**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER NO. Order/SD/KS/2021-22/14008]**

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**UNDER SECTION 15I 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:*

**M/s. JAYPEE CAPITAL SERVICES LIMITED**
**PAN: AAACJ0628A**

*In the matter of*
**Millenium Cybertech Limited**

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## FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI')** conducted an investigation in respect of buying, selling and dealing in the shares of Millenium Cybertech Limited (hereinafter referred to as **'MCL')** for the period from May 03, 2005 to September 30, 2005. The price of the scrip of MCL witnessed a spurt. The scrip was listed on Bombay Stock Exchange (BSE), Kolkata Stock Exchange (KSE) and Madhya Pradesh Stock Exchange (MPSE) at the relevant time. At BSE, the price fluctuated sharply from " 65.50/- on June 1, 2005 to ' 242/- on September 20, 2005 within a period of 4 months representing an increase in the range of 269% of the initial price whereas the sensex showed an increase of only 21%. During the said period, the daily average trading turnover of the scrip at BSE also witnessed an increasing trend. During the relevant period of investigation, there was no corporate announcement made by MCL and despite the same, the scrip had witnessed a substantial increase in its price. The average daily volume traded in the scrip was 34,532 shares.

2. The investigations revealed that three brokers viz., Jaypee Capital Services Limited (hereinafter referred to as *'the Noticee),* Indiabulls Securities Limited and Galaxy Broking Limited accounted for 40% of the gross purchase and 70% of the gross sales. The Noticee along with other brokers had traded in the scrip of MCL on behalf of its clients wherein it had purchased 5,79,173 shares (19.50%) and sold 2,80,242 shares (9.44%). The Noticee also traded in its own account wherein it has bought and sold 850 shares. The Noticee has mainly traded for three clients' viz., Shri Ramasudhkaran Menon, Shri Rajender Kumar Adhukia and Shri Akhilesh Kamal Prasad Mishra. The investigation reveals that the Noticee placed 151 buy orders at the subsequent higher prices than the last traded price which led to the increase in the price of the scrip from Rupees 78 to Rupees 242. The Noticee was asked to comment on these buy orders during the investigation and it replied stating it was entirely client's choice and decision to place orders in the scrip. It appeared from the above that the Noticee had allegedly failed to exercise enough due diligence and precaution and entered into manipulative trades. The noticee also had allegedly influenced the price of the scrip by putting the buy order at higher prices.

3. The dealings of the Noticee on behalf of its clients had allegedly led to creation of artificial volume and influenced the price of the scrip.

4. In view of the findings of the investigation as given above, SEBI has initiated adjudication proceedings under the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **'SEBI Act'),** against the Noticee and the undersigned was appointed as the Adjudicating Officer under Section 19 read with Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') to inquire into and adjudge under the provisions of section 15HA and 15HB of the SEBI Act for allegedly violating the provisions of Regulations 4(1), 4(2)(a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to

Securities Markets) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations')** and Clauses A (1), (2), (3), (4) of the Code of Conduct for Stock Brokers as specified under Regulation 7 of the SEBI (Stock Brokers and Sub broker) Regulations, 1992 (hereinafter referred to as **'Brokers Regulations').**

**Show Cause Notice, Reply & Personal hearing**

5. A Show Cause Notice (SCN) was issued to the Noticee in terms of the provisions of Rule 4 (1) of the Adjudication Rules to show cause as to why an inquiry should not be held against it in respect of the violations alleged to have been committed. The SCN was sent through Registered Post A.D. and the same was received by the Noticee.

6. The SCN inter alia, alleged that the Noticee along with other brokers had dealt in the scrip of MCL on behalf of three clients who were connected to various related clients through off-market transactions. It is alleged in the SCN that the noticee had dealt in a fraudulent and manipulative manner by entering into transactions that are not genuine resulting in the creation of a misleading appearance of trading in the scrip and manipulation of the price of the scrip thereby contravening the provisions of PFUTP Regulations. It is further alleged that the Noticee had failed to follow proper due diligence in dealing with its clients, thereby contravened Broker Regulations. The said allegations made in the SCN are supported by Annexure which contains the details of the buy orders placed by the noticee at a higher price than the last traded price.

7. Thereafter, the Noticee was given an opportunity of Personal Hearing and given an opportunity to file its detailed reply/ submissions. Subsequently the Adjudicating Officer (hereinafter referred to as ‘AO’) of SEBI in vide its order dated October 17, 2013 (hereinafter referred to as ‘AO order’) concluded the matter against the Noticee viz., M/s Jaypee Capital Services Limited for violations of aforementioned Regulations. Being aggrieved with the aforesaid AO order, the Noticee preferred an appeal under Section 15T

of the SEBI Act, 1992 before the Hon'ble Securities Appellate Tribunal (hereinafter referred as 'SAT') in Appeal No. 1 of 2014 and the SAT vide order dated January 22, 2014 (herein after referred to as 'SAT Order') set aside the AO order and directed the Adjudicating officer to pass fresh order on merit and in accordance with law after giving personal hearing and after furnishing necessary documents to the Noticee.

8. Thereafter, the matter being remanded back, Noticee was provided with opportunity of inspection of documents and in accordance with the Hon'ble SAT order, Opportunity of Personal Hearing had been given to the Noticee Further, Noticee had also made the written sumotu submissions in which Noticee inter-alia had stated the following
    i. Noticee does not accept of admit anything stated in the said SCN except where the same is expressly admitted by Noticee in this reply.
    ii. Noticee was not aware that MCL had not made any announcement at relevant time.
    iii. Noticee deny that Noticee were aware of the fact that our clients viz., Sri Ramasudhakaran Menon, Shri Rajendra Kumar Adukia and Akilesh Kamal Prasad Mishara had been resorted to off market transfers.
    iv. Noticee deny that Noticee had deliberately or intentionally put higher prices which apparently resulted in inflating the price of MCL from R.s 78 to Rs. 242.
    v. Noticee reiterated that there is neither any material brought out in the said SCN nor offered during inspection to demonstrate that at the relevant time we were aware about the oblique motives of the clients or that we were acting in concert with it or that we had any common understanding with them.
    vi. Noticee had merely carried out the orders at the instructions of our clients, in normal course of business, in good faith.
    vii. Noticee was not financing the client for the trades carried out by it.

viii. Noticee has no relation with our client and its related/associate entities.

9. Further, the Noticee at the time of Personal Hearing, also stated that they had filed a Consent Application under consent process and therefore the matter was kept under abeyance till the outcome of consent proceedings. Subsequently, the consent application was rejected by Panel of Whole Time Members, and the application for condonation of delay was also rejected as the panel was not satisfied with reasons given for delay in filing consent application.

10. Thereafter, the matter again reached to AO for continuation of adjudication proceedings. In this regard, an opportunity of personal hearing was granted to the Noticee on August 26, 2021. However, the same was adjourned to to September 07, 2021 on the request of the Noticee. The Authorized Representative of the Noticee (AR) appeared for the Personal Hearing held through CISCO Webex and made submissions. The AR also requested for time to file detailed reply and accordingly AO has granted 3 weeks time to file detailed reply in the matter. Accordingly, on September 30, 2021 the Noticee filed its detailed reply. Upon perusal of the Post hearing submissions, It is seen that the Noticee inter-alia had made following submissions including some case laws to counter the alleged violations of PFUTP Regulations and Broker Regulations.

    i. Noticee had denied that we were aware of any public announcement made by MCL.
    ii. The Noticee had made references of various SAT/Supreme Court Judgements viz
        a. Imperial Corporate Finance and Services Private Limited.
        b. Kasat Securities Limited (SAT Appeal No. 27/2006)

        "*We have perused the impugned order and find that the Board has jumped to the conclusion that, merely because the appellant acted as a broker on behalf of its clients it ought to have known the nature of the transactions executed by them. We have already observed that this* *conclusion is rather farfetched and we are unable to concur with the same. In this view of the matter we cannot uphold the findings recorded by the Board in regard to the first allegation made against the appellant*"

c. Jagruti Securities (SAT appeal no. 102/2006)

"*Once the system has determined, the price of a scrip in the aforesaid manner, it can never be described as artificial"*

*"As at present advised, we are of the view thai, in an artificial trade there has to be collusion between the buyer and the seller and in the absence of any collusion, the trade cannot be termed as 'artificial'."*

*"We cannot lose sight of the fact that Arneet Parikh had bought the shares through the appellant as his broker and a nexus had to be established between him and the seller*

*before the trades could be dubbed as artificial. There is no such allegation in the show cause notice nor any finding recorded in the impugned order. In the absence of such a nexus it cannot be said that the appellant acting on behalf of A meet Parikh was artificially raising the price of the scrip of JIK. The charge must, therefore, fail."*

*"For the reasons recorded above, it is difficult to hold thai the appellant by placing purchase orders on behalf of Ameet Parikh at prices higher than the last traded price, was artificially trying to raise the price of the scrip of JFK. In this view of the matter the impugned order cannot be sustained **

iii. Further, Noticee submitted the judement of Hon'ble SAT in the matter of Vikas Bengani (SAT Appeal No. 225/2009) and Sterlite Industries Limited (SAT Appeal No. 20/2001).

iv. Noticee in its submissions also made reference to SAT judgments in the matter of Khandwala Securities Limited (Appeal No. 19/2012) and in the matter of HB Stockholding Limited (Appeal No. 114/2012), Rakesh Kathotia (Appeal No. 007/2016).

v. Noticee had referred to Judgment of Supreme Court in Civil Appeal No. 1893 of 2008 in the matter of Chandra Kanta Bansal, Wherein a specific observation that “due diligence” means doing everything reasonable and not everything possible. Noticee also referred to case of AF Fergusson, apex court order dated 24.10.1985.

vi. Noticee had made submissions with regard to alleged violation on connection and collusion with certain entities. Wherein, the Noticee in its reply referred to Judgment of SAT in the appeal of Nitish Shah HUF (Appeal No. 97/2019), in which SAT categorically came to a valid and sustainable conclusion that in the absence of any finding of collusion between the buyer and seller. The allegation that the appellant has contributed to the LTP cannot be sustained. Further, Noticee made reference to SAT judgments in the matter of Pine Animation (Appeal No. 102/2020), Labhu Gohil (Appeal No. 26/2019) and Narendra Ganatra (Appeal No. 47/2011)

vii. Noticee had also submitted that the total volume of our trading in MCL was 0.5% of total traded value of shares of MCL during 44 days out of 86 days of the investigation period. So, this is next to impossible to manipulate the price of shares by trading with such a small volume.

viii. Noticee submitted that in the year 2005 even the Exchange had not sufficient Surveillance Framework to absolute control over the price manipulation and so how could it was possible for broker to surveillance the trading by clients and specially in our case where the clients were placing orders at usual price within the price band limit. Even Exchange recently had come up with various type of surveillance measures viz. Graded Surveillance Measures (GSM] and Additional Surveillance Measure [ASM] have been introduced. The main objective of these measures is to; alert and advice investors to be extra cautious while dealing in these securities and advice market participants to carry out necessary due diligence while dealing in these securities.

ix. Noticee further submitted that even Exchange recently had come up with various type of surveillance measures viz. Graded Surveillance Measures (GSM] and Additional Surveillance Measure [ASM] have been introduced. The main objective of these measures is to; alert and advice investors to be extra cautious while dealing in these securities and advice market participants to carry out necessary due diligence while dealing in these securities.

x. Noticee requested to drop the said proceedings.

11. I therefore proceed with the inquiry taking into account the facts, material as available on record and written/oral submissions made by the Noticee.

**Consideration of Issues, Evidence and Findings**

12. I have carefully perused the charges levelled against Noticee and other documents/ evidence available on record including all replies filed by the Noticee and all other oral communications at the time of Personal Hearing. The issues that arise for consideration in the present case are :

a) Whether the Noticee has violated Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations as alleged and
b) Whether the Noticee has violated Clauses A (1), A (2), A (3), A (4) of the Code of Conduct as specified in the Schedule II under Regulation 7 of the Brokers Regulations?
c) Does the violation, if any, on the part of the Noticee attract monetary penalty under section 15 HA and 15HB of SEBI Act?
d) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

13. Before proceeding with the matter on merits, I first deal with the preliminary issue raised by the Noticee regarding delay in proceedings. In this regard, I have seen that the Noticee has placed on records various

case laws on delay. However, I note that Noticee has been unable to show any prejudice or impact which might have been caused due to the time taken to conclude the proceedings. Noticee was provided with all relevant and relied upon documents along with Show Cause Notice and also during inspection of documents. Further, the Noticee was provided enough time to file its detailed reply and submissions and therefore, no prejudice was caused due to delay. Notwithstanding the same, I also note that there is no provision in the SEBI Act which may have the effect of prohibiting SEBI from taking action or passing any order beyond a particular period of time in a given case.

14. While examining the case laws on delay, I note that in Ravi Mohan & Ors. v. SEBI and other connected appeals decided on August 08, 2013, Hon'ble SAT while referring to its own decision in HB Stockholdings Ltd. v. SEBI(Appeal no. 114 of 2012) decided on August 27, 2013 and decision of Hon'ble Supreme Court in Collector of Central Excise, New Delhi v. Bhagsons Paint Industry (India)reported in2003 (158) ELT 129 (S.C.),held as under *:*

"*....Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no. 114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice....*"

15. The decision of Hon’ble SAT in the aforesaid case, were reiterated by it, in a subsequent order in the matter of Kunal Pradip Savla & Ors. v. SEBI (Appeal no. 231 of 2017) decided on April 13, 2018.Therefore, I conclude that there is no merit in the preliminary objections made by Noticee, regarding the delay in conculding the instant proceedings.

16. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, I record my findings hereunder.

**<u>Issue (a) - Whether the Noticee has violated Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations ?</u>**

Before moving forward, it is pertinent to refer to the relevant provisions of PFUTP Regulations which reads as under:

***Regulation 4: -Prohibition of manipulative, fraudulent and unfair trade practices***

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

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

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

*(b)………..*

*(c)………….*

*(d)…………….*

*(e)* ***any act or omission amounting to manipulation of the price of security;***

17. It has been alleged that the Noticee had deliberately put higher pricer for buy order than the last traded price which amounts to inflate the scrip price from Rs. 78/- to Rs. 242/- and alleged that the scrip witnessed an increase of 269% whereas the sensex showed a increase of only 21%. It has also been alleged that the Noticee had traded for clients Shri Ramasudhakaran Menon, Shri Rajender Kumar Adukia and Akhilesh Kamal Prasad Mishra who were connected to various other related clients through off-market transactions. Therefore, it is alleged that the Noticee had violated the 4(1), 4(2) (a) and 4(2) (e) of the PFUTP Regulations, 2003.

18. In this regard, I have examined the replies filed by the Noticee dated September 30, 2021 and considered the submissions made by Authorized Representative of the Noticee during the Personal Hearing on September 07, 2021 and earlier replies submitted by the Noticee. From the perusal of these replies, I note that the Noticee in its reply emphasized on specific issues that the Sensex could never moves in tangent with prices of individual scrips. Further the Noticee had placed on record at paragraph 8, page no.5 of the earlier reply made upon April 01, 2010, that there cannot be any direct correlation between rise of price of MCL for that matter rise/ fall of price of any Scrip vis-à-vis the rise of Sensex.

19. Noticee, in its reply, has further contended that they have no connection or collusion with the Clients viz., Shri Ramasudhakaran Menon, Shri Rajender Kumar Adukia and Akhilesh Kamal Prasad Mishra. In support of its contentions, the Noticee also submitted few case laws narrating about the need for connection and nexus of Broker with its clients for creation of manupultaion.

20. I note that Noticee had quoted the Hon'ble SAT judgement of Vikas Bengani (SAT Appeal No. 225/2009) and Kasat Securities Limited (SAT Appeal No. 27/2006) in support of its contention. In Kasat Securities Limited, the Hon'ble SAT had inter-alia opined as ""*We have perused the impugned order and find that*

*the Board has jumped to the conclusion that, merely because the appellant acted as a broker on behalf of its clients it ought to have known the nature of the transactions executed by them. We have already observed that this conclusion is rather farfetched and we are unable to concur with the same. In this view of the matter we cannot uphold the findings recorded by the Board in regard to the first allegation made against the appellant*".

21. I note that Noticee has also quoted the Hon'ble SAT Order dated 29.01.2020 in Appeal No. 26/2019 of Labhu Gohil. Wherein it has interalia held that "*No connection with the promoters of the Company or with the Company itself has been attributed to the appellants. There is no evidence or even any discussion on any fund transfer between the appellants or the appellants with any other entities in the absence of which motive for a collusive or manipulative effort becomes blunt*." And also referred to the Hon'ble SAT Order dated 29.07.2011 in Appeal No. 47/2011 of Narendra Ganatra wherein it held that "*We are unable to accept the arguments of learned counsel for the Board. Even the Adjudicating Officer, while passing the impugned order has not been able to bring any evidence on record to indicate nexus of the appellant with other group entities and has inferred the collusion from attending circumstances.*
*We should not lose sight of the fact that the charge against the appellant is of conniving with the group entities in creating false and misleading appearance of trading in the market and artificially raising the price of the scrip and for such a serious charge, higher degree of probability is required. Such a charge cannot stand on surmises and. conjectures.*
*No evidence has been brought on record to show the role that the appellant has played in the group in executing synchronized or circular trades thereby creating false or misleading appearance oj trading in the scrip."*

22. In this regard, I note that the material available on record do not establish any connection/relation of Noticee with its aforementioned clients and I have also examined the investigation Report in the matter, however, I do not find any record and material establishing connection and any nexus between the Noticee and its aforementioned clients for creating manipulative trades.

Further, any chain establishing intention for influencing price of the scrip by putting buy order at higher price.

23. Therefore, after examining these case laws and the facts and circumstances of the present case, I am constrained to accept the views of the Noticee. As such, I do not find sufficient material to attribute the aforesaid alleged violations of provisions of PFUTP Regulations by Noticee and in view of the same benefit of doubt is given to Noticee. In view of the foregoing, I find that the allegation against Noticee for violation of Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations does not stand established.

**Issue (b) - Whether the Noticee has violated Clauses A (1), A (2), A (3), A (4) of the Code of Conduct as specified in the Schedule II under Regulation 7 of the Brokers Regulations?**

24. The issue to be decided is whether Noticee has violated Clause A(1), A(2), A(3) and A (4) of the Code of conduct for Stock Brokers as stipulated in Schedule II read with Regulation 7 of the Broker Regulations, 1992?

25. In this regard, from the perusal of the Investigation Report, it is seen that the Noticee had put 151 buy orders on higher price than the LTP, which led to increase in price of the scrip from Rs. Rs. 78/- to Rs. 242/-. Further, from the records it is observed that, Noticee was asked to offer its comments on its buy orders. However, from the records I note that the Noticee in its reply contended that it was entirely and solely client's choice and decision to place orders in the scrip of MCL. Therefore, it is alleged that the Noticee had failed to exercise enough due diligence and precaution and thus, it is alleged to have violated the Clause A(1), A(2), A(3) and A (4) of the Code of conduct for Stock Brokers as stipulated in Schedule II read with Regulation 7 of the Broker Regulations, 1992

26. Before dealing with the alleged violation of Broker Regulations, it is pertinent to refer to the relevant provisions of the Brokers Regulations which reads as under:

Regulation 7 of the Brokers Regulations reads thus, *'Stock brokers to abide by Code of Conduct'-* The stock broker holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule II.

*Schedule II*

***CODE OF CONDUCT FOR STOCK BROKERS***

***A. General.***

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

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

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

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

27. Regarding the alleged aforesaid violations of Brokers Regulations, I note that the Noticee had quoted vaious case laws including the Judgment of Supreme Court dated 11.03.2008 in Civil Appeal No. 1893 of 2008 in the matter of Chandra Kanta Bansal wherein there is a specific observation that "due diligence" means doing everything reasonable and not everything possible. The relevant extract of the said order is as follows:

*"**Due diligence''** means the diligence reasonably expected from, and ordinarily exercised by, a person who seeks to satisfy a legal requirement or to discharge an obligation." '**"due diligence",** in law, means doing everything reasonable, not everything possible. "Due diligence" means reasonable diligence; it means such diligence as a prudent man would exercise in the conduct of his own affairs.*

28. Further, I note that the Noticee had also quoted Hon'ble SAT order dated 30.07.2004 in Appeal No. 56/2003 in the matter of Imperial Corporate Finance and Services Private Limited wherein the tribunal inter-alia held that "*One must not carry the concept of "due diligence" to ridiculous levels. If the appellant had immediately taken it for granted, that the information sent by the complainant is the gospel truth without verifying from the company or Mr. Rajan, it would have been guilty of due diligence. "Due diligence" means what it simply means. You have to be prompt and diligent in verifying the details. Diligence does not mean jumping the gun and complicating matters without verification.*

*We however hold that before any person is found to have violated the concept of "due diligence", there must be an enquiry and the finding must be sustained by a higher degree of proof than that required in a civil suit, yet falling short of the proof required to sustain a conviction in a criminal prosecution. There must be convincing preponderance of evidence (see MR 1984 SC 110)."*

29. I have further referred the case law as submitted by the Noticee Viz., AF Fergusson dated 24.10.1985 wherein the Apex Court inter-alia held that

"*The auditor is required to employ <u>reasonable skill and care, but he is not required to begin with suspicion and to proceed in the manner of trying to detect a fraud, or a lie, unless some information has reached which excites suspicion or ought to excite suspicion in  professional man of reasonable competence</u> …….Before holding that a professional man is guilty of negligence, the court must see strong and conclusive evidence and it would not be fair to rely upon some stray circumstances giving faint suspicion that the professional man may not have taken absolute care in the performance of his duties"*

30. In this regard, I have examined the available material on record to find out any suitable material which supports the information creating the suspicion in the mind of Noticee. However, I do not find any such material on record which supports the allegation that information or suspicion reached to the Noticee.

31. So putting reliance upon the aforesaid case laws of Hon'ble Supreme Court and SAT, I am agreeable with the views of the Noticee as I do not find sufficient material on record to attribute that the Noticee had failed to act with due diligence. In view of this, I find that the allegation against Noticee for violation of Clause A (1), A(2), A(3) and A (4) of the Code of conduct for Stock Brokers as stipulated in Schedule II read with Regulation 7 of the Broker Regulations, 1992 does not stand established.

32. Since the alleged violations are not established against Noticee, issues No. (c) and (d) require no consideration.

## ORDER

33. Accordingly, taking into account the aforesaid findings, the Adjudication proceedings against Noticee viz., Jaypee Capital Services Limited, initiated vide Show Cause Notice dated May 15, 2008, stands disposed of without imposition of any penalty.

34. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to Securities and Exchange Board of India.

**Date: October 29, 2021** **SANDEEP P DEORE**

**Place: Mumbai** **ADJUDICATING OFFICR**