

WTM/AB/IVD/ID5/14721/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

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

In respect of:

Sr. No.	Name of the Intermediary	Registration Number
1.	Finquest Securities Pvt. Limited (PAN: AABCB7028F)	INZ000268435 Previous registration numbers: INB231236531 (NSE) INB011236537 (BSE)

In the matter of Asian Granito India Limited

1. The present proceedings have emanated from a show cause notice dated August 25, 2020 (hereinafter referred to as “**SCN**”) issued by Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) to Finquest Securities Pvt. Limited (hereinafter referred to as “**Noticee**”/ “**Finquest**”). The Noticee is a stock broker registered with SEBI. The Noticee is a member of various stock exchanges, including National Stock Exchange of India Ltd. (hereinafter referred to as “**NSE**”) and BSE Ltd. (hereinafter referred to as “**BSE**”).

2. The SCN forwarded therewith copy of an Enquiry Report dated July 27, 2020 (hereinafter referred to as “**ER**”) submitted by the Designated Authority (hereinafter referred to as “**DA**”) and called upon the Noticee to show cause as to why action as recommended by the DA including passing of appropriate direction should not be taken against them in terms of the erstwhile Regulation 28 (2) (since omitted) of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as “**Intermediaries Regulations**”).
3. The DA submitted the ER after giving an opportunity of hearing to the Noticee, and considering the reply submitted by the Noticee and other material available on record. The DA recommended that the certificate of registration of the Noticee as a stock broker may be suspended for a period of 6 months. The ER found that Noticee had violated Section 12A(a),(b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) read with Regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”) as well as clause A (2) of the code of conduct specified under Schedule II read with regulation 7/9 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as “**Brokers Regulations**”). The ER also found that the Noticee had facilitated its clients in creation of artificial volumes by indulging in synchronized trades in the scrip of Asian Granito India Limited (hereinafter referred to as “**AGIL**”/ “**the Company**”).
4. A brief background of the matter, as can be deciphered from the ER, is as follows:
 - 4.1 The company AGIL was incorporated in 1995. As per its website, AGIL is in the business of Ceramic Wall & Floor Tile, Glazed Vitrified Tiles,

Polished Vitrified Tiles, Composite Marble and Quartz. The shares of AGIL are listed at BSE and NSE.

4.2 During investigation, a group of 16 connected/ related entities (hereinafter referred to as **“Bharat Patel Group”**) were identified. It was observed that 6 Bharat Patel Group repetitively executed synchronised trades in the scrip of the company during the period December 15, 2011 to October 09, 2014 (hereinafter referred to as **“the investigation period”**) and thus created misleading appearance of trading in the scrip of the company without any intention of change in ownership of the security.

4.3 It was also observed that Finquest (Noticee), had executed the trades of these clients as a broker. The Noticee was also alleged to be connected to the Bharat Patel Group. In view of the same, it was alleged that the Noticee facilitated their fraudulent trades and created misleading appearance of trading in the scrip.

5. After submission of the ER, an SCN was issued to the Noticee on August 25, 2020. After the issuance of the SCN, a personal hearing was scheduled for June 15, 2021. The Noticee did not appear for the hearing. In the interest of justice, the Noticee was granted another opportunity for hearing on September 21, 2021. On the said date, the Noticee requested for an adjournment and the same was acceded to. Accordingly, another hearing was scheduled for October 11, 2021. Though the Noticee filed written submissions dated October 7, 2021, it neither appeared for the hearing nor sought any adjournment. Hence, the hearing for the Noticee was closed due to non-appearance. The submissions of the Noticee, in its reply dated October 7, 2011, *inter alia* are as follows:
- i. the SCN is liable to be struck down on account of inordinate delay in issuing the same;

- ii. the Noticee cannot now be expected to furnish reasoning for its clients' trades;
- iii. the Noticee denies having violated any provisions of any law;
- iv. the impugned trades are miniscule compared to their total turnover;
- v. the trades were executed for and on behalf of respective clients and upon their instructions;
- vi. most of the impugned trades were in excess of 0.5% of the equity capital of AGIL and ought to have been displayed on the bulk deal window of the stock exchange;
- vii. the impugned trades were reported to the stock exchanges and disclosed on their websites;
- viii. the trades were executed at market price of the scrip and delivery was made to the buyer, and hence beneficial ownership was transferred;
- ix. there is no allegation of price manipulation, and no harm was caused to anyone;
- x. there was no drastic or unrealistic movement in the price or volume in the scrip of AGIL;
- xi. the 26 impugned trades were all on different days spanning between February 10, 2012 to March 11, 2014;
- xii. the alleged connection between the Noticee and the Bharat Patel Group is incorrect, and there is no bar on trading for clients who may be connected;
- xiii. the *undisputed connection* alleged therein arises merely because of the broker-client relation and no incidental connection shall be drawn upon;
- xiv. though it is alleged that there was a misleading appearance of trading, there are no investor grievance; and
- xv. the recommendation of suspension of six months is draconian.

Consideration of replies and findings:

6. I have taken into consideration the ER and the reply of the Noticee.
7. At the outset, I note that the Noticee has submitted that the proceedings suffer from inordinate delay. The Noticee has stated that as per Regulation 18 of SEBI (Stock-Broker) Regulations, 1992, brokers are required to preserve books of accounts and other records for a minimum of five years. It has been stated that since the SCN was issued more than 5 years after the last of the impugned 26 trades, tremendous prejudice has been caused to the Noticee. In this regard, I note that the regulation does not imply that an SCN cannot be issued for violations committed more than five years prior to the date of issuance of the SCN, especially when all supporting documents relied upon in the SCN have been provided to the noticees therein.
8. I further note that SEBI initiated investigation in 2015 for the period 2011 to 2014 with respect to involvement of Bharat Patel group, which followed the modus operandi of carrying out bulk deals amongst the group and subsequently reversing them in a few days within the group, on receipt of information from stock exchanges. As per information provided by stock exchanges, similar modus operandi was found in 17 scrips which were all taken together for investigation. Investigation involved seeking information such as trade and order logs from BSE and NSE in respect of these scrips, analysis of the trade and order logs, detailed Self-trade analysis, LTP Analysis, Broker and Client Concentration Analysis and finding connections between various entities. Thus, various dots had to be connected. I also note that during that time SEBI had also received reference from the Income Tax Department that certain entities appeared to have manipulated the price of a large number of scrips, as part of a larger scheme linked to the long term capital gains scam, and these were also taken up for investigation. The investigation in the extant matter was completed

in March 2019. Thereafter the first SCN in the matter was issued in September 2019. As noted above, the DA's Report was submitted on July 27, 2020. Thereafter, the post enquiry SCN was sent to the Noticee on August 25, 2020. Due to restrictions placed because of the COVID-19 pandemic, the SCN was sent through email. However, since no reply was received, a reminder letter to file reply was also sent on March 8, 2021, which was delivered to the Noticee. Despite the same, no reply was received from the Noticee. In order to proceed in the matter a hearing was scheduled for June 15, 2021. Once again, though the hearing notice was delivered, no response was received, and the Noticee did not appear for the hearing. As noted above, thereafter opportunities for hearing were granted on two occasions, being September 21, 2021 and October 11, 2021. While the Noticee filed a reply dated October 7, 2021, it did not appear for the hearing. Further, I note that in its reply, the Noticee has merely expressed their inability to defend itself, without specifically pointing out the prejudice, if any, that has been caused to it due to the purported delay in the issuance of the SCN. The Noticee has failed to state as to what record/ document/ evidence that could not be accessed/ obtained because of the alleged passage of time which has prejudiced their ability to defend themselves. I note that the Noticee was *inter alia* provided with the following documents along with the SCN: a) details of the entire trade log with respect to the impugned trades, b) the details of Bharat Patel Group along with basis of connection, c) details of price and volume of AGIL on NSE and BSE. I also note that the Noticee has in its possession details of total trade volume of these clients, which they have produced alongwith their reply filed before the DA. Thus, looking at the material available at the disposal of the Noticee, I find that the Noticee has been provided with and also they have in its possession, all the material that would have been abundantly adequate to facilitate recollection of events and thereby enabling it to form a definite defense to the charges in the SCN. On the other hand, I note that SEBI Act, 1992 and the regulations framed thereunder have got a larger public purpose in the form of investor protection.

Having this objective in mind, legislature itself has not put any limitation period on initiating action. This purposes would stand defeated if the manipulators are allowed to go scot free just because of time taken in initiating action against them. The manipulators operate in a clandestine and sophisticated manner and detection of such violations is not easy. In view of the above facts, I find that no prejudice has been caused upon the Noticee, nor has the Noticee been able to make out a case about the prejudice due to the purported delay in the issue of the SCN. Further, I note that while delay cannot be a ground for exoneration for the violations committed, however, the same shall be taken into account while deciding the quantum of penalty, if any, to be imposed after considering the reply of the Noticee.

9. Proceeding further, I note that the price and volume movement of the scrip of AGIL at BSE and NSE, prior to, during and after Investigation Period (December 15, 2011 to October 09, 2014) is as follows:-

BSE:-

- i. Details of Price and movement at BSE;

Table 1

Period	Dates		Open	Close	Low	High	Total traded shares (Daily Avg.)
Before Investigat ion Period	15-Sep-2011 to 14-Dec-2011	Price	43.45	37	30.30 (30-Nov-2011)	45.95 (10-Oct-2011)	76,880 (1,326)
		Vol	6,680	33	1 (21-Nov-2011)	10,921 (11-Nov-2011)	
Investigat ion Period	15-Dec-2011 to 09-Oct-2014	Price	34.05	108.65	21.30 (02-Aug-2013)	121.90 (11-Sep-2014)	1,15,50,658 (16,986)
		Vol	3,092	29,835	1 (22-Dec-2011)	901,483 (12-Feb-2013)	
After investigat ion period	10-Oct-2014 to 09-Jan-2015	Price	110.00	150.9	101.50 (16-Oct-2014)	172.80 (18-Nov-2014)	46,22,148 (75,773)
		Vol	57,699	28,018	6,999 (22-Dec-2014)	370,788 (22-Oct-2014)	

ii. Patch-wise price and volume movement:

Table 2

Period	Dates		Open	Close	Low	High	Total traded shares (Daily Avg.)
Patch 1 Fall (405 days)	15-Dec-2011 to 20-Aug-2013	Price	34.05	22.05	21.30 (02-Aug-2013)	56.75 (28-Feb-2012)	62,83,062 (15,476)
		Vol.	3,092	557	1 (22-Dec-2011)	901,483 (12-Feb-2013)	
Patch 2 Rise (273 days)	21-Aug-2013 to 09-Oct-2014	Price	25.55	108.65	22.00 (14-Nov-2013)	121.90 (11-Sep-2014)	52,67,596 (19,225)
		Vol.	537	29,835	1 (10-Dec-2013)	751,519 (28-Aug-2013)	

NSE:

iii. Details of price & volume movement at NSE:

Table 3

Period	Dates		Open	Close	Low	High	Total traded shares (Daily Avg.)
Before Investigation Period	15-Sep-2011 to 14-Dec-2011	Price	44	36.1	31.15 (30-Nov-2011)	45.55 (26-Oct-2011)	1,03,961 (1,824)
		Vol	3,571	304	6 (09-Nov-2011)	30,330 (11-Nov-2011)	
Investigation Period	15-Dec-2011 to 09-Oct-2014	Price	35.05	109.8	20.55 (02-Aug-2013)	122.55 (11-Sep-2014)	1,06,38,660 (16,317)
		Vol	12,654	90,921	1 (04-Apr-2012)	902,836 (05-Feb-2013)	
After investigation period	10-Oct-2014 to 09-Jan-2015	Price	108.70	150.15	100.50 (17-Oct-2014)	173.00 (19-Nov-2014)	53,81,793 (88,226)
		Vol	71,547	56,949	10,772 (26-Dec-2014)	336,563 (18-Nov-2014)	

iv. Patch-wise price and volume movement:

Table 4

Period	Dates		Open	Close	Low	High	Total traded shares (Daily Avg.)
Patch 1 Fall (405 days)	15-Dec-2011 to 20-Aug-2013	Price	35.05	21.65	20.55 (02-Aug-2013)	57.00 (28-Feb-2012)	39,69,459 (10,614)
		Vol.	12,654	522	1 (04-Apr-2012)	902,836 (05-Feb-2013)	
Patch 2 Rise (273 days)	21-Aug-2013 to 09-Oct-2014	Price	25.4	109.8	22.15 (14-Nov-2013)	122.55 (11-Sep-2014)	66,69,201 (23,990)
		Vol.	339	90,921	1 (07-May-2014)	327,475 (03-Sep-2014)	

10. Details of the “Bharat Patel Group” and the basis of connection were provided as Annexure to the SCN. The list of said 16 entities, forming Bharat Patel Group, is as under:

Table 5

S.No	Entity Name
1	Bharat Jayantilal Patel (“Bharat”)
2	Ruchit Bharat Patel (“Ruchit”)
3	Minal Bharat Patel (“Minal”)
4	Hardik Bharat Patel (“Hardik”)
5	Prashant Jayantilal Patel (“Prashant”)
6	Pankaj Jayantilal Patel (“Pankaj”)
7	Vanraj Vinod Shah
8	Ajay Kumar Banwarilal Kejriwal
9	Pat Financial Consultants Pvt. Ltd. (“Pat”)
10	Acira Consultancy Pvt. Ltd. (“Acira”)

11	Gandiv Investment Pvt. Ltd. ("Gandiv")
12	Hridaynath Consultancy Pvt. Ltd. ("Hriday")
13	Pranav Holdings Pvt. Ltd. ("Pranav")
14	Fidelity Multitrade Pvt. Ltd. ("Fidelity")
15	Moneybee Realty Pvt. Ltd. ("Moneybee")
16	Pasha Finance Pvt. Ltd. ("Pasha")

Analysis of Bharat Patel Group's contribution to trading volume during the investigation period:

Trading of Bharat Patel Group.

11. Summary of trading by the Bharat Patel Group during the investigation period is tabulated as follows:

Table 6

Name of Entity	BSE				NSE			
	Gross Buy	% of Gross Buy to Mkt. Vol.	Gross Sell	% of Gross Sell to Mkt. Vol.	Gross Buy	% of Gross Buy to Mkt. Vol.	Gross Sell	% of Gross Sell to Mkt. Vol.
Pasha Finance Pvt. Ltd.	893198	7.73	422098	3.65	0	0.00	471100	4.43
Hridaynath Consultancy Pvt. Ltd.	615850	5.33	837000	7.25	273659	2.57	117532	1.11
Bharat Jayantilal Patel	603000	5.22	324884	2.81	39468	0.37	1076667	10.12
Pat Financial Consultants Pvt. Ltd.	557311	4.83	860300	7.45	347194	3.26	206100	1.94
Minal Bharat Patel	275000	2.38	284975	2.47	621100	5.84	202301	1.90
Gandiv Investment Pvt. Ltd.	150000	1.30	0	0.00	0	0.00	150000	1.41
Pranav Holdings Pvt. Ltd.	150000	1.30	150000	1.30	0	0.00	0	0.00
Ruchit Bharat Patel	100000	0.87	894798	7.75	794798	7.47	0	0.00
Pankaj Jayantilal Patel	0	0.00	790000	6.84	790000	7.43	0	0.00
Total	3344359	28.96	4564055	39.51	2866219	26.94	2223700	20.90

12. Bharat Patel Group's contribution to synchronized trades at BSE during the Investigation Period is as under:

Table 7

Gross Buy Qty of the Group	Gross Sell Qty of the Group	Total traded qty among the Bharat Patel Group	Sync traded qty by the Bharat Patel Group	Sync Trades as % of total traded qty among the Group	Sync Trades as % of Total market volume	Sum of LTP contribution through sync trades
BSE						
3344359	4564055	2591627	2142281	82.66%	18.55%	-2.65

13. Bharat Patel Group purchased 33,44,359 shares (28.96% of total market volume) and sold 45,64,055 shares (39.51% of total market volume) during the Investigation Period at BSE, and hence was a net seller of 12,19,696 shares.
14. The entity-wise details of synchronized trades executed by Bharat Patel Group are as under:

Table 8

Buyer Name	Seller Name	Sync. Qty.	% of Sync. Vol. to Mkt. Vol.	No. of Trades	No of days
BSE					
Pasha Finance Pvt. Ltd	Ruchit Bharat Patel	893198	7.73	1	1
Bharat Jayantilal Patel	Hridaynath Consultancy Pvt Limited	602700	5.22	1	1
Pat Financial Consultant Pvt. Ltd	Hridaynath Consultancy Pvt Limited	232000	2.01	11	2
Pat Financial Consultant Pvt. Ltd	Bharat Jayantilal Patel	241662	1.86	11	2
Pat Financial Consultant Pvt. Ltd	Minal Bharat Patel	101999	0.88	1	1
Ruchit Bharat Patel	Bharat Jayantilal Patel	97722	0.85	1	1
Total		2142281	18.55	26	8

15. It is noted that on BSE, 6 Bharat Patel Group entities (Bharat Jayantilal Patel, Minal Bharat Patel, Pasha Finance Pvt. Ltd., Ruchit Bharat Patel, Pat Financial Consultants Pvt. Ltd. and Hridaynath Consultancy Pvt. Ltd.) executed synchronised trades within the group for 21,42,281 shares (18.55% of the market volume) in 26 trades over 8 trading days. Finquest Securities Pvt. Ltd. (Noticee), was the broker and counterparty broker for the abovementioned 6

clients for 13 out of 26 synchronized trades at BSE for a quantity of 12,27,197 shares (10.62% of the market volume) during the investigation period. All the buy and sell synchronized trades were executed from terminal ID 4 and 6 of the Noticee. For remaining trades Noticee was either the broker or counterparty broker.

16. I note that the Noticee has submitted that most of the impugned trades were in excess of 0.5% of the equity capital of AGIL, and hence were 'bulk trades'. The Noticee has stated that these trades were expressly and separately reported to the Stock Exchanges and were even disclosed on their website. I note that mere reporting or disclosure of bulk trades does not imply that these trades could not be illegal synchronized trades. Disclosure of bulk trades is dependent on the quantity of shares traded. However, upon investigation it was observed that these trades were synchronized, were executed by related clients and repetitive in nature, as discussed in para 20 below. In view of the same, I do not find merit in the submission made by the Noticee.
17. In this regard, I note that the Noticee has stated he had carried out the trades as per the instructions of his clients and that there was no relation between him and the alleged Bharat Patel Group. However, I am unable to accept the contention of the Noticee since Hardik Bharat Patel and Minal Bharat Patel, who were part of the Bharat Patel Group, are directors of Noticee. It was also noted that Ruchit Bharat Patel, Hardik Bharat Patel and Minal Bharat Patel were shareholders in Finquest during the period of investigation. Moreover, synchronised trades for 21,42,281 shares of AGIL were executed where the Noticee was a broker and/or counterparty broker. Out of these, in respect of synchronized trades for 12,27,197 shares, the Noticee was the broker on both buy and sell trades. Repetitive matching of trades between connected entities through a connected broker cannot be a mere coincidence, nor can the same be executed without the broker facilitating the synchronized trades. The gist of

the connection between the 6 clients who traded on BSE, as given in the ER, is tabulated as below:

Table 9

Sr. No.	Entity Name	Basis of Connection
1	Bharat Jayantilal Patel (Bharat)	1. Director in Fidelity Multitrade Ltd., Finquest Financial Solutions Pvt. Ltd., Pranav Holdings Pvt. Ltd., Pasha Finance Pvt. Ltd. and PAT Financial Consultants Ltd. 2. Fund movement with Prashant Jayantilal Patel, Hardik Bharat Patel, Ruchit Bharat Patel, Minal Bharat Patel, Vanraj Vinod Shah, PAT Financial Consultants Pvt Ltd and Pranav Holdings Pvt Ltd.
2	Minal Bharat Patel (Minal)	1. Director in Finquest Securities Pvt. Ltd. (Member, BSE), Fidelity Multitrade Pvt. Ltd., Pasha Finance Pvt. Ltd. & Finquest Financial Solutions Pvt. Ltd. 2. Fund movement with Bharat Jayantilal Patel, PAT Financial Consultants Pvt. Ltd.
3	Ruchit Bharat Patel (Ruchit)	1. Director in Fidelity Multitrade Pvt. Ltd. & Pat Financial Consultants Pvt. Ltd. 2. Fund movement with Bharat Jayantilal Patel,
4	Pat Financial Consultants Pvt. Ltd. (Pat)	1. Bharat Jayantilal Patel, Hardik Bharat Patel, Ruchit Bharat Patel and Prashant Jayantilal Patel are the directors. 2. Fund movement with Bharat Jayantilal Patel, Minal Patel, Hardik Patel, Acira Consultancy Pvt Ltd., Moneybee Realty Pvt Ltd and Hridaynath Consultancy Pvt Ltd
5	Pasha Finance Pvt. Ltd. (Pasha)	1. Bharat Jayantilal Patel and Minal Bharat Patel are directors.
6	Hridaynath Consultancy Pvt. Ltd. (Hridayanath)	1. Fund movement with PAT Financial Consultants Pvt. Ltd.

18. The Noticee has also stated that there was no malafide intent and that the trades were executed as per the directions of its clients. I have perused the Annexure to the SCN (trade and order log), which contained details of alleged synchronized trades executed by the clients of the Noticee. Details of the 26

trades where the Noticee was either the broker, the counterparty broker or both,
as culled out from the said trade and order log, are given below:

Table 10

TRADE DATE	CLIENT NAME	MEMBER NAME	ORDER TIME	ORDER RATE	ORDER QTY	CP CLIENT NAME	CP MEMBER NAME	CP ORDER TIME	CP ORDER RATE	CP ORDER QTY	TRADE D QTY
10/02/2012	PAT	FINQUEST	12:58:27. 441732	46.65	102000	MINAL	FINQUEST	12:58:27. 723238	46.65	102000	101999
14/01/2013	RUCHIT	FINQUEST	15:12:49. 568867	52.75	100000	BHARAT	BHARAT J.PATEL	15:12:47. 334195	52.75	100000	97722
12/02/2013	PASHA	FINQUEST	09:17:55. 210017	36.6	894798	RUCHIT	FINQUEST	09:17:56. 582388	36.6	894798	893198
15/03/2013	BHARAT	BHARAT J.PATEL	09:20:41. 464891	31.35	605000	HRIDAY NATH	FINQUEST	09:20:46. 800304	31.35	605000	602700
05/02/2014	PAT	FINQUEST	10:22:32. 056437	30	112000	HRIDAY NATH	FINQUEST	10:22:32. 858048	30	112000	112000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25. 102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25. 814911	31	120000	12000
10/03/2014	PAT	FINQUEST	13:47:37. 142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36. 481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37. 142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36. 481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37. 142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36. 481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37. 142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36. 481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37. 142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36. .481634	27.5	110000	11000

TRADE DATE	CLIENT NAME	MEMBER NAME	ORDER TIME	ORDER RATE	ORDER QTY	CP CLIENT NAME	CP MEMBER NAME	CP ORDER TIME	CP ORDER RATE	CP ORDER QTY	TRADE D QTY
10/03/2014	PAT	FINQUEST	13:47:37.142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36.481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37.142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36.481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37.142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36.481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37.142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36.481634	27.5	110000	11000
10/03/2014	PAT	FINQUEST	13:47:37.142727	27.5	110000	BHARAT	BHARAT J.PATEL	13:47:36.481634	27.5	110000	11000
11/03/2014	PAT	FINQUEST	11:37:14.209845	28.15	104662	BHARAT	BHARAT J.PATEL	11:37:13.149290	28.15	104662	104662
										TOTAL	2142281

19. Of the above, for 13 synchronized trades, the Noticee was both the broker as well as the counterparty broker. Details of the same are as follows:

Table 11

TRADE DATE	CLIENT NAME	MEMBER NAME	ORDER TIME	ORDER RATE	ORDER QTY	CP CLIENT NAME	CP MEMBER NAME	CP ORDER TIME	CP ORDER RATE	CP ORDER QTY	TRADE D QTY
10/02/2012	PAT	FINQUEST	12:58:27.441732	46.65	102000	MINAL	FINQUEST	12:58:27.723238	46.65	102000	101999
12/02/2013	PASHA	FINQUEST	09:17:55.210017	36.6	894798	RUCHIT	FINQUEST	09:17:56.582388	36.6	894798	893198
05/02/2014	PAT	FINQUEST	10:22:32.056437	30	112000	HRIDAY NATH	FINQUEST	10:22:32.858048	30	112000	112000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000

TRADE DATE	CLIENT NAME	MEMBER NAME	ORDER TIME	ORDER RATE	ORDER QTY	CP CLIENT NAME	CP MEMBER NAME	CP ORDER TIME	CP ORDER RATE	CP ORDER QTY	TRADE D QTY
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
06/02/2014	PAT	FINQUEST	12:49:25.102510	31	120000	HRIDAY NATH	FINQUEST	12:49:25.814911	31	120000	12000
										TOTAL	1227197

20. From the above Tables, I find that the orders for the alleged synchronised trades were placed by the buyer and the seller at the same time upto the precision of the same second and the order quantity and the order price for each of the 26 trades on BSE were matching. I note that the order price and order quantity for each of the impugned trades also matches with miraculous precision. This is more than a mere co-incidence. The Noticee has denied that the trades were being synchronized on purpose. I note that when connected entities repeatedly place orders at the same time (with hardly a difference of a second) and that too the order quantity and price of a buyer is matched with the same amount of order quantity and price of a seller without any partial order execution, then it is pre-meditated synchronized trade. I note that such synchronized trades create a misleading appearance of trading in the market. Reference may be made to the decision of the Hon'ble SAT in Appeal no. 2 of 2004 in the matter of **Ketan Parekh v/s. SEBI**, decided on July 14, 2006, relevant extract of which is reproduced hereunder:

“20. There are yet another type of transactions which are commonly called synchronised deals. The word ‘synchronise’ according to the Oxford dictionary means “cause to occur at the same time; be simultaneous”. A synchronised trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. This could be done through the same broker (termed a cross deal) or through two different brokers. Every buy and sell order has to match before the deal can go through. This matching may take place through the stock exchange mechanism or off market. When it

matches through the stock exchange, it may or may not be a synchronised deal depending on the time when the buy and sell orders are placed. There are deals which match off market i.e., the buyer and the seller agree on the price and quantity and execute the transaction outside the market and then report the same to the exchange. These are also called negotiated transactions. Block deals (when shares of a company are traded in bulk) are an instance of trades that match off market. Such trades have always been recognised by the market and also by the Board as a regulator. It has recently issued a circular requiring all bulk deals to be transacted through the exchange even if the price and quantity are settled outside the market. When such deals go through the exchange, they are bound to synchronise. It would, therefore, follow that a synchronised trade or a trade that matches off market is per se not illegal. Merely because a trade was crossed on the floor of the stock exchange with the buyer and seller entering the price at which they intended to buy and sell respectively, the transaction does not become illegal. A synchronised transaction even on the trading screen between genuine parties who intend to transfer beneficial interest in the trading stock and who undertake the transaction only for that purpose and not for rigging the market is not illegal and cannot violate the regulations. As already observed 'synchronisation' or a negotiated deal ipso facto is not illegal. A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of

factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn.”

21. The Noticee has stated that it is incorrect to say that the trades did not result in change beneficial ownership and that the trades resulted in delivery of the shares. I note that even though there is change in beneficial ownership but the same is merely amongst the clients who are connected entities. What the SCN has alleged is that by entering into the impugned synchronized trades, the Bharat Patel Group has created an artificial and misleading appearance of trade by conducting transfer of ownership of shares within the connected entities. It has not resulted into any real transfer of ownership to other unconnected entities, rather it was merely a transfer of shares amongst connected entities.
22. I note that it is abundantly clear that the trading pattern of the Bharat Patel Group indicates connivance and a pre-meditated scheme of synchronized trading. The orders by the buyer and the seller are placed with the precision of a second and the order price and order quantity matches to the last decimal. Such synchrony in trades is more than a co-incidence and that too amongst connected entities. I note the observations of the Hon'ble Supreme Court in the matter SEBI v. Kishore R. Ajmera (2016) 6 SCC 368, dealing with the standard of proof while imposing civil liabilities under SEBI Act, 1992 or the regulations framed there under:

“...facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion...”

“...While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt...”

23. In light of the same, as well as the facts of the matter as brought out above, I am of the view that the synchronized trades could not have been carried out without the Noticee broker facilitating the same. Further, as noted above, Hardik Bharat Patel and Minal Bharat Patel, who were part of the Bharat Patel Group, are directors of Noticee. Therefore, I do not agree with the argument of the Noticee that there is no connection and no connivance.
24. In view of the above, I find that the Noticee has indulged in synchronized trades on behalf of its clients in the scrip of AGIL during the investigation period. I find that by indulging in these trades, the Noticee facilitated the Bharat Patel Group in carrying out non-genuine trades in the market to the detriment of the genuine investors and adversely affecting the integrity of securities market. In view of the same, I agree with the conclusion of the DA that the Noticee has violated Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a) of the PFUTP Regulation, 2003 as well as clause A (2) of the code of conduct specified under Schedule II read with regulation 7/9 of the Brokers Regulations.
25. I note that the SCN called upon the Noticee to show cause as to why action as deemed appropriate by the competent authority should not be taken against it

in terms of Regulation 27 read with Regulation 28 of Intermediaries Regulations. I note that by the amendments made to Intermediaries Regulations on January 21, 2021, Regulation 27 which dealt with recommendations for actions which could be made by DA in case of default, has been substituted and Regulation 28 which dealt with procedure for action on receipt of the recommendation from DA, has been omitted and these matters now stand governed by the Regulations 26 and 27, respectively. In this regard, reference may be made to the judgment of Hon'ble Supreme Court in **CIT, Bangalore Vs. Venkateshwara Hatcheries (P) Ltd. and Ors. (1999) 3 SCC 632** wherein it was held as under:

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

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

designated authority (DA) and designated member (DM) was provided under Regulations 25 to 28 of the Intermediaries Regulations wherein Regulation 25 dealt with issue of SCN by DA, Regulation 26 dealt with reply of SCN by the Noticee, Regulation 27 dealt with recommendation for actions which could be made by the DA and Regulation 28 dealt with conduct of proceedings before DM like issue of SCN, hearing and passing of final order. After the amendment, Regulation 25, as substituted deals with holding of enquiry proceedings before DA, Regulation 26 deals with recommendation for actions which can be made by DA and Regulation 27 deals with conduct of enquiry proceedings before DM and passing of order by DM. Thus, the proceedings before DM which were earlier governed by the provisions of Regulations 28 are now governed by the provisions of Regulation 27 with certain modifications.

27. As noted above, in respect of 26 synchronised trades for 21,42,281 shares were executed where the Noticee was a broker and/or counterparty broker. I also note that the Noticee was the broker and counterparty broker for 13 out of 26 synchronized trades at BSE for a quantity of 12,27,197 shares (10.62% of the market volume) during the investigation period. However, the synchronized trades took place for 8 days, as identified in the ER. I note that the matter pertains to transactions executed in the year 2011-2014. Around seven years have elapsed from the date of the defaults.
28. By virtue of the judgment of Hon'ble Supreme Court in *Venkateshwara Hatcheries case (supra)*, the new Regulation 27 is regarded having force continuously (by virtue of pre-existing Regulation 28) and the modification or changes are treated as amendment coming into force with effect from the date of enforcement of new Regulation 27 i.e. January 21, 2021. Accordingly, the present proceedings can be concluded under the amended provisions of the Intermediaries Regulations and for the violations committed by the Noticee

discussed in the previous paragraphs, directions under Regulation 27 of the Intermediaries Regulations can be issued.

29. I note that vide order dated October 20, 2021, a penalty of Rs. 10 lakh was imposed on the clients of the Noticee (except Bharat J. Patel, who expired on May 29, 2021), who were connected to the Noticee, *inter alia* for the trades impugned in the present proceedings. Further, by the said order, the clients (except Bharat J. Patel) of the Noticee were also restrained from accessing the market for a period of one year.

Directions:

30. In view of the above, I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 (5) of the Intermediaries Regulations, hereby prohibit the Noticee i.e. Finquest Securities Pvt. Ltd, from taking up any new client as a stock broker for a period of two months from the date of this order
31. The order comes into force with immediate effect.
32. A copy of this order shall be served on the Noticee and all recognized Stock Exchanges.

Place: Mumbai

Date : January 18, 2022

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