

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**CORAM: S. K. MOHANTY, WHOLE TIME MEMBER****ORDER****Under Sections 11 (1), 11 (4), 11 (4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992****In respect of:**

Sl. No.	Name of the Noticee	PAN
1	Virendra Pratap Singh	ELQPS9579P
2	Neha Virendra Singh	JIWPS9785M
3	Gulammohammed Gulamabbas Shaikh	JCCPS3297A
4	Mohammedidrish A Shaikh	JROPS3987L
5	Santosh Brijraj Singh	BFTPS9871L
6	Adil Gulam Suthar	BAVPS3473B

(The entities mentioned above are individually known by their respective names or Noticee No. and collectively referred to as "Noticees")

In the matter of Front Running by employee / dealer of India Infoline Group and other connected entities using Mule Accounts

Background:

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") based on a surveillance alert, initiated a preliminary examination in the present matter against Mr. Virendra Pratap Singh and Ms. Neha Virendra Singh who were suspected to be front running the trades of India Infoline Asset Management Ltd. (hereinafter referred to as "**IIFL**"). Pursuant to the preliminary examination, an *Ad Interim Ex Parte Order* dated October 1, 2020 (hereinafter referred to as "**Interim Order**") was passed in the matter, *inter alia* restraining the *Noticees viz.* Mr. Virendra Pratap Singh (hereinafter also referred to as "**Noticee No. 1**"), Ms. Neha Virendra Singh (hereinafter also referred to as "**Noticee No. 2**"), Mr. Gulammohammed Gulamabbas Shaikh (hereinafter also referred to as "**Noticee No. 3**"), Mr. Mohammedidrish A Shaikh (hereinafter also referred to as "**Noticee No. 4**"), Mr. Santosh Brijraj Singh (hereinafter also referred to as "**Noticee No. 5**") and Mr. Adil Gulam Suthar (hereinafter also referred to as "**Noticee No. 6**") from

accessing or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever till further directions as they were *prima facie* observed to be engaged in the acts of front running the trades of IIFL Group entities. Further, *Notices No. 5* and *6*, jointly and/or severally, were directed to deposit an amount of INR 58.10 lakh in an escrow account which was *prima facie* observed to be the proceeds unlawfully earned by them by carrying out such *prima facie* front running trades.

2. Subsequently, a *Confirmatory Order* dated August 31, 2021 was passed in the matter, wherein, the directions of the *Interim Order* were confirmed against the *Notices* and it was also noted that in compliance with direction issued under the *Interim Order* INR 58.10 lakh have been deposited in an escrow account by the *Notices No. 5* and *6*.

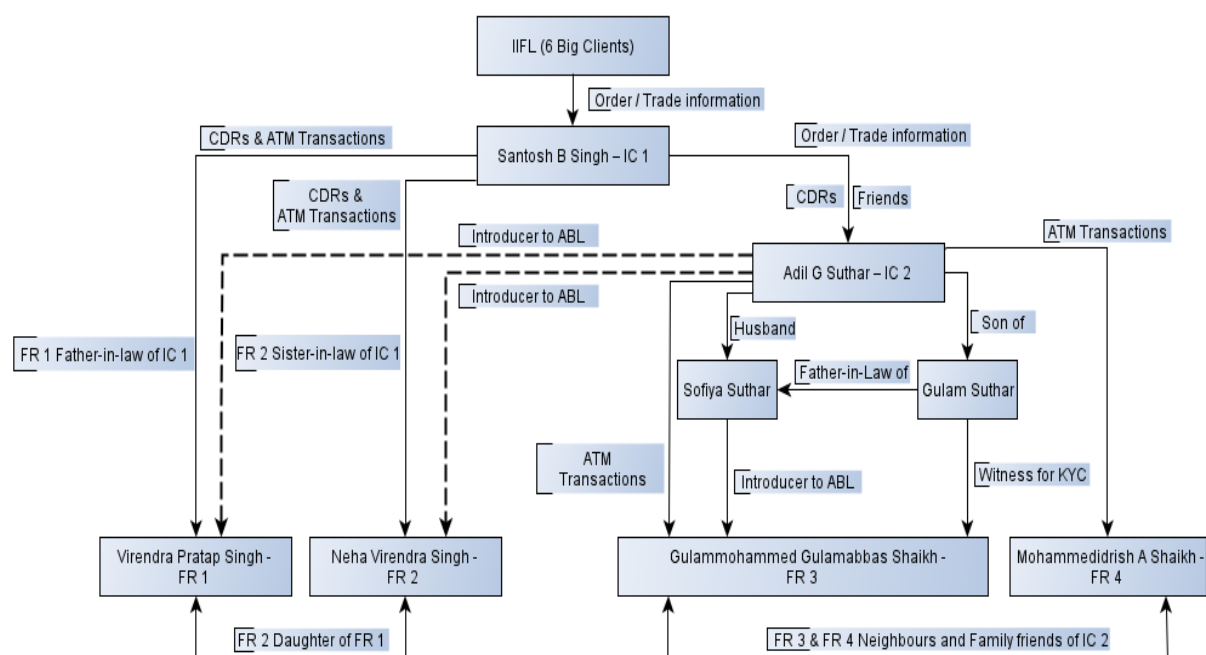
3. As the *Interim Order* was passed pending investigation, SEBI proceeded with the investigation in the present matter to ascertain as to whether the acts of the *Notices* were in violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter also referred to as “**PFUTP Regulations**”) and whether any other entity was also associated with them in front running the orders of various IIFL Group entities (hereinafter also referred to as “**Big Clients**”) during the period December 1, 2019 to October 1, 2020 (hereinafter referred to as “**Investigation Period**”). Facts unearthed during the said investigation pertaining to front running the orders of the Big Clients, are as under:

3.1. It was noted that during the investigation period, trades executed from the trading account of *Notices No. 1* to *4*, were executed by way of front running the orders of the following six entities of IIFL Group / Big Clients:

Table No. 1

Sr. No.	Name of Big Client
1.	IIFL Asset Management Limited
2.	IIFL Select Series II
3.	IIFL Multi-Strategy Fund
4.	IIFL Long Term Growth Fund I
5.	IIFL Focused Equity Strategies Fund - Capmetrics Investment Adviser
6.	IIFL Special Opportunities Fund Series 5

- 3.2. IIFL Asset Management Limited, vide its email dated December 29, 2021 had submitted that *Noticee No. 5*, who was a Dealer, was primarily responsible for placing the orders on behalf of the Big Clients with the stock brokers, as per the instructions of the Fund Manager(s). The same was also admitted by *Noticee No. 5* during his statement recording before the investigating authority held on December 3, 2021. In view of the same, it was noted that *Noticee No. 5* was in possession of information of the impending orders of the Big Clients and was an Information Carrier (hereinafter also referred to as “**IC 1**”) as the details of impending orders of the Big Client were known to him (*Noticee No.5*) which were not available in the public domain.
- 3.3. *Noticee No. 6* (ex-sub broker of Angel Broking Ltd.) during his statement recording before the investigating authority held on December 3, 2021, has deposed/stated that *Noticee No. 5*, who is his friend, used to tell him to watch certain specific scrips and price movement and execute buy and sell trades in those scrips. On the other hand, *Noticee No. 5*, vide his letter dated April 25, 2021 *inter-alia* has admitted that he used to informed *Noticee no. 6* about the trades of the Big Clients without disclosing the source of the information. In view of the same, it was noted that *Noticee No. 6* was also in possession of information of the impending orders of the Big Clients which was not available in the public domain and was also an Information Carrier (hereinafter also referred to as “**IC 2**”).
- 3.4. Further, based on the KYC details, CDRs, ATM transactions and submissions made by the *Noticees*, it was noticed that the *Noticees* (Front Runners and ICs) involved in the extant matter were connected with each other. The connections enjoyed by them with each other are depicted pictorially here under for easy reference and appreciation:



3.5. It was noted that the front running of trades of Big Clients were executed from the trading accounts of the connected entities of *Notices No. 5* and *6* i.e., *Notices No. 1* to *4* and therefore, they are called as Front Runners (hereinafter also referred to as “**FRs 1 to 4**”). It was observed that orders for the trades executed from the trading account of *Notices No. 1* to *4*, were placed just before the impending trade orders of the Big Clients or before the last tranche of the order of the Big Clients and these orders were subsequently squared off to earn profits. Further, from the pattern of trades followed in the trading accounts of *Notices No. 1* to *4*, it was noticed that the trades executed from the trading account of *Notices No. 1* to *4*, have either followed a Buy-Buy-Sell (hereinafter referred to as “**BBS**”) pattern or Sell-Sell-Buy pattern (hereinafter referred to as “**SSB**”) while front running the orders of the Big Clients. The front running summary of trading profile of *Notices No. 1* to *4* during the investigation period, is given below:

Table No. 2

Particulars	Equity Segment					
	Front Runners	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value ((INR in lakh)	Square off earned (INR in lakh)
No of days*/Contract traded	Noticee 1	82	142	2,848.60	20.06	10.66
	Noticee 2	92	180	4213.96	23.41	17.42
	Noticee 3	95	214	4063.79	18.99	16.54

Particulars	Equity Segment					
	Front Runners	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value ((INR in lakh)	Square off earned (INR in lakh)
	Noticee 4	87	155	2490.19	16.07	10.85
Common days/Contract with BC	Noticee 1	67	99	2762.26	27.90	10.64
	Noticee 2	76	129	3985.47	30.90	17.20
	Noticee 3	76	127	3885.05	30.59	16.47
	Noticee 4	68	105	2404.72	22.90	10.86
No of Other Common days/Contract with BC	Noticee 1	35	43	86.34	2.01	0.03
	Noticee 2	42	51	228.50	4.48	0.22
	Noticee 3	53	87	178.74	2.05	0.07
	Noticee 4	38	50	85.47	1.71	-0.01
No of Scrip days/Contract wherein day trading has been carried out	Noticee 1	73	119	2815.94	23.66	10.57
	Noticee 2	79	143	4170.61	29.17	17.42
	Noticee 3	81	157	4029.80	25.67	16.46
	Noticee 4	74	125	2375.33	19.00	10.46
No of Scrip days/Contract wherein day traded and commonly traded with BC	Noticee 1	67	98	2748.95	28.05	10.55
	Noticee 2	74	125	3973.30	31.79	17.20
	Noticee 3	75	126	3884.87	30.83	16.47
	Noticee 4	63	99	2304.90	23.28	10.47
Instances where client earned a positive square off difference of INR 1 or more.	Noticee 1	67	96	2548.40	26.55	11.91
	Noticee 2	73	121	3830.33	31.66	18.90
	Noticee 3	73	125	3680.98	29.45	17.65
	Noticee 4	68	104	2252.46	21.66	11.59
No of Scrip days / Contract days day traded and commonly traded with BC and earned a positive square off INR 1 or more	Noticee 1	61	86	2506.47	29.15	11.76
	Noticee 2	69	109	3672.99	33.70	18.51
	Noticee 3	67	108	3603.18	33.36	17.40
	Noticee 4	57	87	2111.31	24.27	11.15

*A Scrip day has been considered as a day in which the entity has traded in a combination of trade date and unique symbol.

3.6. On an analysis of KYC documents, bank account statements and submissions made at the time of statement recording of the respective *Noticees*, it was observed that *Noticee No. 5* was controlling and operating the trading accounts of *Noticees No. 1* and *2* while *Noticee No. 6* was controlling and operating the trading accounts of *Noticees No. 3* and *4*.

3.7. It was also noted during the course of the investigation that *Noticee No. 6* has from his own trading account placed orders on six instances that have front run the orders of the Big Clients.

3.8. The front running trading activity from the trading account of *Notices No. 1 to 4* as well as from the account of *Noticee No. 6* has resulted in the generation of wrongful gain, as mentioned below:

Table No. 3

Trading Account	Trading Account Operated by	No. of Instances	Total Wrongful Gains (INR)
Mr. Virendra Pratap Singh	Mr. Santosh Brijraj Singh	86	11,71,714
Ms. Neha Virendra Singh	Mr. Santosh Brijraj Singh	106	18,47,171
Mr. Gulammohammed Gulamabbas Shaikh	Mr. Adil Gulam Suthar	104	16,96,415
Mr. Mohammedidrish A Shaikh	Mr. Adil Gulam Suthar	83	10,88,467
Mr. Adil Gulam Suthar	Mr. Adil Gulam Suthar	6	1,24,386
Total			59,28,153

4. Based on the aforesaid factual matrix unearthed during the investigation, a common Show Cause Notice dated March 2, 2022 (hereinafter referred to as “SCN”) was issued to the *Notices* alleging that front running trades were executed from the trading account of *Notices No. 1 to 4* and 6. It was also alleged that *Noticee No. 5* was controlling and operating the trading accounts and the linked bank accounts of *Notices No. 1* and 2 while *Noticee No. 6* was controlling and operating the trading accounts and linked bank accounts of *Notices No. 3* and 4. Therefore, it has been alleged that *Notices No. 1 to 4* had lent their trading and bank accounts to *Notices No. 5* and 6 to carry out such front running activities and they had no understanding of the transactions that were being executed from their accounts by *Notices No. 5* and 6. In view of the same, it was alleged that *Notices No. 5* and 6 were the actual front runners and are liable for the alleged front running of the trades executed from the trading account of *Notices No. 1 to 4* while *Notices No. 1 to 4* were acting as mere Mule Account Holders but at the same time have been alleged to be liable for their “omission” to act in a prudent manner which enabled

Notices No. 5 and 6 to use their Account Sets as Mule Account Sets, to execute the alleged front running trades from their accounts.

5. The SCN alleges that *Notices No. 5 and 6*, by employing a scheme to ‘front run’ the orders of the Big Clients, have acted in a fraudulent manner and such actions were alleged to be in violation of Sections 12A (a), (b), (c) and (e) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and regulations 3 (a), (b), (c) and (d), 4(1) and 4(2)(q) of SEBI (Prohibition of Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”). The SCN further alleges that the alleged “omission” on the part of *Notices No. 1 to 4* to act in a prudent and diligent manner, which caused *Notices No. 5 and 6* to execute front running trades, has led to the alleged violation of Sections 12A (a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.

6. It is noted from the records that the SCN was served on the *Notices* through email and Speed Post Acknowledgment Due. In response to the SCN, *Notices* vide their separate letters dated March 25, 2022 have *inter alia* made the following submissions:

6.1. *Notices No. 5 and 6* have deposited the entire wrongful gain of the alleged front running trades in an escrow account as directed by *Interim Order* which is not in variance with the amount as unearthed and as finally computed after the investigation in the subject matter.

6.2. The alleged acts of front running the trades of the Big Clients by the *Notices* had happened unknowingly, unintentionally, inadvertently and without any ill intention to do any wrong work in the market.

6.3. *Noticee No. 5* has submitted that he has not disclosed the source of his information or the trading activity of the Big Clients, to his connected entities.

6.4. *Noticee No. 6* has submitted that the onus of keeping the information with respect to the impending orders of the Big Clients, confidential is with *Noticee No. 5*. He has no means to know which information is confidential or non-public.

6.5. No red alerts were generated either by the Exchange or by the stock broker.

6.6. *Notices*, specifically *Notices No. 1 to 4* have requested to treat their case with leniency as they have no idea about the alleged acts of the *Notices No. 5 and 6*.

6.7. It has also been submitted that they have no knowledge of the Securities Market and considering the age, absence of *mens rea* and in light of the suffering already undergone by them, they should be provided relief to start afresh.

6.8. *Notices* have knowingly waived off their right of personal hearing by expressing that they are not desirous of any hearing in the matter.

7. In the light of the explicit waiver of the right to personal hearing by the *Notices*, it is observed that the *Notices* have been duly informed through SCN about their right to respond to the allegations made in the SCN and also about the opportunity of personal hearing and despite that in their respective written replies, they have specifically stated that they are not desirous of availing any personal hearing in the matter. Having gone through the records, I find that no illegality or irregularity would creep in, if the desire of the *Notices* not to avail the personal hearing in the matter, is acceded to. Thus, in the given facts and circumstance of the matter, I am of the view that the principles of natural justice, have been met and I now proceed to adjudicate the matter, based on the materials made available on record and the written replies filed by the *Notices*.

Consideration of Issues and Findings

8. After going through the material available on record, I find that essentially, following issues arise for determination in the present matter:

8.1. Whether *Notices No. 5* and *6*, pursuant to a scheme wherein they have used the accounts of their connected entities i.e., *Notices No. 1* to *4*, have front run the impending orders of the Big Clients?

8.2. If answer to the aforesaid question is in affirmative, whether *Notices No. 5* and *6* are liable to disgorge the wrongful gains made from their front running trading activities?

8.3. Whether the conduct of the *Notices* have resulted in violation of provisions of SEBI Act and PFUTP Regulations which warrants for issuing of directions and / or penalty under Sections 11(1), 11(4) 11 (4A), 11B (1) and 11B (2) of the SEBI Act?

9. In order to evaluate the charges made against the *Notices* on merit, it is relevant to first refer to the provisions of SEBI Act and PFUTP Regulations, that have been either

allegedly violated by the *Noticees* or are otherwise relevant for the present proceedings. The said provisions are reproduced hereunder for ready reference:

SEBI Act

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.

...

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

PFUTP Regulations

Prohibition of certain dealings in securities

Regulation 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.

Prohibition of manipulative, fraudulent and unfair trade practices

Regulation 4 (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

Regulation 4 (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves –

...

(q) any order in securities placed by a person, while directly or indirectly in possession of information that is not publically available, regarding a substantial impending transaction in that securities, its underlying securities or its derivative;

10. The primary issue that requires to be addressed in the present matter is whether *Notices No. 5 and 6* have employed a scheme to ‘front run’ the impending orders of the Big Clients. To that extent, it will be relevant to note the definition of ‘front running’. In this respect, the Hon’ble Supreme Court of India while adjudicating the appeal in the

matter of *SEBI vs. Shri Kanaiyalal Baldevbhai Patel and Ors.* (2017)15 SCC 1 referred to the same and observed as follows:

“As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), ‘front running’ is defined as under:

Front running - Buying or selling securities ahead of a large order so as to benefit from the subsequent price move.

This denotes persons dealing in the market, knowing that a large transaction will take place in the near future and that parties are likely to move in their favour.

The illegal private trading by a broker or market-maker who has prior knowledge of a forthcoming large movement in prices. (Investment)

The Black’s Law Dictionary (Ninth Edition) defines the term ‘front running’ as under:

Front running, n. Securities. A broker’s or analyst’s use of nonpublic information to acquire securities or enter into options or futures contracts for his or her own benefit, knowing that when the information becomes public, the price of the securities will change in a predictable manner. This practice is illegal. Front-running can occur in many ways. For example, a broker or analyst who works for a brokerage firm may buy shares in a company that the firm is about to recommend as a strong buy or in which the firm is planning to buy a large block of shares.

Nancy Folbre – In the world of financial trading, a front-runner is someone who gains an unfair advantage with inside information.

SEBI has defined front-running in one of its circular (CIR/EFD/1/2012 dated May 25, 2012) in the following manner-

Front-running; for the purpose of this circular, front running means usage of non-public information to directly or indirectly, buy or sell securities or enter into options or futures contracts, in advance of a substantial order, on an impending transaction, in the same or related securities or futures or options contracts, in anticipation that when the information becomes public; the price of such securities or contracts may change.”

11. From the above, it is observed that the following factors are considered important in order to classify a trading activity as front running:

- 11.1. The information regarding an impending substantial large order of investor in a particular security that is not publicly available;
- 11.2. The order placed by the alleged front runner in securities was placed (directly or indirectly) in advance of the large order (placed by the Big Client in the matter), while in possession of the aforesaid non-public information.
12. In the light of the aforesaid discussion, I note that in order to bring home the charge of front running, following ingredients have to be satisfied:
- 12.1. Access to the non-public information about the impending orders of the Big Client by the front runner.
- 12.2. Particulars and Pattern of trading followed by the front runner in consonance with the trades of the Big Client.
- 12.3. Additional corroborative evidence, if any.
13. As noted in the beginning of the present Order, the impugned trades have been executed from the trading accounts of *Notices No. 1 to 4 and 6* and all the *Notices* are *inter alia* connected with each other as being part of the family and / or as friends. Neither the execution of orders from the trading accounts of *Notices No. 1 to 4 and 6*, are in dispute nor the *inter-se* connections amongst the *Notices*, have been disputed by the *Notices*. Given the said fact, I now proceed to examine the accessibility of the *Notices* to the impending orders of the Big Client.
14. It is noted from the records that both IIFL Asset Management Limited and NSE, have confirmed that *Notice No. 5* was the common Dealer for the Big Clients involved in the instant matter. Consequently, it is noted that *Notice No. 5* was privy to the orders / trade information of the six Big Clients i.e., when and what size of orders for buy / sell in a particular scrip, would be placed on behalf of the Big Clients. As noted above, the said fact has not been denied, rather the same has been admitted by *Notice No. 5* at the time of his statement recording. Further, the information about the impending orders of the Big Clients was non-public in nature as the same was not available in the public domain.
15. The next sub-issue that needs to be addressed is whether *Notice No. 5*, shared / communicated the non-public information of the Big Clients and / or used the said information to trade in the securities market. In the cases like front running, direct substantive evidence will not always be present. But in the absence of the same, one has

to infer the exchange / use of non-public information of the Big Client, based on the immediate and proximate facts and circumstances surrounding the events on which the charges / allegations are founded. Here, I would like to refer to the observations of the Hon'ble SC in the matter of *SEBI vs Kishore R Ajmera (2016) 6 SCC 368*, wherein the Hon'ble Court observed as follows:

"...It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate 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."

In the backdrop of the above principle, I proceed to examine as to whether the investigation has been successful in bringing adequate evidence either in the form of direct or corroborating evidence, sufficient enough to compel the inference about *Noticees* having prior knowledge about the impending trades of Big Clients based on which the trades, executed in the accounts of *Noticees*, (except for *Noticee No. 5*), have been substantially influenced by the possession of such non-public information about the impending trade orders of the Big Clients.

Notices No. 1, 2 and 5

16. It has already been noted that impugned trades were executed from the trading accounts of *Notices No. 1* and *2* who are connected to *Noticee No. 5*. To examine whether the trades executed from the trading accounts of *Notices No. 1* and *2* had the undue advantage of access to the non-public prior information about the impending trades of the Big Clients, following aspects were analysed:

16.1. On an analysis of the KYC documents of *Notices No. 1* and *2*, the following is noted:

16.1.1. On a comparison of their range of declared income (INR 1-5 lakh) with the gross traded value of the trades executed by the *Notices No. 1* and *2* (INR 25

crore and INR 37 crore, respectively) in equity segment of the market, one can easily ascertain the glaring disproportionate trading activity undertaken in the accounts of *Notices No. 1* and *2* as compared to their declared income.

16.1.2. The mobile number given in the KYC document is found to be not the primary number which was frequently used by the *Notices No. 1* and *2*. The said act of providing a mobile number which is not a primary number especially when the number is linked to the trading account wherein the *Noticee No. 1* and *2* are expected to receive trade alerts and other information regarding their trading account, is a material anomaly and gross negligence on their part as traders in the securities market.

16.2. On an analysis of the bank statements of *Notices No. 1* and *2* the following observations are made: -

16.2.1. Substantial cash deposits (INR 93,000 and INR 99,000, respectively) were found in the bank accounts of the *Notices No. 1* and *2* at the beginning of the investigation period out of which, majority amount (INR 60,000) was debited by their stock broker within a few days, raising question mark on the *bona fide* of source of such cash deposits and the unusual deployment of such cash deposits by the stock broker.

16.2.2. There were significant inflows of money (around INR 4 lakh and INR 7.5 lakh, respectively) from the stock broker into these bank accounts during the investigation period. The said inflow was not only a gross mismatch between the declared income of the *Notices No. 1* and *2* and actual cash inflow into their bank accounts but also the bank accounts showed a consistent pattern whereby soon after a sum of money gets credited by the stock broker into the account of *Notices No. 1* and *2*, subsequently it was withdrawn in cash via ATM over a period of few days in denominations of mostly INR 10,000 (range was INR 5,000 – INR 20, 000). The aforesaid series of flow of money, in and out from the bank accounts of *Notices No. 1* and *2*, casts a shadow of doubt on the genuineness of all such transactions noticed in the bank accounts of *Notices No. 1* and *2*.

16.2.3. On an examination of narration of entries made in the aforesaid bank statements, it is observed that these bank accounts were predominantly used

for trading, as most of these inflow of money were from the broker, which was subsequently seem to be withdrawn in cash via ATM. These bank accounts of *Notices No. 1* and *2* reveal hardly any other transactions viz., payment of any bills, or any EMI or insurance premium etc.

17. Thus, from the aforesaid analysis of KYC documents and bank statements of *Notices No. 1* and *2*, on a preponderance of probability basis, it can be concluded that someone other than the registered owners of the accounts, was controlling and operating the trading and bank accounts of *Notices No. 1* and *2*. The aforementioned conclusion is further strengthened from the admission made by the *Notices 1, 2* and *5* at the time of recording of their statements wherein, all of them have deposed uniformly on similar lines stating that it was *Noticee No. 5*, who was since the beginning, operating and managing the trading and bank accounts of *Notices No. 1* and *2*.

18. It has already been noted in the preceding paragraphs that the *Noticee No. 5* has a close family relationship with *Notices No. 1* and *2* and he is the only *Noticee* among the aforesaid three *Notices* who has had a long experience in dealing in securities market. Accordingly, the next issue that needs to be determined is whether *Noticee No. 5* who was operating and controlling the trading and bank accounts of *Notices No. 1* and *2*, had placed the orders from the trading account of *Notices No. 1* and *2*, by taking advantage of the non-public information about the impending orders of the Big Clients which he was privy to. The same requires analysing the particulars of the pattern of trades executed from the trading account of *Notices No. 1* and *2* during the investigation period. It is observed from the summary of trades executed from the trading accounts of *Notices No. 1* and *2* during the investigation period, which is given at Table No. 2, that a large percentage of scrip days of *Notices No. 1* and *2* in the equity segment of the market, are in common with the scrip days of Big Clients. An even stronger trend is observed in the intra-day trading activity executed from the trading accounts of *Notices No. 1* and *2*. The same is depicted in the table below:

Table No. 4

Equity Segment			
Noticee	No. of Instances (Scrip Days traded)	Common Scrip days with Big Clients	%
Noticee No. 1	142	99	69.71
Noticee No. 2	180	129	71.66

Table No. 5

Equity Segment			
Noticee	No. of Instances - Scrip Days - intra-day trades	Common Scrip days with Big Client for intra-day trades	%
Noticee No. 1	119	98	82.35
Noticee No. 2	143	125	87.41

From the above tables, it is observed that there is a significant overlap in the scrip days between the trading activities of *Noticees No. 1* and *2* and that of the Big Clients. Further, on a scrutiny of the *intra*-day trades executed from the trading accounts of *Noticees No. 1* and *2*, it is observed that there is a very specific trading pattern which has been repeated throughout the investigation period for the orders placed from the aforesaid trading accounts. The pattern that is followed is either a Buy-Buy-Sell pattern or Sell-Sell-Buy pattern with respect to the impending buy order of the Big Client. In other words, the order for the first leg of the *intra*-day trade (the front running leg) gets placed from the trading account of *Noticees No. 1* and *2* prior to the impending buy / sell order of the Big Client and the second leg of the *intra*-day trade (squaring off of trade) is set in motion by placing the sell / buy order prior to the execution of or immediately after the execution of the buy / sell order of the Big Client, in the same order limit price range similar to that of the Big Client, so that *Noticees No. 1* and *2*'s sell / buy orders get executed immediately / around the time of execution of buy / sell order of the Big Client. One such illustrative trade executed from the trading account of *Noticee No. 1* was noticed on January 20, 2020 in the scrip of Tata Global Beverages Ltd., (hereinafter referred to as “**Tata Global**”) (currently known as Tata Consumer Products Ltd.), the details of which are depicted below:

Table No. 6

Particulars	Type of Order	No. of Orders	Order Vol. Range	Order Start Time	Order End Time	Order Limit Price Range	Trade Start Time	Trade End Time	Sum of Trade Qty	Average Trade Price Range (in INR)	Match Vol. with Big Client
Noticee No. 1	Buy	1	10,000	15:07:44	15:07:44	382.50	15:07:44	15:17:34	8,806	382.47-382.50	-
Big Client	Buy	2	2,59,740	15:14:48	15:14:48	385.00	15:14:48	15:14:48	2,59,740	384.10-384.73	-
Noticee No. 1	Sell	3	866-4,955	15:10:31	15:21:02	382.25-384.95	15:14:48	15:21:02	8,806	382.28-384.95	7,940

19. The above illustration shows that 1 buy order for 10,000 shares of Tata Global, was placed from the trading account of *Noticee No. 1*. The order was placed at 15:07:44 hours which is prior to the impending 2 buy orders of the Big Client (IIFL Select Series II) for 2,59,740 shares of Tata Global which was placed at 15:14:48 hours. 3 sell orders (limit orders) in the range of 866 – 4,955 shares were put from the trading account of *Noticee No. 1* between 15:10:31 hours and 15:21:02 hours and were squared off between 15:14:48 hours and 15:21:02 hours when the Big Client order was placed. The sell orders of *Noticee No. 1* matched with buy orders of the Big Client for 90.16% of the quantity. Thus, both legs of the intra-day trading activity executed from the trading account of *Noticee No. 1* was designed in a manner to follow a Buy-Buy-Sell pattern with respect to the impending buy order of the Big Client, wherein the first leg of the trade was a front running leg. Similar, trading pattern was observed for the trades executed from the trading account of *Noticee No. 2*. One such illustrative trade executed in the scrip of Tata Global on January 20, 2020, is given below:

Table No. 7

Particulars	Type of Order	No. of Orders	Order Vol. Range	Order Start Time	Order End Time	Order Limit Price Range	Trade Start Time	Trade End Time	Sum of Trade Qty	Average Trade Price Range (in INR)	Match Vol. with Big Client
Noticee No. 2	Buy	2	5000-10000	15:05:08	15:08:24	382.65-383.00	15:05:08	15:08:50	15000	382.62-382.82	-
Big Client	Buy	2	259740	15:14:48	15:14:48	385.00	15:14:48	15:14:48	259740	384.10-384.73	-
Noticee No. 2	Sell	3	95-7455	15:11:35	15:20:06	384.90	15:14:48	15:20:06	15000	382.3-384.90	14045

20. In view of the aforesaid discussion, it is observed that the order for first leg of the *intra-day* trades (the front running leg) was placed on a regular basis / on numerous occasions, sometimes multiple times in the same day, prior to the placement of the impending orders of the Big Clients or before the last tranche of the order of the Big Clients. Similarly, order for the second leg of the *intra-day* trade on numerous occasions was placed prior to the last tranche of the order of the Big Clients. In a universe of numerous securities, it is observed that the trades executed from the trading account of *Noticees No. 1* and *2* are not only being executed in the same scrip on the same days as that of the Big Clients on a regular basis, but also such orders are placed from the trading account of *Noticees No. 1* and *2* in the same securities by following either Buy-Buy-Sell pattern or Sell-Sell-Buy pattern on a consistent basis. The frequency with which the

matching of trades was taking place on both buy side and sell side, shows that the same was being executed consciously under a well thought out design/ scheme or artifice and such execution of trades from the trading accounts of the *Notices No. 1* and *2* in the same scrip on a regular basis as that of the Big Clients cannot be seen as a mere coincidence.

21. Credence to the aforesaid finding is further lent from the examination of profits earned from the trades executed from the trading account of *Notices No. 1* and *2*, when the trades were executed on the days, which were common with the execution days of trades of the Big Clients vis-à-vis the days which were not common with the trading days of the Big Clients. The details with respect to such profits earned in the accounts of *Notices No. 1* and *2* are reproduced below:

Table No. 8

Particulars	Equity Segment					
	Noticee	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)
Common Scrip days with Big Client	Noticee No. 1	67	99	2,762.26	27.90	10.64
	Noticee No. 2	76	129	3,985.47	30.90	17.20
No of Other Scrip days not common with Big Client	Noticee No. 1	35	43	86.34	2.01	0.03
	Noticee No. 2	42	51	228.50	4.48	0.22

Thus, from the above table it is observed that there is a huge jump in the profits earned by the *Notices No. 1* and *2* on those scrip days which are common with the Big Clients.

22. In the given facts and circumstances of the matter, the cumulative effect of the following undisputed factors, as alluded to in the preceding paragraphs, has to be seen:

- 22.1. Accessibility of *Noticee No. 5* to the non-public information of the Big Clients.
- 22.2. Accessibility in terms of operation and control of trading and bank accounts of *Notices No. 1* and *2* which were involved in the execution of front running orders.
- 22.3. The specific unusual pattern of trading when compared to the buy / sell trades of the Big Clients.

Primary Evidence

- 22.4. Frequency of placement of orders in specific scrips which were in common with the impending orders of the Big Clients.
- 22.5. The expertise / experience of *Noticee No. 5* in dealing in the securities market.
- 22.6. Significant profits were made while trading on the days which were common with the trading days of the Big Clients vis-a-vis other trading days which were not common with the Big Clients.

Corrobo-
rative
Evidence

23. When the aforesaid undisputed factual observations are seen holistically, a picture that emerges on the basis of preponderance of probability is that the orders placed / trades executed from the trading accounts of *Notices No. 1* and *2* during the investigation period, were placed by *Noticee No. 5* and the said orders in specific scrips would not have been placed / entered into by *Noticee No. 5*, had he not been in possession of or privy to the non-public information about the impending trade orders about the Big Clients in the specific scrips. Further, considering the fact that neither the issue pertaining to knowledge of the non-public information by the *Noticee No. 5* nor execution of trades in the accounts of the *Notices No. 1* and *2* by the *Noticee No. 5*, has been denied or refuted and rather the said facts have been admitted by the *Notices* in their depositions before the Investigating Authority, it constrains me to conclude that the impugned trades executed from the trading account of *Notices No. 1* and *2* during the investigation period, were in fact the front running trades for which *Noticee No. 5* is liable and which have resulted in earning of a total wrongful gain to the tune of INR 30,18,885.

24. It is further noted that *Noticee No. 5* was not only placing the orders which had front run the impending orders of the Big Clients from the trading accounts of *Notices No. 1* and *2*, but also the ultimate beneficiary of the wrongful gain that was made from the execution of those front running trades. The reasons for the above observation are as follows:

- 24.1. *Noticee No. 5* was controlling the trading account of *Notices No. 1* and *2*.
- 24.2. *Notices No. 1* and *2* did not have an iota of knowledge or information about what was happening in their trading accounts, as they had no knowledge about the securities market.

24.3. The particulars of transactions / entry in the bank account linked to the trading account of *Notices No. 1* and *2* strongly suggest that these bank accounts were specifically opened for the purpose of trading.

24.4. The debit patterns in the linked bank accounts show that as soon as money was credited by the stock broker, the same was immediately withdrawn within a couple of days in cash so as to hide the audit trail and as per material available on record, *Notices No. 1* and *2* had no inkling about the operation of the bank accounts which were opened in their names.

25. *Noticee No. 5* has neither raised any dispute with respect to him being the ultimate beneficiary of the wrong gains made from the afore-discussed front running trades nor has he raised any dispute with respect to the quantification made by SEBI of the wrongful gains made from the execution of front running trades. In view of the reasons explained by me in the preceding paragraph and in the absence of any dispute raised by *Noticee No. 5* to the aforesaid discussions about he being responsible for the front running trades executed in the accounts of *Notices No. 1* and *2*, I find *Noticee No. 5* to be the ultimate beneficiary of the wrongful gains made from the above stated front running trades. Further, from the materials made available on record, I note that *Noticee No. 5* has deposited the aforesaid wrongful gains in an escrow account with a lien marked in favour of SEBI in compliance with the direction issued in the *Interim Order*. Therefore, in the absence of any contention raised against the computation of wrong gains, I find no reason to delve into the calculation of wrongful gain which from the action of *Noticee No. 5* shows that it has been accepted by him.

26. At this juncture, it is necessary to examine the role played by *Notices No. 1* and *2* in the execution of the front running trades from their respective trading accounts. On the basis of analysis of KYC documents and bank statements and their close family relationships, it has been noted in the preceding paragraphs that these two *Notices* were neither operating the trading accounts opened in their names nor had any inkling regarding the operation of these trading accounts. The aforesaid finding has also been confirmed by the *Notices No. 1, 2* and *5*, at the time of their statement recording. Thus, there is no room left for doubt that *Notices No. 1* and *2*, had lent their trading and bank accounts to *Noticee No. 5* which practically resulted in handing over the ownership and custody of securities and funds by *Notices No. 1* and *2* to a third party i.e. *Noticee No. 5*,

who having employed his own resources in the form of his market knowledge and money engaged in front running trades while the technical identities of the owners of the funds and shares in the records of the operating institutions (viz., Banks and Depositories) continue to be the name-lending account holders i.e. *Notices No. 1 and 2*. This devious practice of *Notices No. 1 and 2* facilitated *Notice No. 5* in executing the front running trades whilst concealing his identity behind the name-lending account holders (*Notices No. 1 and 2*) and the name lenders received gratification, directly or indirectly, in some form or the other by being part of the illicit activities by renting their accounts to *Notice No. 5*. It is on record that *Notice No. 5* used to financially help *Notices No. 1 and 2*, whenever any need arose. The consequence of such dubious practice adopted by *Notices No. 1, 2 and 5*, facilitated the aforesaid fraud in a camouflaged manner that was so designed to evade detection. Therefore, such practices of lending trading and bank accounts to abate fraudulent trading activities need to be strongly curbed in order to prevent market fraud.

27. In this regard, the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") in the matter of *Mahavirsingh N Chauhan and Anr. vs. SEBI* decided on October 18, 2019 has held as follows: "*We are of the opinion that by renting their demat account, trading account etc., the appellants were concealing the identity of the fraudster and, thus, were acting not only in concert but in connivance with the said fraudster. The appellants cannot, thus escape from the liability of debarment and the wrongful gains made by them.*"

Although the aforesaid order talks about renting of demat account, it does however highlights that using a third party's account to trade in the securities market, is not an acceptable and a legal practice and can't be allowed by any means to foster as a practice, as it is inimical for an orderly and healthy growth of the securities market.

28. Therefore, notwithstanding the finding that the *Notice No. 5* was effectively controlling the trading and bank accounts of *Notices No. 1 and 2*, the same will not absolve absolutely, *Notices No. 1 and 2*, for their "omission" and utter negligence to act in a prudent manner which enabled *Notice No. 5* to use their trading and bank accounts as mule account sets, to execute those front running trades in a fraudulent manner during the investigation period.

Notices No. 3, 4 and 6

29. As discussed in preceding paragraphs with respect to *Notices No. 1 and 2*, before arriving at a finding as to whether or not, the trades executed from the trading accounts of *Notices No. 3 and 4*, have front run the impending orders of the Big Clients, the following two sub-issues, need to be addressed:

29.1. Whether someone other than *Notices No. 3 and 4*, had access to / was managing their trading accounts?

29.2. Whether the orders placed / trades executed from the trading accounts of *Notices No. 3 and 4*, had the undue advantage of access to the non-public information about the impending trades of the Big Clients?

30. To examine whether someone other than *Notices No. 3 and 4*, had access to or was managing their trading accounts, the following factual aspects were analysed:

30.1. On an analysis of the KYC documents of *Notices No. 3 and 4*, the following is noted:

30.1.1. On a comparison of their range of declared income (INR 1-5 lakh) with the gross traded value of the trades executed by the *Notices No. 3 and 4* (INR 36 crore and INR 21 crore, respectively) in equity segment of the market, it can be easily understood even by a layman about the grossly disproportionate trading activity of *Notices No. 3 and 4* as compared to their declared income.

30.2. On an analysis of the bank statement of *Notices No. 3 and 4*, following observations can be made:

30.2.1. Significant inflow of money viz., INR 8,37,250 and INR 4,14,800 were observed to have been deposited in the bank accounts of *Notices No. 3 and 4*, from the stock broker, in just 8 months' period during the investigation period (till July, 2020) out of which, INR 8,20,500 and INR 4,11,200 respectively were withdrawn in cash via ATM. A consistent pattern was observed where soon after the money was credited by the stock broker, it was withdrawn in cash via ATM immediately over a period of few days in denominations of mostly INR 10,000/-. The aforesaid flows of money, in and out from the bank accounts of *Notices No. 3 and 4*, raise a strong doubt about

the genuineness of these transactions as noted from the bank accounts of *Notices No. 3 and 4*.

30.2.2. Cash withdrawals from the bank account of *Noticee No. 3* were frequently made from ATMs located at Sandhurst Road, Mumbai and Jail Road - Dongri, Mumbai while *Noticee No. 3* is actually a resident of Modasa, Gujarat. Further, from the CCTV footage / images of sample ATM transactions, it was observed that bank account of *Noticee No. 4* was also being accessed by *Noticee No. 6*.

30.2.3. On an examination of narration of entries made in the bank statements, it is observed that the bank accounts were predominantly being used for trading, as most of the inflows of money were from the stock broker which were subsequently withdrawn in cash via ATM. Moreover, there were hardly any other transactions viz., payment of any bills, or any EMI or insurance premium etc. noticed to have been done or through these bank accounts.

31. Thus, from the aforesaid analysis of KYC documents and bank statements of *Notices No. 3 and 4*, on a preponderance of probability basis, it can be safely concluded that someone other than the registered owners of the accounts, was controlling and operating the trading and banking accounts of *Notices No. 3 and 4*. The aforementioned conclusion is further strengthened from the admission made by the *Notices 3, 4 and 6* at the time of recording of their statement during which all of them have confessed that it was the *Noticee No. 6*, who was since the beginning, operating and managing the trading and bank accounts of *Notices No. 3 and 4*.

32. Now, having held that *Noticee No. 6* was controlling and operating the trading and bank account of *Notices No. 3 and 4*, the next issue that needs to be determined is whether *Noticee No. 6* was in possession of the non-public information of the impending orders of the Big Clients and has used the said prior knowledge to place orders from the trading accounts of *Notices No. 3 and 4*.

33. It has been noted in the preceding paragraphs that *Noticee No. 6* is a friend of *Noticee No. 5* who was privy to the non-public information of the impending orders of the Big Clients. Further, *Notices No. 5 and 6* were in constant communication (405 calls in just 8 months) with each other during the investigation period. Moreover, at the time of statement recording, *Noticee No. 5* has admitted to have shared information of the impending orders of the Big Clients with *Noticee No. 6* albeit as per his claim, he has not

disclosed the source of the information (to be dealt in subsequent paragraphs) and *Noticee No. 6*, has not denied having received prior information about certain scrips and price movement therein, during the investigation period. The aforesaid discussions and admissions made by the *Noticees* in their respective statements unambiguously lead to a conclusion that during the investigation period, *Noticee No. 6* was indeed in possession of information related to the impending orders of the Big Clients. Accordingly, the next issue that needs to be determined is whether *Noticee No. 6* who was operating and controlling the trading and bank accounts of *Noticees No. 3* and *4* and was the only person who had experience in dealing in securities market (being an Authorised Person of Angel Broking from mid-2018 to 2020) amongst the three aforesaid *Noticees*, did place the orders from the trading accounts of *Noticees No. 3* and *4* as well as from his own trading account, by using the information passed on to him by *Noticee No. 5* about the impending orders of the Big Clients.

34. In order to answer the aforesaid issue, the pattern of trades executed from the trading accounts of *Noticees No. 3* and *4* during the investigation period, have to be analysed. It is observed from the summary of trades executed from the trading accounts of *Noticees No. 3* and *4* during the investigation period, which is given at Table No. 2 in preceding part of this Order, that a large percentage of scrip days of *Noticees No. 3* and *4* in the equity segment of the market, are in common with the scrip days of the Big Clients. An even stronger trend is observed in the *intra-day* trading activities executed from the trading accounts of *Noticees No. 3* and *4*. The same is depicted in the table below:

Table No. 9

Equity Segment			
Noticee	No. of Instances (Scrip Days traded)	Common Scrip days with Big Clients	%
Noticee No. 3	214	127	59.34
Noticee No. 4	155	105	67.74

Table No. 10

Equity Segment			
Noticee	No. of Instances - Scrip Days - intra-day trades	Common Scrip days with Big Client for intra-day trades	%
Noticee No. 3	157	126	80.25
Noticee No. 4	125	99	79.20

From the above tables, it is noted that there is a significant overlap in the scrip days between *Notices No. 3 and 4* and the Big Clients. Further, on a scrutiny of the *intra-day* trades executed from the trading accounts of *Notices No. 3 and 4*, it is noted that there has been a very specific pattern which has been followed consistently throughout the investigation period for the orders placed from the aforesaid trading accounts. The pattern that is followed is either a Buy-Buy-Sell pattern or Sell-Sell-Buy pattern with respect to the impending buy order placed on behalf of the Big Clients. In other words, the order for the first leg of the intra-day trade (the front running leg) gets placed from the trading account of *Notices No. 3 and 4* prior to the impending buy / sell order of the Big Client and the second leg of the intra-day trade (squaring off of trade) is set in motion by placing the sell / buy order prior to the execution of or immediately after the execution of buy / sell order of the Big Client in the same order limit price range similar to that of the Big Client so that *Notices No. 3 and 4's* sell / buy orders gets executed immediately / around the same time of execution of buy / sell order of the Big Clients. One such illustrative trade from the trading account of *Noticee No. 3* was noticed on January 13, 2020 in the scrip of Siemens Ltd., the details of which are depicted below:

Table No. 11

Particulars	Type of Order	No. of Orders	Order Vol. Range	Order Start Time	Order End Time	Order Limit Price Range	Trade Start Time	Trade End Time	Sum of Trade Qty	Average Trade Price Range (in INR)	Match Vol. with Big Client
Noticee No. 3	Sell	2	418 - 1,000	9:51:03	10:16:47	1,501 - 1,511.85	9:57:55	10:18:45	2,000	1,501 - 1,511.85	-
Big Client	Sell	1	50,045	11:21:40	11:21:40	1,490	11:21:40	11:21:40	50,045	1,493.26	-
Noticee No. 3	Buy	6	116 - 450	10:36:51	11:24:06	1,490.50 - 1,496	11:21:40	11:24:06	2,000	1,490.50 - 1,495.68	1,884

35. The above illustration shows that 2 sell orders in the range of 418 – 1,000 shares of Siemens Ltd. were placed from the trading account of *Noticee No. 3*. The order start time was 9:51:03 am and order end time was 10:16:47 am which is prior to the impending sell order of the Big Client (IIFL Asset Management Limited) for 50,045 shares of Siemens Ltd., that was placed at 11:21:40 am. Further, 6 buy orders (limit orders) in the range of 116 – 450 shares were placed from the trading account of *Noticee No. 3* between 10:36:51 am and 11:24:06 am and were squared off between 11:21:40 am and 11:24:06 am when the Big Client order was placed. The buy orders of *Noticee No. 3* matched with sell orders of the Big Client for 94.2% of the quantity. Thus, both legs of

the *intra*-day trading activity executed from the trading account of *Noticee No. 3* was designed to follow a Sell-Sell- Buy pattern with respect to the impending buy orders of the Big Client, wherein the first leg of the trade was a front running leg. Similar trading pattern was also observed for the trades executed from the trading account of *Noticee No. 4*. One such illustrative trade in the scrip of Tata Global on January 20, 2020, is given below:

Table No. 12

Particulars	Type of Order	No. of Orders	Order Vol. Range	Order Start Time	Order End Time	Order Limit Price Range	Trade Start Time	Trade End Time	Sum of Trade Qty	Average Trade Price Range (in INR)	Match Vol. with Big Client
Noticee No. 4	Buy	1	7000	15:07:33	15:07:33	382.30-382.75	15:07:33	15:11:58	7000	382.30-382.75	-
Big Client	Buy	2	259740	15:14:48	15:14:48	385.00	15:14:48	15:14:48	259740	384.10-384.73	-
Noticee No. 4	Sell	2	2780-3734	15:13:22	15:21:32	382.40-384.75	15:14:48	15:25:35	7000	382.40-384.75	3266

36. In view of the aforesaid discussions, it is observed that the orders for first leg of the *intra*-day trades (the front running leg) were placed on a regular basis / on numerous occasions, even multiple times on the same day, prior to the placement of the impending orders of the Big Clients or before the last tranche of the orders of the Big Clients. Similarly, order for the second leg of the *intra*-day trade on numerous occasions was placed prior to the last tranche of the order of the Big Clients. In a universe of numerous securities, it is observed that the trades executed from the trading account of *Notices No. 3* and *4* are not only on a regular basis executed on the same scrip days as that of the Big Clients but orders were also placed from the trading account of *Notices No. 3* and *4* in the same specific securities by following either Buy-Buy-Sell pattern or Sell-Sell-Buy pattern on a consistent basis. The frequency with which the matching of trades was taking place on both buy side and sell side, shows that the same was being implemented by design and cannot be a mere coincidence.

37. Credence to the aforesaid finding is further lent from the examination of profits earned from the trades executed from the trading accounts of *Notices No. 3* and *4* when the trades were executed on the scrip days which were common with the trades of the Big Clients vis-à-vis the scrip days which were not common with the Big Clients. The

details with respect to profits earned from such trades executed on common scrip days are reproduced below:

Table No. 13

Particulars	Equity Segment					
	Noticee	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)
Common Scrip days with Big Client	Noticee No. 3	76	127	3885.05	30.59	16.47
	Noticee No. 4	68	105	2404.72	22.90	10.86
No of Other Scrip days not common with Big Client	Noticee No. 3	53	87	178.74	2.05	0.07
	Noticee No. 4	38	50	85.47	1.71	(0.01)

From the above table it is observed that there is a huge jump in the profits, on the scrip days which are common with the scrip days of the Big Clients.

38. In the given facts and circumstances of the matter, the cumulative effect of the following undisputed factors, as alluded to in the preceding paragraphs, has to be seen:

38.1. Accessibility of *Noticee No. 6* to the non-public information about the impending trades of the Big Clients.

38.2. Accessibility of *Noticee No. 6* in terms of operation and control of trading and bank accounts which were involved in the execution of front running orders.

38.3. The peculiar pattern of trading followed while front running the impending trades of the Big Clients.

Primary Evidence

38.4. Frequency of placement of orders in specific scrips which were in common with the impending orders of the Big Clients.

38.5. The expertise / experience of *Noticee No. 6* in dealing with the securities market.

38.6. Significant profits were made while trading on those scrip days which were common with the scrip days of the Big Clients vis-a-vis on other trading days which were not common with the Big Clients.

Corroborative Evidence

39. When the aforesaid undisputed factual findings are examined in their totality, the picture that emerges on the basis of a strong preponderance of probability is that the orders placed / trades executed from the trading accounts of *Notices No. 3* and *4* during the investigation period, were placed by *Noticee No. 6* and the said orders would not have been placed / entered into by *Noticee No. 6*, had he, not received / was in possession of the non-public specific information about the impending trade orders of the Big Clients. Hence, having considered the above facts with corresponding evidence coupled with the depositions made by the *Notices* during the investigation and further their non-denial of the allegations made in the SCN, it is observed that there is sufficient evidence, to conclude that the impugned trades executed from the trading account of *Notices No. 3* and *4* during the investigation period, were front running trades. As noted earlier, *Noticee No. 5* was instrumental in enabling *Noticee No. 6* to place the orders from the trading accounts of *Notices No. 3* and *4* as well as from his own trading account. Hence in all certainty, *Noticee No. 5* and *Noticee No. 6* are liable for the said front running trades executed from the trading accounts of *Notices No. 3* and *4* which have resulted in earning of a total wrongful gain to the tune of INR 27,84,882.

40. It is observed that not only *Noticee No. 5* had enabled *Noticee No. 6* to place the orders from the trading accounts of *Notices No. 3* and *4* but on a closer scrutiny of the order log and trade log it shows that *Notices No. 5* and *6* were in fact acting together. The inference for the same is drawn from the fact that not only the trades executed from the trading accounts of *Notices No. 1* to *4* were following a similar Sell-Sell-Buy or Buy-Buy-Sell pattern of front running as discussed above, but the orders that were placed from the said trading accounts were almost identical in terms of date on which they were placed, the scrip in which the trades were executed, the timing of the orders and volume of trade etc. An illustrative list of such similar trading pattern is reproduced hereunder:

Table No. 14

Particulars	Noticee No. 1	Noticee No. 2	Noticee No. 3	Noticee No. 4
Date	14/01/2020			
Scrip Name	GREAVESCOT			
Buy Order Start Time	12:55:47	12:46:17	12:42:35	12:40:40
Sell Order Start Time	14:30:09	14:32:18	14:36:48	14:34:04
Volume	7,957	8,573	9,498	8,000

Particulars	Noticee No. 1	Noticee No. 2	Noticee No. 3	Noticee No. 4
Date	18/02/2020			
Scrip Name	TATAMTRDVR			

Buy Order Start Time	12:40:40	12:49:15	12:56:45	12:53:18
Sell Order Start Time	11:44:28	11:12:14	11:37:21	11:46:54
Volume	40,000	41,342	34,738	34,543

Particulars	Noticee No. 1	Noticee No. 2	Noticee No. 3	Noticee No. 4
Date	07/04/2020			
Scrip Name	EQUITAS			
Buy Order Start Time	11:29:55	11:18:19	11:13:19	11:15:54
Sell Order Start Time	11:06:10	11:03:12	11:02:17	11:04:45
Volume	25,522	25,199	29,000	25,000

Particulars	Noticee No. 1	Noticee No. 2	Noticee No. 3	Noticee No. 4
Date	18/06/2020			
Scrip Name	CROMPTON			
Buy Order Start Time	15:03:00	14:52:43	15:00:52	14:56:36
Sell Order Start Time	15:10:22	15:10:01	15:12:18	15:06:54
Volume	5,021	6,599	5,000	5,182

41. The pattern as shown in the above tables, can also be seen on other trading days during the investigation period, which demonstrates that the trades that were executed from the trading accounts of *Noticees No. 1* to *4*, were not only in sync with the orders of the Big Clients but were also in tandem with each other. This further corroborates the fact that the aforesaid trading accounts were connected with each other and were operated and controlled by *Noticees No. 5* and *6* together acting in concert, who are also connected with each other and were in sync with each other when it comes to the execution of the orders during the investigation period.

42. Moreover, not only *Noticees No. 5* and *6* were acting together for placing the orders which had front run the impending orders of the Big Clients, from the trading account of *Noticees No. 3* and *4* but were also found to be the ultimate beneficiary of the wrongful gains that were made from the execution of those front running trades. The reason for the aforesaid finding is as follows:

42.1. *Noticee No. 5* had shared the information about the impending trade orders of the Big Clients with *Noticee No. 6*.

42.2. *Noticees No. 5* and *6* were placing the orders in tandem with each other.

42.3. *Noticee No. 6* was controlling the trading accounts of *Noticees No. 3* and *4*.

42.4. *Noticees No. 3* and *4* did not have an iota of knowledge or information about what was happening in their trading accounts.

- 42.5. The particulars of the bank account statement linked to the trading account of *Notices No. 3 and 4* show that these bank accounts were specifically opened for the purpose of trading in their names.
- 42.6. The debit patterns in the linked bank account show that as soon as money was credited by the stock broker, the same was immediately withdrawn within a couple of days in cash so as to hide the audit trail and as per material available on record, *Notices No. 3 and 4* had no inkling about the operation of the bank account which was opened in their names.
- 42.7. It is observed from the CCTV footage of a sample ATM transactions, that bank account of *Noticee No. 4* was being accessed by *Noticee No. 6*.
43. Further, as noted above, *Notices No. 5 and 6* have neither raised any dispute with respect to them being the ultimate beneficiaries of the wrong gains made from the front running trades nor have they raised any dispute with respect to the quantification of the wrongful gains made from the execution of front running trades. In view of the observations made in the preceding paragraph and in the absence of any dispute raised by *Notices No. 5 and 6* with respect to their responsibility in operating and managing the trading and bank accounts opened in the names of *Notices No. 3 and 4*, I find *Notices No. 5 and 6* to be the ultimate beneficiaries of the wrongful gains made from the front running trades. Further, from the materials available on record, I note that *Noticee No. 6* has deposited the aforesaid amount of wrongful gains as computed by SEBI in an escrow account with a lien marked in favour of SEBI and in the absence of any contention raised against the computation of wrong gains, I find no reason to delve into the calculation of wrongful gain which from the action and deposition of *Notices No. 5 and 6* show that it has been accepted by them.
44. I have in preceding paragraphs discussed at length, the role played by *Notices No. 1 and 2* in the present matter. Considering the facts and circumstances related to *Notices No. 1 and 2* are identical as that of *Notices No. 3 and 4*, I find no merit in again duplicating my finding with respect to the role played by *Notices No. 3 and 4* in the present matter in aiding and abetting the front running trades executed in their accounts by *Notices No. 5 and 6*. To put it briefly, *Notices No. 3 and 4* were also the name-lending account holders which enabled / facilitated, *Notices No. 5 and 6* to execute front running trades in a camouflaged way, during the investigation period. Thus, the actions of *Notices No.*

3 and 4 need to be strongly curbed in order to prevent any further market fraud. Therefore, notwithstanding the finding that the *Noticee No. 6* was effectively controlling the trading and bank accounts of *Noticees No. 3* and *4* and was placing the front running orders with the help of information received from as well as in sync with *Noticee No. 5*, the same will not absolve *Noticees No. 3* and *4*, for their “omission” and gross negligence to act in a prudent manner which made it so easy for *Noticees No. 5* and *6* to use their trading and bank accounts as mule account sets to execute the front running trades during the investigation period.

45. Furthermore, it is observed from the material made available on record that not only *Noticee No. 6* has used the trading accounts of *Noticees No. 3* and *4* to execute the front running trades but he has also on 6 instances (number of scrip days where the *Noticee* has done day-trading and commonly traded with the Big Clients) placed orders from his own trading account prior to the impending orders of the Big Clients or before the last tranche of the order of the Big Clients. The said trades which have followed either Buy-Buy-Sell pattern or Sell-Sell-Buy pattern have also resulted in wrongful gains in his hands to the tune of INR 1,24,386. One such instance in the scrip of Kansai Nerolac Paints Ltd. was noticed on December 6, 2019, is given below:

Table No. 15

Particulars	Type of Order	No. of Orders	Order Vol. Range	Order Start Time	Order End Time	Order Limit Price Range	Trade Start Time	Trade End Time	Sum of Trade Qty	Average Trade Price Range (in INR)	Match Vol. with Big Client
Noticee No. 6	Sell	9	50 - 500	09:23:50	13:51:05	520.80-582.90	09:23:50	14:02:32	2,139	520.80-528.90	-
Big Client	Sell	1	1,00,000	14:08:06	14:08:06	512.00	14:08:06	14:08:06	30,822	515.10	-
Noticee No. 6	Buy	8	154 - 334	13:13:51	14:09:21	512.00-520.00	14:08:06	14:10:39	2,139	512.00-519.80	1,985

The above illustration shows that 9 sell orders in the range of 50 - 500 shares of Kansai Nerolac Paints Ltd. were placed from the trading account of *Noticee No. 6*. The order start time was 9:23:50 am and order end time was 13:51:05 pm which was prior to the impending sell order of the Big Client (IIFL Long Term Growth Fund I) for 1,00,000 shares of Kansai Nerolac Paints Ltd. that was placed at 14:8:06 hours. Similarly, 8 buy orders (limit orders) in the range of 154 – 334 shares were placed from the trading account of *Noticee No. 6* between 13:13:51 hours and 14:09:21 hours and were squared off between 14:08:06 hours and 14:10:39 hours immediately after the Big Client order

was placed. The buy orders of *Noticee No. 6* is found to have matched with sell orders of the Big Client for 92.80% of the quantity. Thus, both legs of the *intra*-day trading activity executed from the trading account of *Noticee No. 6* were knowingly designed to follow a Sell-Sell- Buy pattern with respect to the impending buy order of the Big Client, wherein the first leg of the trade was a front running leg.

46. Before summarising my findings based on the trading pattern as demonstrated successfully in the preceding paragraphs, few of the contentions raised by the *Noticees* needs to be addressed.

47. *Noticee No. 5* has submitted that he has not disclosed the source of information or the trading activity of the Big Clients to *Noticee No. 6*. In this regard, I note that *Noticee No. 5* has admitted that he has shared the non-public confidential information of the impending orders of the Big Clients with *Noticee No. 6*. *Noticee No. 5* had come in the possession of the aforesaid non-public information pertaining to the impending trades of the Big Clients during the course of his business relationship / Client – Dealer relationship. It was his duty not to disclose or discuss with any other person(s) or to make improper use of the order details of a confidential nature of the Big Clients, irrespective of whether he has disclosed the source or not. Moreover, as a Dealer he has been associated with securities market and in that capacity, he has the knowledge about the various dynamics and functioning of the market. Therefore, he does understand the consequent market impact when substantial orders are placed in a particular security. In spite of being aware of the potential impact that a substantial order can have on the price of a particular scrip, *Noticee No. 5* instead of being careful and diligent in handling the said information, has by his own admission not only communicated the same to *Noticee No. 6* but also at the same time, undeniably has traded in the accounts of *Noticees No. 1* and *2* based on the said non-public information. Furthermore, for the allegation of violation of front running what is relevant here is the pre-existing knowledge about an impending substantial order of the Big Client which can potentially change the price of a security. Therefore, the minimum material non-public information which *Noticee No. 5* was required to communicate, directly or indirectly to *Noticee No. 6*, was to tell him to buy particular scrip(s) before a particular time of the day viz., as the market opens or before noon etc. and a communication of these minimal information to *Noticee No. 6* who was closely connected to him, would suffice to achieve the goal of front running, since *Noticee No. 6* very well knows that the indication from *Noticee No. 5* was based on his

knowledge about the impending orders of the Big Clients. Hence, specific details about such impending orders i.e., volume and price or who is placing the order including the source of *Noticee No. 5*'s information are neither essential to communicate to a person who is supposed to act in concert with *Noticee No. 5* nor to establish the allegation of front running against *Noticee No. 5* or *Noticee No. 6*. Thus, source of information of *Noticee No. 5* is not a relevant criterion for determination of violation of front running. Hence, the submission of *Noticee No. 5*, is untenable.

48. *Noticee No. 6* has contended that it was beyond his means to know which information is confidential or non-public information. In this regard, it is observed that under the extant regulations (Section 12 A(e) of SEBI Act and regulation 4(2)(q) of PFUTP Regulations), there is no specific requirement that the person who has received a non-public information should have the knowledge that the information received by him is non-public in nature. What needs to be established is that the *Noticee* in question was in possession of non-public information which he has used to place the trade orders in the market. Any other interpretation would play mischief to the objective of curbing the misuse of non-public information, as elaborate schemes can be developed by unscrupulous players by letting the non-public information to pass through intermediaries who may not have any knowledge as to its nature of non-public information before the misuse of such information happens. Therefore, the express words of the aforementioned provisions, leave no room for ambiguity that a specific knowledge of non-public nature of the information in the hands of the recipient, is not a relevant criterion under the aforementioned provisions. Hence, the submission of *Noticee No. 6* that he had no means to know which information is confidential or non-public, is devoid of merit. Without prejudice to the aforesaid, it is observed that *Noticee No. 6* was an Authorised Person of Angel Broking Pvt. Ltd. Thus, he has had long experience of working in the securities market which could have easily alerted him to the following red flags:

48.1. Pattern of buying / selling of shares before a certain time of the day over a period of ten months.

48.2. Considering the market dynamics successful generation of regular proceeds / profits by dealing in securities over a period of ten months.

The overlooking of the aforesaid red flags when seen along with the following circumstantial evidence lead to a conclusion that *Noticee No. 6* was very much aware of / had knowledge of the non-public nature of the information that was shared with him by *Noticee No. 5*. The following facts cannot be overlooked:

- Relationship between *Notices No. 5 and 6* – Both are friends who used to discuss matters related to securities market.
- Timing of contact between *Notices No. 5 and 6* - During the investigation period both the *Notices* were in constant communication with each other.
- Attempt to conceal the identity - *Notices No. 5 and 6* did not use their own trading accounts (except on 6 scrip days by *Noticee No. 6*) to trade in the shares of impugned trades but used the accounts of their connected mule entities to execute the impugned trades during the investigation period.

49. It has been submitted by *Noticee No. 6* that no alerts were generated either by the Exchange or the stock broker at the time of execution of impugned trades. The submission of the *Noticee No. 6* does not hold good since whether there was any concern at the level of the Exchange or stock broker with respect to trading pattern in a particular scrip(s) is a subject matter of subsequent examination / investigation into the trading in that scrip(s) and outcome of such examination / investigation. Any direction or measure, if warranted, based on the outcome of such examination / investigation, is a *post facto* action taken by the Exchange or the Regulator to safeguard the interest of investors in securities market and protect the market from further damage, as has been done in the instant case. Thus, the time taken to arrive at such decision / action depends on the complexity of the matter, its scale and *modus operandi* involved. Hence, there is no substance in the contention of the *Noticee No. 6* that no alerts were generated at the time of impugned trades. In any event, the responsibility to ensure that front running trades are not executed, lies with the person having access to the non-public information and the registered owner of the trading accounts. They cannot deflect their responsibility under the securities law onto a third party.

50. To sum it up, following are my findings in the present matter:

- 50.1. Based on the material anomalies observed in the KYC documents and bank account statement / entries, including pattern of ATM transactions and the factual findings as discussed above, it leads to a conclusion that *Notices No. 5 and*

6 were controlling and operating the trading account of *Noticees No. 1* and *2* and *Noticees No. 3* and *4*, respectively and their respective linked bank accounts, during the investigation period.

50.2. The trading pattern and particulars of trades executed by them, show that many of the tranches of the orders of the first leg of *intra*-day trades placed from the trading accounts of *Noticees No. 1* to *4* (front running leg) have been placed / executed prior to the impending trade orders of the Big Clients or before the last tranche of the orders placed by the Big Clients and the second leg of the *intra*-day trade (squaring off trades) begins by placing orders prior to the execution of the last tranche of the orders on behalf of the Big Clients.

50.3. The frequency with which first leg of the *intra*-day trades (the front running leg) were executed, shows that it was done on a numerous occasions, sometimes multiple times in the same day, prior to the placement of the impending orders of the Big Clients or before the last tranche of the orders of the Big Clients coupled with the fact that on multiple instances orders were placed by *Noticees No. 5* and *6*, in sync with and in tandem with each other which leads to an unambiguous conclusion that the said trades cannot be called a mere coincidence as the same would not have been entered into, had the *Noticees No. 5 and 6*, not been in possession of or privy to the non-public information of the impending orders of the Big Clients.

51. Based on the discussions in preceding paragraphs, it is observed that *Noticees No. 5* and *6* in an attempt to maintain anonymity and to avoid regulatory detection, had used mule accounts to execute the front running trades. The broad *modus operandi* of the scheme employed in the instant matter to 'front run' the order of the Big Clients is as follows:

51.1. *Noticees No. 5* and *6* opened and used Mule Account Sets (trading and bank accounts) which they can control and operate.

51.2. Once *Noticee No. 5* became privy to the non-public information of the impending orders of a Big Clients, he communicated the same to his connected entity, *Noticee No. 6*.

51.3. Opening cash deposits were made in the bank accounts of the trading account holders for commencing trading from these accounts. Then the orders

were placed either in the Buy-Buy-Sell pattern or Sell-Sell-Buy pattern around the placement of the orders of the Big Clients from the mules' trading accounts to generate substantial proceeds.

51.4. The aforesaid proceeds are later withdrawn in cash using ATM in an attempt to hide the audit trail of usage of the unlawful gains made out of such front running activities.

52. In the light of the above, it can be seen that *Notices No. 5* and *6* have not only employed a scheme to 'front run' the orders of the Big Clients but were also involved in every step that led to the fruition of the scheme, from the beginning (access to non-public information) till the withdrawal of the wrongful gain of the front running trades. Further, *Notices No. 1* to *4* have enabled / facilitated *Notices No. 5* and *6* in executing front running trades during the investigation period, by lending their trading and bank accounts to the two operators.

53. Therefore, I observe that the *Notices* have not been able to provide any acceptable justifications so as to defend themselves from the charges made in the SCN that a scheme was employed to front run the impending orders of the Big Clients. I find that sufficient level of degree of preponderance of probabilities has emerged from the factual matrix and the conduct of the *Notices*, so as to bring home the charges made in the SCN.

54. In conclusion, I observe that the SCN has been successful in establishing the charge that *Notices No. 5* and *6* with the help and cooperation of other *Notices No. 1* to *4*, employed a pre-determined device / scheme to front run the impending orders of the Big Clients. Pursuant to the scheme, the *Notices* have front run the orders of the Big Clients on multiple occasions during the investigation period and have made considerable wrongful gains. At the same time, the *Notices* have not been able to provide any plausible explanation with documentary evidence to defend their conduct and / or their trading behavior. On the contrary, based on the material anomalies noted in the KYC documents and bank statements, accessibility to the non-public information of Big Clients, pattern and particulars of trading, repetition of similar trading pattern, *inter-se* similarity in trading pattern and the quantum of wrongful gains generated, I am led to an irrefutable conclusion that the impugned trades are nothing but front running trades which would not have been executed if *Notices No. 5* and *6*, were not in possession of or privy to the information of the impending orders of the Big Clients,

during the investigation period. The scheme of events also amply explains the strategy adopted in the extant matter by using mule bank accounts and withdrawing money in cash from ATM, which was to hide the true identity of the ultimate beneficiary. The fraudulent, deceitful and manipulative device employed by the *Noticees* also demonstrates as to how superfluous and patently erroneous the claims of the *Noticees No. 5 and 6* are, that sharing of information happened in a flow or *Noticee No. 6* was not aware of the non-public nature of the information. By employing a scheme to 'front run' the orders of the Big Clients, *Noticees* have not only acted in a fraudulent manner but have also defrauded the Big Clients and general investors, including misleading the general investors by distorting the price and volume of the scrips. The aforesaid acts of the *Noticees* have not only led to market abuse but also amount to unfair trade practice, as the use of non-public information gives the *Noticees* an unfair advantage over the general investors, thus undermining the ethical standards of dealing in securities markets.

55. In view of the afore said findings, I observe that the *Noticees No. 5 and 6* have, while acting pursuant to a pre-determined scheme, have violated 12A (a), (b), (c) and (e) of SEBI Act and regulations 3 (a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations. Further, *Noticees No. 1 to 4* for their acts of name lending (mule account set holders) and for their "omission" to act in a prudent and diligent manner, have violated Sections 12A (a), (b) and (c) of SEBI Act, regulations 3 (a), 3 (b), 3 (c), 3(d) and 4(1) of PFUTP Regulations.

56. I note that 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 Regulation apart from bringing transparency and fairness among other things, aims to preserve and protect the market integrity in order to boost investors' confidence in the securities market. Since the conduct of the aforementioned *Noticees*, are not in the interest of investors and the securities market and considering the violations committed by the *Noticees*, I find that it becomes necessary for SEBI to issue appropriate directions against them. Further, for the acts of *Noticees No. 5 and 6* to

front run the impending orders of the Big Clients which resulted in wrongful gain in their hands, appropriate directions including disgorgement of the wrongful gain need to be passed against them.

57. Moreover, as it has been found in the present case that *Noticees No. 5 and 6* have executed front running trades which are in violation of the provisions related to fraudulent and unfair trade practices under SEBI Act and PFUTP Regulations, the same also warrants imposition of monetary penalty under Section 15 HA of the SEBI Act. For imposition of penalty under the provisions of the SEBI Act and PFUTP Regulations, Section 15J of the SEBI Act provides as follows:

“Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation. — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

58. I have in preceding paragraphs, taken note of the wrongful gains made by the *Noticees No. 5 and 6* in the extant matter. However, I also note that the wrongful gains have already been deposited by the said *Noticees* in an escrow account. Further, I find that allegations made in the SCN do not indicate the amount of specific loss caused to investors or group of investors as a result of the default by *Noticees No. 5 and 6*. Moreover, there is no allegation of repetitive nature of the default made in the SCN by the aforesaid two *Noticees*. I have also taken into account that the violations have been committed by *Noticees No. 5 and 6*, who were working / had worked with an intermediary, on a continuous basis over a period of ten months. I have also observed above that the *Noticees No. 1 to 4* were almost alien to the securities market and were having no prior knowledge and experience of the securities market and yet lent their

names to *Notices No. 5* and *6* to indulge in such fraudulent activities. The investigation has categorically ascertained that it was *Notices No. 5* and *6* who have opened, operated, managed and controlled the accounts of the *Notices No. 1* to *4* and sometimes they used to get monetary assistance from *Notices No. 5* and *6*. It was also unearthed that *Notices No. 1* to *4* were poor and not literate person and were managing their lives with difficulties.

Directions

59. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11A, 11B (1) and 11B (2) read with Section 19 of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, pass the following directions:

59.1. *Notices No. 1* to *4* are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever manner, for the period a period of 2 years.

59.2. *Notices No. 5* and *6* are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever manner, for the period a period of 5 years. Further, the amount of wrongful gains as mentioned at Table No. 3 and observed to have deposited by them in the escrow account, is hereby disgorged.

59.3. *Notices No. 1* to *4* are hereby restrained from holding post of Director, any managerial position or associating themselves in any capacity with any listed public company and any public company which intends to raise money from the public, or any intermediary registered with SEBI for a period of 2 years.

59.4. *Notices No. 5* and *6* are hereby restrained from holding post of Director, any managerial position or associating themselves in any capacity with any listed public company and any public company which intends to raise money from the public, or any intermediary registered with SEBI for a period of 5 years.

59.5. *Notices No. 5* and *6* are hereby imposed with, the monetary penalties, as specified hereunder, under Section 15HA of the SEBI Act:

Sl. No.	Name of the Noticee	Penalty Amount (INR)
1	Santosh Briraj Singh	10,00,000
2	Adil Gulam Suthar	8,00,000

60. *Noticees No. 5 and 6* are directed to pay their respective penalties within a period of forty-five (45) days, from the date of receipt of this order, by way of Demand Draft in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai or through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in. The demand draft or the details/ confirmation of e-payment should be sent to "The Division Chief, Investigation Department, ID-2, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C 4A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id: - tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of payee	
Date of payment	
Amount paid	
Transaction no.	
Bank details in which payment is made	
Payment is made for	

61. The Order shall come into force with the immediate effect.

62. A copy of this order shall be forwarded to the *Noticees*, all the recognized Stock Exchange, Depositories and Registrar and Transfer Agents for ensuring compliance with the above directions.

Date: June 3, 2022
Place: Mumbai

-Sd-
S. K. MOHANTY
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA