SCN by April 15, 2022 and appear for the personal hearing on April 21, 2022. The AR of the Noticee vide his email dated April 13, 2022, once again requested for inspection of the documents and submitted that no documents have been enclosed along with the SCN. In this regard, SEBI vide email dated April 13, 2022 (in 5 parts) and letter dated April 13, 2022 (annexures of SCN in CD) furnished the documents to the Noticee. It is noted that these documents were already furnished to the Noticee as annexures along with the SCN. Thereafter, the AR of the Noticee vide his email dated April 18, 2022 requested for certain more documents so that he can make his submissions to the SCN. Vide email dated April 19, 2022, the requisite documents were provided to the AR and he was also specifically advised to file reply to the SCN before the date of the personal hearing i.e on April 21, 2022. On the schedule date of hearing i.e April 21, 2022, the AR mentioned that he would only rely upon certain judgments during the course of the personal hearing and insisted that the same may be considered as part of his submissions to the SCN. During the course of the hearing, the facts and circumstances leading to the issue of the SCN dated December 23, 2019 and the violations allegedly committed by the Noticee were again mentioned to the AR of the Noticee. Thereafter, pursuant to the hearing held on April 21, 2022, Noticee filed detailed submissions in the matter.

9. The Noticee vide his email dated April 23, 2022 *inter alia* submitted the following: -
    a. *The Noticee denies and refutes each and every allegation contained in the captioned SCN against the Noticee unless it is specifically admitted by the Noticee in his Reply. Nothing should be deemed as admitted by the Noticee for reason of any non-specific traverse of any allegation contained in the SCN.*
    b. *The Noticee further submits that the captioned SCN issued to the Noticee is based on assumptions and presumptions only. The Noticee has nothing to do with the alleged front run trades executed by Mr. Manish Chaturvedi & Others.*
    c. *The Noticee submits that there is an inordinate delay in initiation of the Proceeding. The Investigation in the captioned matter was concluded way back in March, 2015. The first Adjudicating Officer i.e. Ms. Rachna Anand was appointed on 15-02-2017 in the captioned matter. It is very pertinent to mention that SEBI took almost 5 months to communicate the said Order to the Ms. Rachna Anand.*
    d. *The Noticee further submits that the Noticee had nothing to do with the alleged front-run trades executed by Manish Chaturvedi & others. Admittedly, no alleged front-run trades had been executed by the Noticee. The alleged fake contract notes were never issued by the Noticee. Further, last Summons to the*

Noticee was issued on 10-10-2013, thus, there is a delay of 2265 days in issuing the SCN from date of issue of last Summons i.e. 10-10-2013. The Noticee submits that the inordinate delay and latches in the captioned proceeding highly prejudice the case of the Noticee. The Noticee could not re-collect the event and circumstances happened in the year 2009 to 2011 and in the year 2013. The Noticee placed reliance upon following orders of Hon'ble Securities and Appellate Tribunal:

i. *Mr. Ashok Shivpal Rupani & Ors, Order dated 22-08-2019 (Appeal Nos. 417 and 440 of 2018)*
ii. *Mr. Rakesh Kathotia & Ors. vs. SEBI, Order dated 27.05.2019 (Appeal No. 07 of 2016)*
iii. *Mr. Rajiv Bhanot & Ors. vs SEBI, Order dated 09-07-2021 (Appeal No. 396 of 2018)*

e. *The Noticee submitted that certain documents were not proved to him and cited the Hon'ble Supreme Court Order dated 18-02-2022 in the matter of T. Takano v/s SEBI*
f. *5. The Noticee further submits that in case the Noticee had not complied with the Summons issued by the SEBI, SEBI could have initiated Adjudication Proceeding against the Noticee immediately after the non-compliance of the Summons.*
g. *So far as the allegation of violation of SEBI PFUTP is concerned, SEBI has failed to place on record the requisite documents which establishes the fact that Laxmi and Viraj were not client of the Noticee herein.*
h. *The Noticee further submits that the Noticee had never issued any fake contract note(s) to Laxmi and Viraj.*

CONSIDERATION OF ISSUES AND FINDINGS

10. I have carefully perused the SCN, the submissions made by the Noticee and also the documents/records made available during the course of the proceedings, including the investigation report in the said matter. It is alleged that Noticee has failed to comply with the summonses issued to him by the IA during the course of the investigation and as a result of the same, it is alleged that Noticee has violated the provisions of sections 11C(2) and 11C(3) of the SEBI Act. It is also alleged that the Noticee had issued some fictitious documents to certain entities viz. Laxmi and Viraj in relation to its purported trading in the market without registering them as clients and without executing the relevant trades on the BSE. As a result of the above, it is alleged that the Noticee has created false and fictitious records in respect of the purported trades for fraudulent purposes in respect of the aforementioned two persons/entities. In view of the above observations, it is alleged that Noticee has violated the provisions of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(p) of the PFUTP Regulations. Further, as the Noticee was a registered stock broker of BSE, the Noticee has also allegedly violated the provisions of

Clauses A (1) and A (5) of the Code of Conduct under Schedule II of the Stock Broker Regulations in respect of the trades of the aforementioned two persons/entities.

11. The Noticee has contended that there is inordinate delay and latches in the present proceedings initiated against him. The Noticee has mentioned that pursuant to the appointment of the AO in the matter, there was delay in the issuance of SCN. In this context, as already discussed at para 5 above of this order, it is noted from the records that the erstwhile AOs concerned have referred the matter to the concerned department of SEBI for seeking clarifications/modifications w.r.t the communique and the appointment order of the AO. Thereafter, I note that the concerned department had vide communication dated October 3, 2018 modified the order regarding the appointment of the AO. The then AO had accordingly issued the SCN dated December 23, 2019 to the Noticee. I find that pursuant to the issuance of the SCN, the Noticee had prolonged the proceedings for almost two years by seeking repeated adjournments/extension, furnishing various reasons, details of which are discussed elaborately at para 8 of this order. For e.g., the Noticee was asking SEBI to provide him with the copies of the contract notes issued by him as broker to the two entities viz. Laxmi and Viraj w.r.t the fictitious trades that have been alleged in the SCN when the onus of keeping/maintaining such records of the contract notes was with the Noticee (being the broker of the two entities). It is noted that the request for these documents from SEBI by the Noticee itself clearly shows the dilatory tactics employed by the Noticee to prolong the proceedings unnecessarily. Further, it is on record that, during the course of the investigations, SEBI had sought the copies of the contract notes from the Noticee by issuing summons to him, which the Noticee had failed to comply with and which also resulted in the initiation of the current proceeding against the Noticee. Thus, the Noticee seeking such documents from SEBI which were available with him/issued by him to his clients clearly shows the intention of the Noticee to deliberately prolong the proceedings. Therefore, in view of the above observations, the contention of the Noticee citing inordinate delay in the proceedings etc. is baseless and without any merit.

12. Before moving forward, the relevant provisions of the SEBI Act, PFUTP Regulations and Stock Brokers Regulations allegedly violated by the Noticee and as mentioned in the SCN are reproduced as under:- -

<u>SEBI Act</u>

Investigation.

11C.(2) *Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to* *preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.*

(3) *The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.*

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 recognised 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;

<u>PFUTP Regulations, 2003</u>

3. Prohibition of certain dealings in securities

No person shall directly or indirectly-

(a) buy, sell or otherwise deal in the 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) to (o)…………

(p) an intermediary predating or otherwise falsifying records such as contract notes.

<u>Stock Broker Regulations</u>

SCHEDULE II of Stock Broker Regulations

A. General.

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

(2) to (4) ………

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

<u>Allegation with respect to violation of the provisions of Sections 11C (2) and 11C (3) of the SEBI Act by the Noticee</u>

13. From the SCN dated December 23, 2019, I note that the allegation against the Noticee is that, he had failed to comply with the summonses dated April 30, 2013 and October 10, 2013 which were issued to him by the IA during the course of the investigations. I note that the IA had sought vital details/information from the Noticee through the aforementioned summonses and directed the Noticee to submit the same within the prescribed dates which were mentioned in the said summonses. The summonses were issued to the Noticee at his address viz. 112-A, P.J. Towers, 1st Floor, Dalal Street, Fort, Mumbai-400001. As per the investigation report, the summonses dated April 30, 2013 and October 10, 2013 were duly served upon the Noticee. The postal confirmation received in this regard shows that the summons dated October 10, 2013 was also acknowledged by the Noticee. The fact that Noticee had received the summonses is also not disputed by him. However, it is on record that Noticee failed to submit/furnish the desired details /information sought by the IA through the summons during the course of the investigations and also till date of the instant proceeding.

14. I further note that, prior to the issuance of summons, during the statement recording dated April 09, 2013, before the IA, the Noticee had mentioned that Laxmi and Viraj were his clients and also mentioned that he will provide the KYC documents and details of all trades executed by the clients by Friday (i.e., April 12, 2013). Thereafter, from the SCN, I note the following chronology in the matter:

"…

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a)…

b). Upon request by Vishal for adjournment, IA advised him to appear on April 18, 2013. Vide an e-mail dated April 17, 2013, he was also reminded to provide the information which was pending on April 09, 2013. Vide an e-mail on April 17, 2013, Vishal expressed his inability to appear due to ill health but promised to provide the information by end of the week.

c). Due to non-submission of the documents as mentioned above and unreasonable requests for extension by Vishal, another summon was issued on April 30, 2013 to appear before the IA along with the information on May 06, 2013.

d). Vide e-mail dated May 04, 2013, the broker provided the client registration form for Laxmi and Viraj Mercantile and also provided the client ledger and scrip-wise summary for both the clients. Since the information submitted was incomplete, Vishal was asked to provide the bills and copies of contract notes via return mail on May 06, 2103.

e). Due to non-compliance of the above directions of the IA by Vishal, a fresh summon was issued again on October 10, 2013 to provide the information to the IA on or before October 14, 2013. However, even after repeated reminders and requests for information, data was not forthcoming from the member except numerous unreasonable excuses for not providing the information…"

15. It is observed that the Noticee has denied the above allegations w.r.t non-compliance with summons and requested SEBI to provide him with opportunity of the inspection of the documents showing communication exchanged between SEBI and the Noticee in this regard. It is noted that all the above communications were exchanged between SEBI and the Noticee, and there is no requirement to provide inspection of such documents/communication which pertains to the Noticee himself and wherein Noticee was a party to such communication. I also note that Noticee has submitted that he has submitted all the requisite documents to the IA during the investigations. However, from the investigation report, I am clearly of the view that the summonses were issued to the Noticee by the IA only when the requisite information/details were not provided to the IA by the Noticee. Thus, the contention of the Noticee that he has submitted all the necessary records/documents to the IA is without any merit.

16. In this regard, it is pertinent to note that section 11C(2) clearly obligates any person associated with the securities market to produce/submit the records/information sought by the IA. Further, section 11C(3) empowers the IA of SEBI to require any intermediary or any person associated with the securities market in any manner to furnish such information to, or produce such books or registers or other documents or record before him or any person authorized by him in this behalf as it may consider necessary if the furnishing of such records/information/documents are necessary. From the above observations, it is amply clear that the two summonses were issued to the Noticee by the IA seeking vital details/ information pertaining to the investigations during the period i.e April/October 2013 whereas, Noticee has failed to furnish the same. Further, remainders were also sent to the Noticee through emails, details of which have been discussed in the pre-paragraphs of this order. However, it is on record that Noticee has failed to provide the requisite information sought by IA. It is seen from the that Noticee has failed to submit the details such as viz. Bills and Contract notes for transactions resulting in loss of ₹1,10,72,635.05/- by Laxmi, Bills and contract notes for all trades done by Viraj, List of clients who were registered with the Noticee during the period March 01, 2010 to April 30, 2011 etc. It is noted that the above details were very vital pertaining to the investigations in the matter and to arrive at the truth in unearthing the role of the Noticee in the alleged fictitious trades executed by the Noticee as a broker to the two clients viz. Laxmi and Viraj. As stated earlier, Noticee has failed to submit the above details/information sought through the summons by the IA.

17. As a result of the non-submission of the required details/information by the Noticee, the progress of the investigation was also severely impacted. I note that the following details/information were sought from the Noticee through the aforementioned summons:
    a. *Bills and contract notes for transactions resulting in loss of ₹1,10,72,635.05/- by Laxmi Chaturvedi.*
    b. *Bills and contract notes for all trades done by Viraj Mercantile Pvt. Ltd.*
    c. *List of clients who were registered with the Noticee during the period 01.03.2010 to 30.04.2011*

18. Further, I also note that the details/ information which were sought from the Noticee through the summons dated October 10, 2013 was very crucial and vital in respect of the investigation process as regards the front running by Manish in various scrips. For example, information regarding details of the bills and contract note for trades done by Laxmi and Viraj and list of clients who were registered with the Noticee during the period March 02, 2010 to April 30, 2011 sought by the IA from the Noticee for the relevant period were important information/details to establish the link of the Noticee in the matter of front running by Manish by creating false and fictitious records for the purported trades for fraudulent purpose for Laxmi and Viraj. I do not find any reason for the

Noticee to hide this information unless some deceitful practices were being carried out by him in connivance with other entities associated with the Frontrunners and also in association with Manish. The said information sought from the Noticee vide summons dated October 10, 2013 was very relevant and important in unearthing the truth to protect the interest of the investors and punish the manipulators associated with the front-runners. The failure on the part of the Noticee to comply with the summonses issued by the IA has clearly hampered the investigation process.

19. From the summons issued to the Noticee, I note that it has been clearly stated that if the Noticee fails to comply with the summons, criminal prosecution may be launched against the Noticee under the provisions of section 11C(6) of the SEBI Act, which provides for a punishment with imprisonment for a term which may extend to one year or with fine which may extend to one crore rupees, or with both and also with a further fine which may extend to 5 lakh rupees for each day after the first, during which the failure or refusal continues. It was also stated that if the Noticee omits to attend and/or fails to give evidence or to produce the books of accounts and/or documents as required, SEBI will initiate adjudication proceedings against the Noticee under the provisions of the SEBI Act.

20. In this context, I note that Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT'**), in case of Asian Films Production and Distribution Ltd. vs SEBI (Appeal No. 203 of 2010 decided on 19th January, 2011), has held that:

    "Non-compliance with summons is, indeed, a serious matter and cannot be viewed lightly. The respondent Board is the market regulator and has to regulate the securities market and the law provides that every person associated with the market in any manner should cooperate in the matter of carrying out investigations. In the year 2002, the provisions of the Act were amended and penalty for non-compliance with summons was enhanced considerably to make it more deterrent. Market players who do not cooperate with the regulator in the matter of investigations commit a serious wrong which can have serious repercussions in the market. We do not know what would have come to light if the company had furnished the information sought from it."

21. I also note that Hon'ble SAT, in its order dated October 22, 2013 in the matter of Rich Capital & Financial Services Limited & Ans vs SEBI, observed that:

    "10. We may pertinently note that the SEBI is basically constituted to promote orderly and healthy growth of securities market apart from protecting investors' interest. For discharging this onerous job, and with a view to achieve the underlined object, SEBI asa regulator is required to conduct investigation and enquiries in the affairs of various parties from time to time. For this purpose, first and the foremost

thing is co-operation from the concerned officers of the companies not only to produce the relevant records as and when required by an investigating officer or enquiring authority or by any person authorised by the SEBI in this behalf but to appear in person as and when called upon. Section 11C (2) mandates every manager, managing director, officer or other employees of the company to preserve and produce such documents which are in their custody or power. Similar is the tone and texture of section 11C (3).

11. In case of failure on the part of the concerned person to furnish such records/information, heavy monetary penalty is prescribed in section 15A (a) of the SEBI Act, 1992. In fact such an act on the part of a company or its concerned officers is not only contemptuous but also a hindrance in the way of conducting smooth investigation and enquiry by the regulator to arrive at a just and fair conclusion as per the provisions of SEBI Act, 1992. Such an increasing tendency on the past of the companies needs to be curbed at the threshold."

22. Therefore, from the foregoing paragraphs and the observations contained therein, it is conclusively established that the Noticee has failed to comply with the summon dated October 10, 2013 issued to him by the IA during the course of investigations and therefore, I hold that the Noticee has violated the provisions of sections 11C (2) and 11C (3) of the SEBI Act.

<u>Allegation against the Noticee w.r.t the violation of the provisions of Sections 12A(a), (b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(p) of the PFUTP Regulations</u>

23. From the investigation report, it is seen that Noticee as a stock broker of BSE had traded on behalf of both Laxmi and Viraj i.e., entities observed to be front running the trades of the Sterling group during the investigation period (as mentioned in para 1 (a) of the Order). I also note from the SCN that during the course of investigation in respect of the alleged front-running by certain entities, while analyzing the funds flow of various entities, it was observed that Laxmi had made certain payments to the Noticee and further, Viraj also had certain banking transactions with the Noticee during the investigation period. The said banking transactions/flow of funds and the nature thereof are mentioned as under:

<table>
<tr><th>Date</th><th>Amount</th><th>Reason for transaction as submitted by the Noticee</th></tr>
<tr><td colspan="3">In the account of Laxmi</td></tr>
<tr><td>12/10/2010</td><td>25,00,000.00</td><td rowspan="2">Payments made by Laxmi losses in her account upto 18/06/2009 of ₹35,44,426.55</td></tr>
<tr><td>22/10/2010</td><td>10,44,526.55</td></tr>
<tr><td>14/03/2011</td><td>19,02,534.85</td><td rowspan="3">Payments made by Laxmi for losses in her account between 21/02/2011 - 09/03/2011 of ₹78,77,054.82</td></tr>
<tr><td>23/03/2011</td><td>56,25,673.65</td></tr>
<tr><td>31/03/2011</td><td>3,48,846.32</td></tr>
<tr><td colspan="3">In the account of Viraj</td></tr>
<tr><td>22/03/2011</td><td>75,00,000.00</td><td rowspan="3">Payments made to Viraj for anticipated share sale by Viraj.</td></tr>
<tr><td>24/03/2011</td><td>35,00,000.00</td></tr>
<tr><td>29/03/2011</td><td>1,45,212.23</td></tr>
</table>

28/03/2011	45,00,000.00	Amount received back from Viraj since the anticipated share sale did not take place.
30/03/2011	25,00,000.00	
On net basis, an amount of **₹41,45,212.23** was paid to Viraj as profits.		

24. In respect of the aforementioned banking transactions, I note from the investigation report that the Noticee has submitted that both Laxmi and Viraj were his clients and also provided copies of their client registration forms, party ledgers and client-wise and scrip-wise summary report. From the documents submitted by the Noticee, the details of his purported trading and the profits/ losses in account of Laxmi and Viraj at BSE is tabulated as below:

Client	FY	Scrip	Buy Qty	Buy Value	Sell Qty	Sell Value	Profit/ (loss)
Laxmi	2009-10	ABANOFFSH	5,200	45,98,493	5,200	41,93,726	-4,04,767
Laxmi	2009-10	INDHOTELS	62,500	41,92,485	62,500	36,89,427	-5,03,058
Laxmi	2009-10	JETAIRWAYS	51,000	135,99,806	51,000	119,91,574	-16,08,233
Laxmi	2009-10	RUCHISOYA	95,000	32,27,119	95,000	28,24,438	-4,02,681
Laxmi	2009-10	SUZLON	49,000	36,73,050	49,000	30,59,015	-6,14,034
Laxmi	2009-10	Taxes					-11,652.93
Laxmi	**2009-10**	**Total**					**-35,44,426.55**
Laxmi	2010-11	ABANOFFSH	53,500	309,96,495	53,500	297,74,523	-12,21,972
Laxmi	2010-11	DBREALTY	7,000	7,03,687	7,000	8,19,690	1,16,003
Laxmi	2010-11	DLF	2,67,500	600,20,067	2,67,500	578,49,942	-21,70,125
Laxmi	2010-11	IDEA	2,00,000	122,73,250	2,00,000	116,93,000	-5,80,250
Laxmi	2010-11	JETAIRWAYS	37,500	168,72,184	37,500	154,43,826	-14,28,358
Laxmi	2010-11	RCOM	3,40,000	318,36,928	3,40,000	297,71,046	-20,65,882
Laxmi	2010-11	TATACOFFEE	4,000	31,88,049	4,000	27,24,740	-4,63,310
Laxmi	2010-11	Taxes					-63,162.25
Laxmi	**2010-11**	**Total**					**-78,77,054,.82**
Viraj	2010-11	ACROPETAL	25,000	22,73,682	25,000	29,25,777	6,52,094
Viraj	2010-11	BAJAJFINS	5,000	22,86,386	5,000	30,22,485	7,36,099
Viraj	2010-11	BFUTI	3,150	22,16,245	3,150	29,23,128	7,06,882
Viraj	2010-11	DBREALTY	12,000	13,38,452	12,000	17,49,697	4,11,245
Viraj	2010-11	JETAIRWAYS	9,000	36,65,207	9,000	40,83,093	4,17,886
Viraj	2010-11	RCOM	69,700	59,50,986	69,700	63,46,882	3,95,896
Viraj	2010-11	REL	4,000	19,81,351	4,000	24,11,555	4,30,204
Viraj	2010-11	RELCAPITAL	7,350	28,68,754	7,350	33,41,961	4,73,207
Viraj	2010-11	Taxes					-78,300.71
Viraj	**2010-11**	**Total**					**41,45,212.19**

25. On perusal of the above table, it is noted that Laxmi had reportedly incurred a loss of ₹ 35,44,426.55 and ₹ 78,77,054.82 during the FY 2009-10 and 2010-11, respectively, while trading through the Noticee. Similarly, Viraj had reportedly made a profit of ₹ 41,45,212.19 during the FY 2010-11 while trading through the Noticee. However, no such transactions were observed in the trading/ demat accounts of Laxmi and Viraj in the records of the exchange. Pursuant to any trade executed on the platform of the stock exchange, consequential changes of holdings are reflected in the demat account of the investors, however, the Noticee has not submitted any documentary evidence to support his claim i.e., copies of demat statement of the said two clients in support of his claim that the above transactions were executed by him as a broker on behalf of the two clients on BSE.

26. It is also noted that during the course of recording of the statement of the Noticee before the IA on April 09, 2013, the Noticee had assured the IA to provide the KYC documents and details of all trades executed by him for the said clients by April 12, 2013. Thereafter, it is on record that the IA had issued various summons and communications dated April 30, 2013, May 06, 2013 and October 10, 2013 to the Noticee seeking for his appearance and compelling the Noticee for production of information/documents like bill and contract notes etc issued to the said clients for the aforesaid trades (mentioned above at para 24). However, the Noticee failed to provide the requisite information sought by the IA and also failed to provide these details during the course of the instant proceeding.

27. In order to verify the genuineness of the purported trades carried out by the Noticee for the said clients, confirmation w.r.t the execution of the trades was sought from BSE. It is noted that BSE vide its letter dated January 12, 2015 has provided the details of the total trading carried out by the Noticee during the period of FY 2009 -10 and 2010 -11, details of which are as under:

FY	Scrip	Trading in the account of Laxmi and Viraj through Noticee (as submitted by Noticee to IA)		Actual trading on BSE across all clients trading through Noticee (as per BSE records)	
		Buy	Sell	Buy	Sell
2009-10	INDHOTELS	62,500	62,500	5,250	5,000
2009-10	JETAIRWAYS	51,000	51,000	1,050	1,050
2009-10	RUCHISOYA	95,000	95,000	8,100	8,100
2010-11	ABANOFFSH	53,500	53,500	31,284	31,244
2010-11	ACROPETAL	25,000	25,000	13,211	13,061
2010-11	BAJAJFINS	5,000	5,000	708	721
2010-11	DBREALTY	19,000	19,000	6,989	6,989
2010-11	DLF	2,67,500	2,67,500	2,54,131	2,54,157
2010-11	IDEA	2,00,000	2,00,000	14,675	15,675
2010-11	JETAIRWAYS	46,500	46,500	15,210	15,210

28. It is noted that BSE vide its letter dated January 12, 2015 contradicted the execution of the said trades stated to have been carried out by the Noticee for the said two clients viz. Laxmi and Viraj on the platform of the exchange. The BSE in its reply dated January 12, 2015 further stated that, " ………. *the quantity of buy and sell as provided by trading member for 2 clients is greater than quantity of buy and sell for all its clients as per exchange record. Hence, it can be inferred that data in the client and scrip wise summary provided by the trading member is incorrect."*

29. It is also recorded in the investigation report that, from the ledgers submitted by the Noticee in respect of the trading claimed to have been carried out in Laxmi's account between the period April 06, 2009 and June 18, 2009, the first pay in by Laxmi was done only on October 12, 2010 (i.e., after lapse of more than 15 months). It is also recorded in the investigation report that the income tax

return of Laxmi for the financial year 2009-10 was filed on October 08, 2010 factoring the losses based upon fictitious documentation created in connivance with the Noticee.

30. From the investigation report, I note that the ledgers and day-wise scrip summary submitted by the Noticee in respect of trades claimed to have been executed for his said two clients, were false and fictitious. The same is further substantiated with the facts that for the trades that were stated to have been executed in Laxmi's account between the period April 06, 2009 and June 18, 2009, the first pay in by Laxmi was done only on October 12, 2010 (i.e., after lapse of more than 15 months) and also the income tax return of Laxmi for the financial year 2009-10 was filed on October 08, 2010 factoring the losses based upon the fictitious records created by the Noticee. Further, BSE in its letter dated January 12, 2015 has also clearly stated that the quantity of buy and sell orders in the scrips as provided by the Noticee above (at para 24) is greater than the quantity of buy and sell orders for all its clients as reflected in stock exchange records. The above facts of the case reveal that no such transactions as claimed by the Noticee were executed on the exchange platform and the said two persons Laxmi and Viraj were also not registered as client of the Noticee, as claimed by the Noticee. In view of the above, I am inclined to hold that Noticee has aided and abetted the said two clients in factoring the profits/ losses by creating fictitious documents/records relating to his dealing in securities and, thus, the Noticee has indulged in falsifying of the records (i.e client registration forms, client ledgers and scrip wise summary) w.r.t the two entities viz. Laxmi and Viraj. Therefore, from the above observations, I hold that Noticee has violated the provisions of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(p) of the PFUTP Regulations.

31. In this context, it would be relevant to refer to the Order dated June 29, 2011 passed by the Hon'ble Securities Appellate Tribunal in the matter of V. Natrajan vs. SEBI (SAT Appeal No. 104 of 2011) wherein the relevant portion of the said Order reads as under:

    "…we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 were violated. These regulations, among others, prohibit any person from employing 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 an exchange. They also prohibit persons from engaging 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 that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true…"

32. Therefore, in view of the above observations, I conclude that Noticee by submitting documents relating to trading in the market, which were never executed on the platform of the stock exchange (i.e BSE), for fraudulent purposes for the two persons who were not even registered with the Noticee as clients had dealt in the securities market in an unfair and fraudulent manner.

Allegation against Noticee with respect to violation of the provision of Clause A (1) and (5) of the Code of Conduct under Schedule II of the Stock Broker Regulations

33. I find that Noticee in his capacity as a stock broker of BSE had carried out the impugned trades on behalf of both Laxmi and Viraj, details of the trades have already been discussed above. Further, I am of the view that by submitting the documents relating to trading in the market, which were never executed on the platform of the stock exchange i.e., BSE, for fraudulent purposes for the aforementioned two persons/entities viz. Laxmi and Viraj who were not even registered with the Noticee as clients, the Noticee had dealt in securities in an unfair and fraudulent manner. Issuance of false and fictitious documents in respect of the trades without execution of the same on the stock exchange is very serious in nature which not only hamper the credibility of the Noticee as a stock broker but also hamper the integrity and credibility of the functioning of the entire stock market mechanism at large. It is noted from the database of registration of SEBI that Noticee is a registered stock broker of BSE. The Noticee, by indulging in the aforesaid conduct, has grossly failed in maintaining high standards of integrity, promptitude and fairness in the conduct of all his business as a stock broker and the same has resulted in the violation of Clause A (1) of the Code of Conduct under Schedule II of the Stock Broker Regulations. Further, by creating such false records, which are supposed to be generated only after execution of the trades on the platform of the stock exchange, the Noticee has failed in complying with the various statutory requirements and the same has resulted in violation of Clause A (5) of Code of Conduct under Schedule II of the Stock Broker Regulations.

34. It is pertinent to mention that SEBI has been empowered to, among other, regulate the functioning of the stock market, which is also called as the barometer of the national economy. Any deviation from the good practices by an intermediary may cause serious damage to the credibility of the market and, therefore, the dealing in fraudulent and unfair manner by a registered intermediary and more particularly a stock broker of the stock exchange, has to be viewed seriously. In this respect, it would be relevant to refer to the observations made by the Hon'ble Supreme Court of India in its judgement dated April 26, 2013, in the case of *N. Narayanan vs. Adjudicating Officer, SEBI (Civil Appeal Nos. 4112-4113 of 2013)* which reads as under:

"…SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto…"

35. Further, the mechanism of the stock market is structured in such a manner that no investor can access the trading platform of the stock exchanges without getting itself registered/ enrolled with any one of the stock brokers and as such the stock brokers are the first level gatekeepers of the stock market who plays a very pivotal role in maintaining the market a safe place for the investors by dealing in fairness. As such, apart from complying with the various provisions of the statutory requirements, the stock brokers are also expected to carry out the first level of due diligence in order to check manipulation and fraudulent activities in respect of dealing in securities in the stock market. However, in the present case, the Noticee has not only connived with the said two clients in creating false and fictitious records of trades for fraudulent purpose of factoring the profit/ losses but has also misused the purpose of registration of stock broker granted to him. Such act and conduct of the Noticee, if continued, may endanger a serious loss to the securities market at large.

36. Issuance of false and fictitious documents in respect of the trades without execution of the same on the stock exchange is very serious in nature and such practices especially by a stock broker erodes the credibility of the stock exchange functioning. I find that the aforesaid act and conduct of the Noticee is not limited to creating of a false and fictitious records of the trades, which never took place on the platform of the stock exchange, but further continued by his non-co-operation with the IA during their fact finding process. In light of the above and the continued failure of the Noticee to produce supporting records to justify the trades done for the two clients, as aforesaid, I am of the considered view that the Noticee, by his aforementioned act and conduct in creating false and fictitious records of purported trades for fraudulent purposes for said two persons, has violated the provisions of Clause A (1) and (5) of Code of Conduct under Schedule II of the Stock Broker Regulations.

37. In view of the above, I conclude that the Noticee is liable for monetary penalty under the provisions of Section 15A(a), 15HA and 15HB of the SEBI Act, which reads as under:

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made there under-

(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of 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 liable to a penalty which may extend to one crore rupees.*

38. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Adjudication Rules require that while adjudging the quantum of penalty, 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;

    (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.

39. With regard to the above factors, I note that the material made available on record has not quantified the profit/loss for the violations committed by the Noticee. In view of the above observations, I am of the view that by not furnishing the documents/details/information to the IA on time, the Noticee has failed to comply with the mandatory statutory obligation. I also observe that Noticee has failed to comply with the summons issued to him by the IA during the course of the investigation. Further, the Noticee has created false and fictitious records for the purported trades for fraudulent purpose in respect of the two persons/entities viz. Laxmi and Viraj. In this context, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361 } –wherein the Hon'ble Supreme Court of India 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 and hence the intention of the parties committing such violation becomes wholly irrelevant…"*. In this regard, I also observe that WTM-SEBI, vide Order dated December 12, 2018 passed under regulation 28(2) of the SEBI

(Intermediaries) Regulations, 2008 has suspended the certificate of registration of the Noticee as stock broker for a period of six months.

ORDER

40. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in the preceding paragraphs, 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 penalty on the Noticee viz. Shri Vishal Vijay Shah (Prop. of M/s. Vishal Vijay Shah) for his violation of the provisions of law, details of which are mentioned as under. I am of the view that the said penalty is commensurate with the default committed by the Noticee.

Sr. No.	**Rules/ Regulations allegedly violated by the Noticee**	**Penalty Amount**
1	Violation of Sections 11 C (2) and 11 C (3) of SEBI Act, 1992	₹2,00,000/-(Rupees Two Lakh only)
2	Violation of Sections 12A(a), (b) and (c) read with Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(p) of the PFUTP Regulations	₹3,00,000/--(Rupees Three Lakh only)
3	Violation of Clauses A (1) and (5) of Code of Conduct under Schedule II of Stock Broker Regulations.	₹3,00,000/-(Rupees Three Lakh only)
	Total	**₹8,00,000/-/-(Rupees Eight lakh only)**

41. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of the receipt of this order either by way of Demand Draft (DD) in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai and the said DD should be forwarded to the Division Chief, Enforcement Department -I (EFD), Division of Regulatory Action -I [EFD1-DRA-1] SEBI Bhavan, Plot No.C4-A,' G' Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai –400 051 and also send an email to tad@sebi.gov.in with the following detail

1	Case Name	
2	Name of the 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)	

42. Payment can also be made online by following the below path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html.

43. 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, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

44. In terms of rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee viz. Mr. Vishal Vijay Shah (Prop. of M/s. Vishal Vijay Shah) and also to Securities and Exchange Board of India.

Date: April 29, 2022	**SURESH B MENON**
Place: Mumbai	**ADJUDICATING OFFICER**