

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

**UNDER SECTIONS 11, 11(4) AND 11B OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA ACT, 1992**

In Re: SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and SEBI (Stock Brokers and Sub Brokers) Regulations, 1992

In respect of

Sl. No.	NAME	PAN
1.	MBL & Company Limited	AADCM8394F

In the matter of M/s Gujarat NRE Coke Limited

BACKGROUND

- Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation in the scrip of Gujarat NRE Coke Limited (hereinafter referred to as '**GNCL**' / '**Company**') to ascertain whether there was any violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') and the Rules and Regulations made thereunder and possible violation of provision of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("hereinafter referred to as '**PFUTP Regulations**') and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as '**Brokers Regulations, 1992**') read with SEBI (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 2013 [hereinafter referred to as '**Brokers (Second Amendment) Regulations, 2013**']. The period of investigation was from December 15, 2011 to October 09, 2014 (hereinafter referred to as '**Investigation Period**' / '**IP**'). During

Order in respect of MBL & Company Limited in the matter of M/s Gujarat NRE Coke Limited

the investigation period the scrip was traded on the Bombay Stock Exchange Limited (hereinafter referred to as 'BSE') and National Stock Exchange of India Limited (hereafter referred to as 'NSE').

2. The investigation revealed that during the investigation period, MBL Company Limited, broker (hereinafter referred to as 'MBL' / 'Noticee') had executed self-trades on NSE in its proprietary account and these self-trades in negligible quantity, contributed towards total market positive Last Traded Price (LTP).

SHOW CAUSE NOTICE

3. A Show Cause Notice (hereinafter referred to as 'SCN') dated July 10, 2019 was issued to the Noticee in the matter of GNCL alleging that MBL has violated Sections 12A (a), (b), (c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (e) and (g) of PFUTP Regulations, and Clauses A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Brokers Regulations, 1992 read with Regulation 9 of Brokers (Second Amendment) Regulations, 2013. Vide said SCN, MBL was called upon to show cause as to why appropriate directions under section 11B and 11(4) read with section 11(1) of the SEBI Act, 1992 should not be issued against it for the said alleged violations of SEBI Act 1992, PFUTP Regulations and Stock Broker Regulations. The said SCN was sent to the Noticee through speed post and the same was delivered to the Noticee.

ALLEGATIONS IN BRIEF:

4. The investigation revealed that there were certain price movements in the scrip of GNCL at NSE. Details of price and volume movement in the scrip of GNCL at NSE before, during and after the investigation period are as under:

Period	Dates		Open	Close	Low	High	Total traded shares (Daily Avg.)
Before Investigation Period	15-Sep-2011 to 14-Dec-2011	Price	27.5	17.05	17.00 (14-Dec-2011)	27.60 (15-Sep-2011)	8,81,04,102 (14,44,330)
		Vol	24,18,721	12,98,808	3,26,342 (26-Oct-2011)	39,19,408 (05-Oct-2011)	
Investigation Period	15-Dec-2011 to 09-Oct-2014	Price	17	8.35	7.25 (08-Oct-2014)	28.70 (12-Mar-2012)	91,43,95,663 (12,98,857)
		Vol	22,72,849	58,05,919	34,441 (08-Sep-2012)	2,12,34,021 (28-Nov-2013)	
After investigation period	10-Oct-2014 to 09-Jan-2015	Price	8.30	5.7	5.35 (17-Dec-2014)	9.40 (14-Oct-2014)	14,97,99,200 (23,77,765)
		Vol	20,26,088	14,67,811	5,69,376 (23-Oct-2014)	1,06,46,538 (14-Oct-2014)	

5. **Self-trades at NSE:** MBL trading in its proprietary account at NSE had entered into self-trades on several occasions. The details of self-trades are as follows:

Entity Name	Broker On Both Buy & Sell Side	Total Self Trade Volume	Total Self Trade Count	No of days on which self-trades done	% Of Self Traded Qty. To Market Vol.	No. of self-trades from same terminal	Positive LTP contribution by self-trades
MBL	MBL	34,535	5,041	50	0.04	4,327	289.35

6. **LTP Contribution at NSE:** The details of top 10 LTP contributors at NSE as buyers during the period from December 15, 2011 to February 24, 2012 are as under:

Buyer Name	All trades			LTP diff > 0			LTP diff < 0			LTP diff = 0		% of Positive LTP to Total Market Positive LTP
	LTP impact Rs.	QTY traded	No of trades	LTP impact Rs.	QTY traded	No of trades	LTP impact Rs.	QTY traded	No of trades	QTY traded	No of trades	
Vinod Shares Ltd	16.90	19,23,441	21,837	144.20	1,16,176	2,662	-127.30	3,34,963	2,335	14,72,302	16,840	6.30
Mehul H Shah	7.50	97,224	720	7.90	16,361	123	-0.40	752	7	80,111	590	0.35
Mansi Shares & Stock Advisors Pvt Ltd	6.40	5,526	430	6.70	251	122	-0.30	7	6	5,268	302	0.29
Wellington Mgt Co Llp A/C The Hartford Intl Oppr Fd	6.05	4,54,124	967	7.60	1,10,494	138	-1.55	6,923	29	3,36,707	800	0.33
Merrill Lynch Capital Markets Espana S.A. Svb	5.85	3,912	415	6.05	1,177	119	-0.20	25	4	2710	292	0.26

Millennium Stock Broking Pvt Ltd	5.75	4,32,688	1639	12.25	52,517	217	-6.50	20,551	110	3,59,620	1,312	0.54
Vaneck Associates Corporation A/C India Capital Appreciation	5.55	15,033	466	6.75	4,498	129	-1.20	361	24	10,174	313	0.30
Gkn Securities	5.50	1,97,292	501	6.10	36,029	101	-0.60	3,706	8	1,57,557	392	0.27
Quadeye Securities Pvt Ltd	4.60	4,58,765	2,309	7.75	48,306	152	-3.15	19,232	55	3,91,227	2,102	0.34
Mbl & Co. Limited	3.45	87,46,016	63,924	585.50	4,30,108	10,422	-582.05	17,62,425	10,443	65,53,483	43,059	25.57
Total Top 10 Entities	67.55	1,23,34,021	93,208	790.80	8,15,917	14,185	-723.25	21,48,945	13,021	93,69,159	66,002	34.54
Rest Entities	-58.10	6,52,14,750	2,40,881	1,498.70	87,89,487	27,786	-1,556.80	71,81,432	28,796	4,92,41,551	1,84,299	65.46
Market Total	9.45	7,75,48,771	3,34,089	2,289.50	96,05,404	41,971	-2,280.05	93,30,377	41,817	5,86,10,710	2,50,301	100.00

6.1. It was observed that during the period from December 15, 2011 to February 24, 2012, out of Rs.2,289.50 total market positive LTP, top 10 buy entities have contributed Rs.790.80 positive LTP (34.54% of total market positive LTP). Individual contribution of these entities to positive LTP ranged from 0.26% to 25.57%. Net LTP contribution of the above entities was Rs.67.55.

6.2. Out of these, MBL has contributed more than 5% of the total market positive LTP of Rs. 585.50 (which is 25.57% of total market positive LTP) through 10,422 trades. Out of the 10,422 positive LTP trades, there were 5,041 self-trades by MBL in its proprietary account for a quantity of 34,535 shares contributing to a positive LTP of Rs. 289.35 (12.64% of total market positive LTP).

6.3. It is also observed that during the period from December 15, 2011 to February 24, 2012, MBL has repeatedly executed self-trades in negligible quantity. The instances of self-trades of MBL at NSE that contributed the highest LTP are as under:

Sr. No.	Date	Order Type	Order No	Order Time (LM)	Order Qty	Trade time	Trade Qty.	Trade Price	Diff in LTP (in Rs.)
1	08/02/2012	Sell	2012020800038329	09:15:08.0000000	5000	09:15:12	1	24.00	0.55
		Buy	2012020800042902	09:15:11.0000000	1				
2	24/01/2012	Sell	2012012400040557	09:15:32.0000000	2000	09:15:36	1	22.10	0.25
		Buy	2012012400054569	09:15:36.0000000	1				
3	16/12/2011	Sell	2011121600122349	09:19:36.0000000	2000	09:19:36	1	16.65	0.15
		Buy	2011121600122421	09:19:36.0000000	1				
4	23/12/2011	Sell	2011122300046781	09:15:34.0000000	1000	09:15:35	1	16.50	0.15
		Buy	2011122300047164	09:15:35.0000000	1				
5	23/12/2011	Sell	2011122300049878	09:15:41.0000000	1000	09:15:47	1	16.45	0.15
		Buy	2011122300052139	09:15:47.0000000	1				

6.4. From the above table, upon analysis of order pattern, following is observed:

- 6.4.1. Sr.no.1: Vide order ID 2012020800042902 at 09:15:11, MBL placed buy order at market price for 1 share to match his own order ID 2012020800038329 placed at 09:15:08. The matching orders contributed to LTP of Rs. 0.55.
- 6.4.2. Sr.no.2: Vide order ID 2012012400054569 at 09:15:36, MBL placed buy order at market price for 1 share to match his own order ID 2012012400040557 placed at 09:15:32. The matching orders contributed to LTP of Rs. 0.25.
- 6.4.3. Sr.no.3: Vide order ID 2011121600122421 at 09:19:36, MBL placed buy order at market price for 1 share to match his own order ID 2011121600122349 placed at 09:19:36. The matching orders contributed to LTP of Rs. 0.15.
- 6.4.4. Sr.no.4: Vide order ID 2011122300047164 at 09:15:35, MBL placed buy order at market price for 1 share to match his own order ID 2011122300046781 placed at 09:15:34. The matching orders contributed to LTP of Rs. 0.15.
- 6.4.5. Sr.no.5: Vide order ID 2011122300052139 at 09:15:47, MBL placed buy order at market price for 1 share to match his own order ID 2011122300049878 placed at 09:15:41. The matching orders contributed to LTP of Rs. 0.15
7. It was also observed that the broker for these trades on buy and sell side was MBL. MBL acted as buy and sell broker of MBL i.e. itself for its trades. Since MBL was the client as well as the stockbroker, the aforesaid self-trades were done in its proprietary account. Out of 5,041 self-trades, 4,327 self-trades for 11,828 shares by MBL were executed from the same terminal ID.
8. It is observed that self-trades of MBL in negligible quantity contributed towards 12.64% of total market positive LTP during the period from December 15, 2011 to February 24, 2012. This pattern of self-trades which were repetitive in nature by MBL is observed to be manipulative with the intention to inflate the scrip price. Thus, it is alleged that MBL has acted in a manner which led to a misleading appearance of trading in the scrip and manipulated the price of the scrip without any intention of change of ownership of the security.
9. Therefore, it was alleged in the SCN that MBL had violated Sections 12A(a),(b) and (c) of SEBI Act read with Regulations 3 (a),(b),(c) and (d), 4 (1), 4 (2) (a), (e) and (g) of PFUTP

Regulations. Further, MBL by acting as broker and counterparty broker for self-trades in its own account on NSE, had failed to exercise due skill and care, and thereby alleged to have violated Clause A (2), of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Brokers Regulations, 1992 read with Regulation 9 of Brokers (Second Amendment) Regulations, 2013.

REPLY AND HEARING

10. MBL vide letter dated July 26, 2019 acknowledge the receipt of SCN dated July 10, 2019 and submitted its reply in the matter, which is *inter alia* as under:
 - 10.1. That the alleged self-trades in MBL proprietary account were non-intentional, non-manipulative, inadvertent and accidental.
 - 10.2. That execution of self-trades are negligible quantity and the impugned self-trades had no impact on the securities market so as to disturb the market equilibrium or create false/ misleading appearance of trading in GNCL market.
 - 10.3. The Indian Regulators have themselves considered that self-trades per se are not illegal and cross trades do happen in the market in the nominal course of broking/intraday/jobbing activity. SEBI in its circular dated 08/02/2013 had clarified as under: [Reference Para 11 (b) on page 3 of the Circular] *“In addition to (a) above, incentives in the form of cash payments, warrants, discount in fees, etc. may not be provided for the trades where the counterparty is self, i.e., same Unique Client Code L/CU/ is or > both sides of the transaction”*. Thus, at the relevant point of time SEBI itself had accepted that self-trade occur in the electronic trading system and therefore they cannot be considered illegal or illegitimate per se.
 - 10.4. That in the meeting of Secondary Market Advisory Committee (SMAC) of SEBI held on January 30, 2014, the proposal on prevention of Self Trades was discussed *“it was felt by the committee that Self-trades could be possible in the scenario when multiple traders in a broker's house may be placing buy and sell orders in the same scrip for PRO, different client or multiple Algo orders of the same brokers get marched without any intent of self-execution, creation of artificial volume, manipulative etc.”*. In this context the committee including SEBI officials recommended to SEBI to allow self-trades if it does not involve of any manipulative self-trades, synchronized trading, price manipulation, illegitimate profit and in case of nothing of the above then occurrence of self-trade need to be condoned.
 - 10.5. That it was in year 2015, in order to address the need of preventing impugned ‘self-trades’ the NSE & BSE introduced the Self Trade Prevention Check mechanism in

equity segment wherein automated system itself block buy/sell order from commonly owned accounts. Thereby, it effectively prevents 'self-trades' order from matching with another order from same ID. Therefore, the systems and mechanism for preventions of self-trade evolved and progressed in the recent years (i.e. during 2015) whereas MBL impugned 'self-trades' in the scrip of GNCL have been executed way back.

- 10.6. That at NSE during December 05, 2011 to February 24, 2012, MBL have traded in 575 scrips and in order to note the current price, single share was traded to know the current LTP so as to take further necessary actions as MBL do manual trading and do not do Algo trading resulting as they are far behind than who use Algo.
- 10.7. MBL trade in the secondary market and indulge in proprietary trading with main activity of jobbing/arbitrage through number of traders who are connected to the Exchange server through our multiple servers kept in various locations.
- 10.8. That likelihood of self-trades occurring is even more when the trading firm has number of branches and user IDs who trade. In MBL case, they have different locations and in the said locations they have no. of NSE & BSE IDs.
- 10.9. That from difference in LTP of self-trades v/s high price in different dates mentioned by SEBI, it is observed that single share LTP is less than higher LTP and the same is higher than low LTP.
- 10.10. That in both the Exchanges, MBL average price (LTP) on daily basis was less than high price and more than low price which indicates that MBL were trading as they had been trading in other scrips and the single quantity in GNCL did not change the market equilibrium. Details in this regard is attached.
- 10.11. That the incident of single quantity trade is to enable MBL dealers and traders to know the LTP so as to take further necessary action.
- 10.12. That mere occurrence of impugned self-trades in particular scrip cannot be termed as fraudulent or manipulative. In the absence of the element of fraud/manipulative intent, the provisions of PFUTP Regulations don't get triggered. That ex-facie exceedingly insignificant quantum of trading could not impact either the price or volume of the scrip. From the data provided to MBL, it can be clearly see that MBL trades has not affected the price or volume of GNCL scrip. Therefore, in the absence of any impact on price or volume of the scrip, consequent to self-trades, MBL cannot be alleged to have violated the provisions of PFUTP Regulations. Further, there is nothing brought out on record which can even remotely demonstrate that MBL had acted malafide or that the alleged self-trades actuated by manipulative or fraudulent designs. Admittedly there is no allegation that MBL were acting in concert with anybody in the market including the promoters of the company or others who have traded in the scrip.

- 10.13. MBL deny the alleged violation of provisions of Regulation 3 (a),(b),(c),(d), Regulations 4(1), 4 (2) (a) (g) of PFUTP Regulations and Clause A(3), A(4) & A(5) of Broker Regulations. That MBL did not buy, sell or otherwise deal in shares of GNCL scrip in fraudulent manner. MBL had placed order in shares of GNCL scrip in normal and ordinary course of our intraday/jobbing/arbitrage activity which was in due compliance of all rules and regulation prescribed by regulator from time to time.
- 10.14. MBL refer to and rely upon three recent Adjudication Orders of SEBI pertaining to allegation of Self-trades wherein respective Show Cause Notices was disposed-off without imposing any penalty on MBL & Company Limited. The said orders were in respect of MBL in the matter of Alchemist Limited, Omaxe Limited and Twilight Litaka Pharma Limited. The copy of said orders are enclosed.
- 10.15. The impugned trades were initiated for legitimate and separate business purpose for Intraday / Jobbing / Arbitrage activity.
- 10.16. MBL do manual trading thereby MBL are at disadvantage platform than who trade in ALGO. MBL is far behind as there is dissemination of information as compared to HFT (High Frequency Trading) in ALGO.
- 10.17. That LTP of self-trades is less than the high price during the day and high than the low price hence the quantity of LTP (single quantity) will not contribute to any artificial scenario and hence would not change the market equilibrium.
- 10.18. The volume of impugned transactions is not very significant i.e. self-trades of MBL is in negligible quantity and it did not have any impact on price/volume of GNCL scrip. Neither did MBL trades create false & misleading appearance of trading in said scrip.
- 10.19. That manipulative intention is sine-qua non for establishing guilt in cases of alleged self-trades.
- 10.20. MBL have no nexus, connivance or collusion with GNCL or its Promoters, Directors, employees and any of its connected entities.
- 10.21. That there is no investor loss or complaint in respect of MBL dealing in the scrip of GNCL.
11. In the interest of natural justice, vide notice of hearing dated November 07, 2019, an opportunity of personal hearing was granted to MBL on December 04, 2019 at SEBI, Head Office, Mumbai. Mr. Ranjan Dutta, Compliance Officer of MBL appeared on December 04, 2019 and vide letter dated December 04, 2019 submitted that he was running with high pressure and was unable to make the argument, therefore requested to adjourned the hearing on December 06, 2019. Accordingly the hearing in the matter was adjourned and MBL was directed to appear for hearing on December 06, 2019.

12. Mr. Prakash Shah, Advocate and Mr. Ranjan Dutta, Compliance Officer of MBL, Authorized Representatives (“ARs”) appeared on behalf of MBL on December 06, 2019 and made oral submissions, which are as under:

“

- 12.1. ARs reiterated MBL reply dated July 26, 2019.
- 12.2. MBL is a stock broker and mainly into intraday trading and jobbing activities.
- 12.3. MBL was trading in more than 500 scrips.
- 12.4. With regard to self-trade, it is submitted the MBL is trading from 202 terminal trough 6 different location. The details of same were attached as annexure 19 of reply dated July 26, 2019.
- 12.5. MBL do not have CTCL trading. MBL only do manual trading.
- 12.6. Single share trade is placed because to know the current price (price discovery) of scrip of GNCL then followed by large number of share trade.
- 12.7. GNCL is not a penny stock scrip and GNCL is a highly liquid scrip. Volume of one share will have no impact in daily volume.
- 12.8. The price rise of 15 paise as compare to daily high and low price rise is very insignificant.
- 12.9. Value of self-trade is very insignificant.
- 12.10. Most of the trades executed by MBL is at market price and had no impact on LTP. Out of approximately 87 lakh traded shares, only approx. 4 lakh shares have impact on positive LTP and approx. 17 lakh shares had impact on negative LTP and approx. 65 lakh shares (more than 70% MBL trading) had zero impact on LTP. Thus, the intention of MBL was not of manipulation of price but the intention was of intraday trading.
- 12.11. The thought process of MBL was of putting the trades is without disturbing the market equilibrium. Therefore, considering MBL innocent trading pattern, further there is no charge of synchronized trading and circular trading. It is humble request that benefit of doubt may be given to MBL and exonerated from 11B proceedings.
- 12.12. MBL main activity is to carry out trade in proprietary account hence if any adverse directions was issued, such direction shall result into grave loss, harm and damage to MBL and also to its employee.....

MBL submitted that single share trade is placed because to know the current price of scrip of GNCL (i.e. price discovery) then followed by large number of share trade. In this regard, ARs are advised to explain logically and demonstrate along with evidence from their order placement behavior that 1 shares trade is followed by large number of share trades. Further, if the submission of MBL is that 1 share order is the split order of large share

order, then MBL is advised to explain and demonstrate the same from their order placement behavior ”

13. MBL vide letter dated January 02, 2020 submitted additional written submissions in the matter, which are *inter alia* in brief are as under:

- 13.1. That MBL value & volume of impugned self-trades executed in GNCL shares were quite insignificant / miniscule in comparison to MBL value & volume of trades in GNCL shares and also other shares during the relevant period.
- 13.2. That except earning intraday / arbitrage profit of Rs.2.61 lakhs for the trades executed in GNCL shares during the period from 15.12.2011 to 24.02.2012, MBL have not made any other gain or derived any benefit while executing trades in GNCL scrip. Except for intraday squaring off trades, MBL had no interest in the rise or fall in the price of GNCL shares.
- 13.3. That GNCL scrip had good fundamentals and volatility. Therefore no adverse inferences be drawn against MBL for carrying out trades in GNCL shares.
- 13.4. That MBL is dealing in the securities market on behalf of their clients and also carrying out proprietary trading on their own behalf in various scrips. In proprietary account, MBL used to carry out arbitrage/ jobbing business through the dealers employed with them. That during the investigation period, MBL was having arbitrage/ jobbing desk at their office and used to have jobbers who used to trade on their behalf. All were allotted separate terminals.
- 13.5. An arbitrage/Jobbing transaction is normally carried out to take benefit of the intraday price fluctuations that happen in the scrips in the same exchange or price difference in the same scrip across exchanges. This is carried out only in the scrip which are reasonably liquid and have got a reasonable volume to enable the dealer to square off the position by end of the day. The arbitrageur / jobbers based on technical analysis, puts indicative order of a small quantity on both sides at various trigger prices i.e. both buy and sell orders. If an order gets executed on say buy side then the other orders are entered on the buy side only before cancelling the orders of sell side since cancelling an order is more cumbersome procedure than entering a fresh order and time is of essence in the stock market. In this scenario, buy orders of the same arbitrageur / jobber matches with sell orders of the same arbitrageur/ jobber although there is no malafide intention on the part of arbitrageur/ jobber. In addition, the arbitrageur/ jobber also bears the transaction charges, turnover tax etc. of both sides. In view of the same, no adverse inference may be drawn for the trading carried out by MBL in the scrip of GNCL.
- 13.6. That MBL have been carrying on the broking activities as market intermediary since long with due diligence, fairness and in accordance with the provisions of the law. MBL have never defaulted in meeting their payment or delivery

obligations to the Exchange. As a stock broker, MBL did not create any false market, indulged in any act detrimental to the investor's interest or which leads to interference with the fair and smooth functioning of the market. Further, as a stock-broker MBL was never involved in excessive speculative business in the market beyond reasonable levels.

- 13.7. That Self-trades per se is not illegal and by no sense of imagination it creates artificial volume since the arbitrageur / jobber picks up the scrips in which there is ample liquidity to enable him to square off his position.
- 13.8. That as per analysis of trade log and order log of NSE provided by SEBI, the buy and sell orders placed by MBL have not always resulted into self-trades, and on majority of the occasions, the buy and sell quantity ordered has got matched with the orders placed by other entities and pending in the trading system.
- 13.9. That charge of fraudulent and unfair trade practices under Regulation 3 and 4 is a serious charge. In the instant case, there is no evidence at all that MBL trading was with a view to carry out fraudulent and unfair trade practices in the scrip of GNCL.
- 13.10. That MBL had carried out only arbitrage / jobbing transactions in proprietary account and MBL had earned a miniscule profit out of the said transaction, MBL volume in the scrip of GNCL was miniscule percentage of MBL total volume during the investigation period. MBL did not have any connection with either promoters and / or directors, there was no major concentration of brokers and clients at both BSE and NSE, no unfair gain or advantage has occurred to MBL and also no harm or loss has been caused to retail investors.
- 13.11. That GNCL scrip has been liquid throughout and highly traded. Thus, MBL execution of small trades and minor variation in price cannot disturb or impact the market equilibrium of GNCL shares on the Stock Exchange. Therefore, no adverse inferences ought to be drawn against them for carrying out trades which had no impact on the market.
- 13.12. That MBL transaction during pre-investigation period and post investigation period were attached as Annexure 16 of reply dated 26.07.2019. On perusal of the same, no adverse inferences be drawn against them more particularly on the alleged trading done in one share by their jobbers in GNCL shares.
- 13.13. The net LTP impact of all trades is Rs. 3.45 which is lowest amongst all. Thus no charge of any alleged price manipulation be levelled against MBL.
- 13.14. That MBL volume of trading is highest amongst all other entities and thereby gross impact is highest since the calculation of LTP is done for each trade affecting LTP. Therefore no adverse instances be drawn against MBL for higher gross LTP impact as shown in Para 3 of the SCN.
- 13.15. That against net LTP impact of Rs. 3.45, the gross LTP of around Rs. 585/- as calculated for each trade having impact on LTP has no relevant and significance.

13.16. That the % of self-trades quantity to market volume is meager 0.04%. Hence, no adverse inferences be drawn against MBL on the alleged self-trades.

13.17. In Para 4(ii) of the SCN an illustrative list of alleged self-trade for 1 shares which had alleged to have contributed to the highest LTP are furnished in a tabular data. MBL date wise analysis based on recollection event is furnished as under:

13.17.1. Date: 08.02.2012

Before start of the trading in the morning on 08.02.2012, MBL checked GNCL open price and close price of previous day i.e. 07.02.2012 (NSE).

GNCL open price 07.02.2012	-	24.80
GNCL close price 07.02.2012	-	23.90

The above means that the particular scrip was in the downward trend and accordingly on 08.02.2012, MBL placed an sell order of 5,000 quantity at Rs.24.00 at 09:15:08. Since nothing happened and in order to check the system, MBL hit a single quantity of Rs.24.00 which was executed from its own quantity placed at 09:15:12.

13.17.2. Date: 16.12.2011

Before start of the trading in the morning on 16.12.2011, MBL checked GNCL open price and close price of previous day i.e. 15.12.2011 (NSE).

GNCL open price 15.12.2011	-	Rs.17.00
GNCL close price 15.12.2011	-	Rs.16.75

The above means that the market is in the downward. MBL had an open position +3,500 aprox. and now in order to sell the open position, MBL placed an order for -2,000 share at 09:19:36@ Rs. 16.65. Now in order to check the system, MBL hit a single quantity at 09:19:36.

13.17.3. Date: 23.12.2011

Before start of the trading in the morning on 23.12.2011, MBL checked GNCL open price and close price of previous day i.e. 22.12.2011 (NSE).

GNCL open price 22.12.2011	-	Rs.15.85
GNCL close price 22.12.2011	-	Rs.16.25

The above means that the market is in the upward trend. MBL had purchased 3 single quantity, 2 single quantity at 09:15:35 and 1 single quantity at 09:15:36 from the market to check the system.

MBL bought +1,000 quantity @Rs .16.35 at 09:15:31 and +1,000 quantity @Rs. 16.35 at 09:15:34 total +2,000. Thereafter, placed a sell order -1,000 quantity @Rs.16.50 at 09:15:35. Thereafter, balance quantity was sold later at Rs. 16.45 till 09:15:43. A fresh order of -1,000 quantity was placed @ Rs.16.45 at 09:15:45. In order to check the system, MBL placed a single quantity.

13.17.4. Date: 24.01.2012

Before start of the trading in the morning on 24.01.2012, MBL checked GNCL open price and close price of previous day i.e. 23.01.2012 (NSE).

GNCL open price 23.01.2012	-	Rs.22.25
GNCL close price 23.01.2012	-	Rs.22.05

MBL had started buying from 09:15:07 and till 09:15:10 MBL had an open position of 2,991. Now in order to sell the open position, MBL placed a sell order for 2,000 quantity of Rs.22.10 at 09:15:32. In order to check the system, MBL bought a single quantity at 09:15:36.

13.18.MBL alleged trades had no impact on market price of the GNCL shares. An analysis of MBL trade price vis-a-vis high price of the day shown as below:

Comparison between Trade price and High price of day

Date	Trade Price (Rs.)	High price of the day (Rs.)
08.02.2012	24.00	24.40
24.01.2012	22.10	22.40
16.12.2011	16.65	17.00
23.12.2011	16.50	16.70
23.12.2011	16.45	16.70

13.18.1. On perusal of above table, it is submitted that MBL trade has not made much any impact on price of GNCL share.

13.19.The comparison between differences in LTP as alleged against MBL vis-a-vis variation in price during the day is as under:

Date	Diff. in LTP by MBL trade	Diff. in LTP during the day
08.02.2012	0.55	0.95
24.01.2012	0.25	0.65
16.12.2011	0.15	0.80
23.12.2011	0.15	1.20

- 13.19.1. On perusal of above table, it is submitted that difference in LTP during the day is much more than difference in LTP by MBL trade.
- 13.20. Though there is allegation of the contribution to highest LTP by way of self-trade, it is pertinent to mention that during those days MBL have carried out large volume of trading at the BSE and NSE. Further, there was a large volume in the market on those days. Hence, the scrip was highly liquid. Therefore, MBL impugned trades do not have any impact at all whatsoever. Further average rate of MBL trades falls much in the range of high and low of the day. Therefore with regard to self-trades no adverse inference can be drawn against them.
- 13.21. MBL had placed reliance on the number orders passed by Ld. Whole Time Member, SEBI, Ld. Adjudicating Officer, SEBI and Hon'ble Securities Appellate Tribunal wherein, Noticees were exonerated from the alleged PFUTP violations. List of Orders has been mentioned in the written submission. Further, MBL also placed reliance on number Orders passed by Ld. Adjudicating Officer, SEBI wherein, Noticees were discharged from allegation of Self Trades List of Orders has been mentioned in the written submission.
- 13.22. That in the normal course of intraday activity; MBL have executed transaction in GNCL scrip as they have done trading in various other scrips over a period of time. The intraday trading activity is safe and less risky since impact of price variation is low because mostly overnight position is not held by MBL. In fact STT rates are also minimum for intraday activity. Therefore, large numbers of market participants carry out such activity.
- 13.23. That GNCL scrip is fundamentally strong and not a penny stock wherein execution of small trade can have impact on price.
- 13.24. That the price and volume of GNCL share during investigation period is not in much variance to the pre and post investigation period as can be seen from the details / data mentioned in table under Para 2 and 3 of the SCN.
- 13.25. That SEBI has made policy to take lenient view on market participant on execution of self-trade. Presently execution of self-trade is prevented by exchanges itself hence recurrence is not possible.

13.26. That MBL main activity is to carry out trade in proprietary account hence any directions as mentioned in the SCN shall result into grave loss, harm and damage to MBL and also to its employee and their family members also.

FINDINGS AND CONSIDERATION:

14. I have perused the SCN, reply and other materials on the record. On perusal of the same, the following issues arise for consideration. Each issue is dealt with separately under different headings.

- (i) Whether the MBL had entered into self-trades as alleged in the SCN?*
- (ii) If issue no. 1 is determined in affirmative, then whether such self-trades executed by MBL have been entered into intentionally / with manipulative intent?*
- (iii) If issue no.2 is found in affirmative, then whether MBL have violated the provisions of Sections 12A(a),(b),(c) of SEBI Act read with Regulations 3 (a),(b),(c) and (d), 4 (1), 4 (2) (a), (e) and (g) of PFUTP Regulations?*
- (iv) If issue no.1, 2 & 3 is found in affirmative, then whether MBL by acting as broker and counterparty broker for self-trades in its own account on NSE, has failed to exercise due skill and care, thereby violated the provisions of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Brokers Regulations, 1992 read with Regulation 9 of Brokers (Second Amendment) Regulations, 2013?*
- (v) If issue no. 3 & 4 is in affirmative, what directions, if any should be issued against MBL?*

15. Before moving forward, it will be appropriate to refer to the relevant provisions of SEBI Act, 1992, PFUTP Regulations, 2003, Brokers Regulations, 1992 and Brokers (Second Amendment) Regulations, 2013 which read as under:

SEBI Act, 1992

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

Section 12A: No person shall directly or indirectly:-

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations, 2003

Regulation 3: - Prohibition of certain dealings in securities

3. No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;
- (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 thereunder.

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 a security;
 - (f)

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

Brokers Regulations, 1992

Stock brokers to abide by Code of Conduct.

Regulation 7. The stock broker holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule II.

SCHEDULE II

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

CODE OF CONDUCT FOR STOCK BROKERS

[Regulation 7]

A. General.

(1)

(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.

Brokers (Second Amendment) Regulations, 2013

Regulation 9: Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely:

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

ISSUE No. 1- Whether MBL had entered into self-trades as alleged in the SCN?

16. I note that Self-trades are trades executed on the stock market in which both the buyer and the seller are the same entity. Self-trades do not represent a real change in beneficial ownership of the security.

17. In the SCN, it is alleged that, at NSE, during the period from December 15, 2011 to February 24, 2012, MBL Trading in its proprietary account had executed self-trades in the scrip of GNCL. The details of the alleged self-trades by MBL at NSE are as under:

Entity Name	Broker On Both Buy & Sell Side	Total Self Trade Volume	Total Self Trade Count	No of days on which self-trades done	% Of Self Traded Qty. To Market Vol.	No. of self-trades from same terminal	Positive LTP contribution by self-trades (Rs)
MBL	MBL	34,535	5,041	50	0.04	4,327	289.35

18. From perusal of the above, it is observed that at NSE that on 50 days MBL had entered into 5,041 self-trades for 34,535 shares of GNCL i.e. 0.04% of total volume traded on market. Out of 5,041 self-trades, 4,327 self-trades were from same terminal.
19. Form the submissions of MBL, it is noted that MBL has not disputed the fact that, at NSE, it had executed 5,041 self-trades for 34,535 shares of GNCL i.e. 0.04% of total volume traded on market, even though MBL had contended that alleged self-trades in proprietary account were non-intentional, non-manipulative, inadvertent and accidental, the percentage of self-trade by MBL in the scrip of GNCL is negligible and had no effect on the liquidity of GNCL which was highly liquid.
20. I therefore find that MBL had executed self-trades in the scrip of GNCL.

ISSUE No. 2 - *If issue no. 1 is determined in affirmative, then whether such self-trades executed by MBL have been entered into intentionally / with manipulative intent?*

21. Vide order dated July 14, 2006, Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") in the matter of Ketan Parekh v. SEBI, stated that *".....Any transaction executed with the intention to defeat the market mechanism negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available....."*
22. Regulation 4(2) (g) of PFUTP Regulations, provides that dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security. Since self-trades does not result in beneficial ownership, the same comes within the sweep of Regulation 4(2) (g) of PFUTP Regulations. However, mere occurrence of self-trades cannot be considered as per se

illegal in the absence of any other attending circumstances to prove manipulation or intent to defraud as is done in cases of synchronized trades. Therefore, in all matters of self-trade, an assessment has to be made regarding whether the said trade was intentional or unintentional on the basis of supporting evidence / attending circumstances, and the manipulation caused by indulging in self-trades should be clearly brought out. It is relevant to note that SEBI has already laid down in its policy on self-trade dated May 16, 2017 (hereinafter referred to as “**Policy**”) that intention is a *sine qua non* for establishing manipulation in case of self-trades, and that accidental/unintentional self-trades are not covered under the PFUTP Regulations.

23. In order to determine the intention of MBL regarding execution of self-trades, following is observed from the documents available on record:

23.1. At NSE, during the period from December 15, 2011 to February 24, 2012 (50 days), total trades executed by MBL as buyer were 63,924 for 87,46,016 shares of GNCL. On these 50 days, out of 63,924 MBL trades, MBL had entered into 5,041 self-trades for 34,535 shares of GNCL.

23.2. By these 5,041 self-trades, MBL had contributed Rs. 289.35/- towards positive LTP i.e. 12.64% of total market positive LTP.

23.3. Out of 5,041 self-trades, 4,327 self-trades for 11,828 shares were executed through the same terminal ID / user ID.

23.4. Few instances of such self-trades of MBL that contributed the LTP are as under:

Sr. No.	Date	Order Type	Order No	Order Time (LM)	Order Qty	Trade time	Trade Qty.	Trade Price	Diff in LTP (in Rs.)
1	08/02/2012	Sell	2012020800038329	09:15:08.0000000	5000	09:15:12	1	24.00	0.55
		Buy	2012020800042902	09:15:11.0000000	1				
2	24/01/2012	Sell	2012012400040557	09:15:32.0000000	2000	09:15:36	1	22.10	0.25
		Buy	2012012400054569	09:15:36.0000000	1				
3	16/12/2011	Sell	2011121600122349	09:19:36.0000000	2000	09:19:36	1	16.65	0.15
		Buy	2011121600122421	09:19:36.0000000	1				
4	23/12/2011	Sell	2011122300046781	09:15:34.0000000	1000	09:15:35	1	16.50	0.15
		Buy	2011122300047164	09:15:35.0000000	1				
5	23/12/2011	Sell	2011122300049878	09:15:41.0000000	1000	09:15:47	1	16.45	0.15
		Buy	2011122300052139	09:15:47.0000000	1				

23.5. During the course of hearing MBL submitted that single share trade is placed to check the current price of scrip of GNCL (i.e. price discovery) then followed by large number of share trade. For the said submission, MBL was advised to explain

logically and demonstrate from their order placement behavior that 1 shares trade for price check is followed by large number of share trades. Further, if 1 share order was the split order of large share order, then MBL is also advised to explain and demonstrate the same from their order placement behavior.

- 23.6. Form the submission of MBL by way of one example, I note that MBL stated that on 16.12.2011 they had checked GNCL open and close price of previous day, which suggested to them that the scrip is in the downward trend. They had an open position of +3,500 shares and to sell the open position MBL placed the large an order for - 2,000 shares at 09:19:36 @ Rs. 16.65 and to check the system, MBL had placed single quantity buy order at 09:19:36. During the course of hearing, MBL stated that they had place single share order quantity for price discovery. Further, from the submission of MBL, I note that MBL had failed to explain and demonstrate through their order placement behavior that after single share order placement (price discovery order), MBL had placed separate buy or sell order for large number / quantity of shares. Further, MBL also failed to demonstrate through their order placement behavior that single shares order was from large split order.
- 23.7. MBL contented that by placing 1 share buy order, MBL was trying to do the price discovery. In this regard, I note that on December 23, 2011 MBL vide sell order no. 2011122300049878 had place a sell order of 1,000 shares at 09:15:41 at Rs. 16.45 and within 6 second of placing a sell order, MBL vide buy order no. 2011122300052139 had place buy order for 1 share order manually from same terminal at 09:15:47 at Rs. 16.45 and trade got executed at 09:15:47 for 1 share at Rs. 16.45 with LTP difference of Rs. 0.15/-. Thus, in my view, this behavior of MBL of single shares self-trade cannot be considered as a permissible mode of price discovery. Instead, by placing the buy order of 1 shares, the MBL had artificially increased the price of the scrip for its own benefit and made the market believe that the price is at Rs. 16.45. Thus, placing a buy order of 1 shares to match its own previous placed order does not amount to price discovery, however, the same amounts to price manipulation.
- 23.8. MBL submitted that it was carrying out arbitrage / jobbing activity in its proprietary account on a daily basis in more than 500 scrips on NSE. It further submitted that MBL do manual trading and do not do Algo trading. MBL further submitted that

likelihood of occurring self-trades are more when trading firm has number of branches and user ids. In MBL case, they were trading from 202 terminal through 6 different location with numbers of BSE and NSE Ids.

- 23.9. In this regard, I note that out of 5,041 self-trades, 4,327 self-trades for 11,828 shares were executed through the same terminal ID / user ID i.e. buy and sell order was placed by same person/dealers manually. Further, from 5,042 self-trades, the positive LTP contribution was Rs. 289.35 i.e. 12.64% of total market positive LTP. I also note that MBL accepted that single share self-trade was placed by it though according to it, to check the current price of GNCL by impermissible means. Thus, I am of the view that MBL had intentionally, through manual trading, placed the single share self-trade from same terminal to increase the price of GNCL for its own benefit.
24. From the above, I note that during the period December 15, 2011 to February 24, 2012, MBL had continuously placed single share buy order immediately after placing sell order of large quantity at a price higher than the last traded price. These single share order got matched with its own sell order of large quantity resulted into self-trade of 1 shares. This single share self-trades had increased the price of shares of GNCL, which benefit MBL. Thus, MBL had artificially manipulated the price of GNCL through single share self-trade. Hence, self-trades executed by MBL are intentional self-trades with an intention to manipulate price of the scrip of GNCL.
25. Considering the order placing pattern and other circumstances mentioned at paragraph 23 and 24 above, I am of the view that self-trades had impact on the price of the shares of GNCL, however, self-trades were so designed to appear that the volume creation is negligible but were in fact motivated by the manipulative intention of creation of false price ascension. Thus, preponderance of probability is that these trades are intentional self-trades. Therefore, I conclude that the impugned self-trades by MBL are intentional and manipulative self-trades.
26. MBL contented that in order to check the price of the scrip, MBL placed a single share buy order and these insignificant quantum of trading could not impact either the price or volume

of the scrip. In this regard, I note that single share buy order placed by MBL got matched with the already available large sell order of MBL at a price higher than the last traded price thereby establishing the higher LTP. Further, such order placement pattern of MBL were observed in large number of MBL self-trades and the same were repetitive in nature. I note that due to such trading pattern, MBL had positive LTP contribution of Rs. 289.35 through 5,041 self-trades. Further, I also note the observation of Hon'ble Securities Appellate Tribunal (SAT) in order dated February 25, 2020 in the matter of Mrs. Kalpana Dharmesh Chheda and others Vs. SEBI that “.... when the appellants were holding a large number of shares, their selling miniscule quantity of one share each on more than four dozen occasions is nothing but a strategy of manipulation and unfairly benefiting by off-loading the entire shareholding after raising the price to considerable levels.....”. Though the said observation of the Hon'ble SAT was rendered in the context of manipulative trading pattern adopted by single share transaction, the same equally holds good in the present factual matrix of the case as well, in respect of manipulative self-trades through single share transaction. Thus, in view of the observation of Hon'ble SAT, I am of the view that manipulation in the scrip can be done by single share order placement method also, which has precisely happened in the present matter, in such a scenario, volume created by such trades / self-trades in the scrip is irrelevant / immaterial. Thus, considering at the pattern of trading done by MBL and the fact that MBL had derived benefit through that particular scheme or nature of trading, I am of the view that the trading pattern adopted by MBL is of a manipulative and unfair nature and would fall within the ambit of the PFUTP Regulations. Hence, I do not any merit in the submission of MBL that single share order placement could not impact either the price or volume of the scrip.

ISSUE No. 3- If issue no.2 is found in affirmative, then whether MBL have violated the provisions of Sections 12A(a), (b), (c) of SEBI Act read with Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of PFUTP Regulations?

27. I note that during the period December 15, 2011 to February 24, 2012, MBL through 5,041 self-trades in negligible quantity had contributed Rs. 289.35 towards positive LTP i.e. 12.64% of total market positive LTP. The modus operandi adopted by MBL is that it had

continuously placed single share buy order immediately after placing sell order of large quantity at a price higher than the last traded price. These single share buy order got matched with its own sell order of large quantity resulted into self-trade of 1 shares. This single share self-trades had increased the price of shares of GNCL, which benefit MBL. This pattern of single share self-trades which were repetitive in nature by MBL is observed to be manipulative with the intention to inflate the scrip price. Thus, I am of the view that MBL has acted in a manner which led to a misleading appearance of trading in the scrip and manipulated the price of the scrip without any intention of change of ownership of the securities.

28. In view of the findings mentioned at paragraph 23, 24, 25 and 26 above and modus operandi adopted by MBL, I am of the view that alleged violations of provisions of Sections 12A(a), (b), (c) of SEBI Act read with Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations against MBL stand established.

ISSUE No. 4 - *If issue no.1, 2 & 3 is found in affirmative, then whether MBL by acting as broker and counterparty broker for self-trades in its own account on NSE, has failed to exercise due skill and care, thereby violated the provisions of Clauses A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Brokers Regulations, 1992 read with Regulation 9 of Brokers (Second Amendment) Regulations, 2013?*

29. It is alleged in the SCN that MBL had failed to exercise due skill, care and diligence while acting as broker and counter party broker for self-trades in its proprietary account, thereby had violated the provisions of Clauses A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Brokers Regulations, 1992 read with Regulation 9 of Brokers (Second Amendment) Regulations, 2013. In this regard, from paragraphs 23 to 28 above, I have already held that self-trades executed by MBL in its proprietary account are intentional self-trades through single shares self-trades with manipulative intention of creation of false price ascension. It is noted such conduct is an intentional conduct of MBL. Therefore, in my view, where MBL has intentionally committed a fraudulent activity of self-trades, the requirement that it should have

exercised due skill, care and diligence while trading in the shares of GNCL in its proprietary account, does not arise. Thus, I am of the view that alleged violation of provisions of Clause A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of Brokers Regulations, 1992 read with Regulation 9 of Brokers (Second Amendment) Regulations, 2013 against MBL does not get attracted in view of the finding on the intentional self-trades by MBL.

ISSUE No. 5 - If issue no. 3 & 4 is in affirmative, what directions, if any should be issued against MBL?

30. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude. Pursuant to the said objective, PFUTP Regulations have been framed. The said Regulations apart from other things aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative self-trades, as has been done by MBL in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same and considering the violations committed by MBL, I find that it becomes necessary for SEBI to issue appropriate directions against MBL.

31. In summary, the modus operandi adopted by MBL is that it had placed single share buy order immediately after placing sell order of large quantity at a price higher than the last traded price thereby establishing the higher LTP. These single share order got matched with its own sell order of large quantity resulted into self-trade of 1 shares. MBL through the execution of self-trades of 1 shares, had artificially increased the price of the scrip for its own benefit. This pattern of single share self-trades by MBL were repetitive. Thus, considering at the pattern of trading done by MBL and the fact that MBL had derived benefit through that particular scheme or nature of trading, the trading pattern adopted by MBL is of a manipulative and unfair nature with the intention to inflate the scrip price

which resulted into violation of PFUTP Regulations. It goes without saying once the higher price is established by these manipulative self-trades, the other trades by other counter parties, which happen subsequent to this manipulated self-trades, are executed at a price artificially hiked by self-trades.

ORDER

32. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby restrain MBL from buying, selling or otherwise dealing in securities, in its proprietary account, directly or indirectly, for a period of four (4) years from the date of this order. Needless to say, in view of prohibition on sale of securities, it is clarified that during the period of restraint, the existing holding, including units of mutual funds, of MBL shall remain frozen.

33. The order shall come into force with immediate effect.

34. A copy of this order shall be served upon MBL, all recognized Stock Exchanges, Depositories, Registrar and Transfer Agents for necessary action and compliance with the above directions.

-Sd-

DATE: FEBRUARY 28, 2020

PLACE: MUMBAI

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA